Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. This announcement does not constitute or form a part of any offer of securities for sale in the United States. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") or with any securities regulatory authority of any state of the United States and may not be offered or sold in the United States (as such term is defined in Regulation S under the Securities Act) or, if applicable, delivered in the United States except pursuant to an exemption from the registration requirements of the Securities Act. No public offering of the Securities will be made in the United States.*

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

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

PUBLICATION OF OFFERING CIRCULAR ON
THE STOCK EXCHANGE OF HONG KONG LIMITED

U.S.$10,000,000,000
Medium Term Note Programme

国银金租
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)
(the "**Issuer of the Direct Issuance Notes**")

or

CDBL Funding 2
(a company incorporated with limited liability in the Cayman Islands)
(the "**Issuer of the KW Notes**", and together with the Issuer of the Direct Issuance Notes, the "**Issuers**")

The KW Notes will be unconditionally and irrevocably guaranteed by

CDB LEASING (INTERNATIONAL) COMPANY LIMITED
國銀租賃(國際)有限公司
(a company incorporated with limited liability in Hong Kong)
(the "**Guarantor**")

and
with the benefit of a Keepwell and Asset Purchase Deed provided by

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)
(the "**Company**")

Arrangers

Standard Chartered Bank

Dealers

Standard Chartered Bank	**Bank of China**	**Bank of Communications**	**China CITIC Bank International**
HSBC	**DBS Bank Ltd.**	**China Minsheng Banking Corp., Ltd., Hong Kong Branch**	

* *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.*

Under the U.S.$10,000,000,000 Medium Term Note Programme (the "**Programme**"), (1) China Development Bank Financial Leasing Co., Ltd., subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Direct Issuance Notes**") and (2) CDBL Funding 2, subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes unconditionally and irrevocably guaranteed by CDB Leasing (International) Company Limited with the benefit of a Keepwell and Asset Purchase Deed provided by China Development Bank Financial Leasing Co., Ltd. (the "**KW Notes**", together with Direct Issuance Notes, the "**Notes**").

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

Please refer to the offering circular dated 21 November 2023 appended hereto in relation to the update of the Programme (the "**Offering Circular**"). As disclosed in the Offering Circular, the Notes to be issued under the Programme are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and the Programme has been, and the Notes to be listed on The Stock Exchange of Hong Kong Limited will be, listed on The Stock Exchange of Hong Kong Limited on that basis.

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

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuers and no such inducement is intended.

Shenzhen, the PRC
22 November 2023

As at the date of this announcement, the executive directors of China Development Bank Financial Leasing Co., Ltd. are Ms. MA Hong and Mr. HUANG Min; the non-executive directors of the Company are Mr. LI Yingbao and Mr. YANG Guifang; and the independent non-executive directors of the Company are Mr. XU Jin, Mr. LI Haijian and Mr. LIU Ming.

As at the date of this announcement, the directors of CDB Leasing (International) Company Limited are Ms. YANG Yuxia and Mr. MO Yanfeng.

As at the date of this announcement, the directors of CDBL Funding 2 are Ms. YANG Yuxia and Mr. MO Yanfeng.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR, IN RESPECT OF ANY OFFERING OF SECURITIES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) (the "**Company**"), CDBL Funding 2 (the "**KW Note Issuer**"), CDB Leasing (International) Company Limited 國銀租賃(國際)有限公司 (the "**Guarantor**") as a result of such access. In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States. You acknowledge that the access to the Offering Circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

Confirmation of Your Representation: The Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to represent to the Company, the KW Note Issuer, the Guarantor and the Dealers (as defined in this Offering Circular) that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and neither you nor any customer you represent is a U.S. person and that you consent to delivery of such Offering Circular by electronic transmission; and (2) you consent to delivery of the Offering Circular and any amendments or supplements thereto by electronic transmission. To the extent you purchase the securities described in the attached document, you will be doing so in an offshore transaction as defined in regulations under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") in compliance with Regulation S thereunder. You are reminded that the information in the Offering Circular is not complete and may be changed.

The Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the KW Note Issuer, the Guarantor, the Company, the Dealers, the Trustee or the Agents (each as defined in the Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls the KW Note Issuer, the Guarantor, the Company, the Dealers, the Trustee, the Agents or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of such alteration or change to the Offering Circular distributed to you in electronic format or any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the KW Note Issuer, the Guarantor, the Company and the Dealers.

Restrictions: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the KW Note Issuer, the Guarantor, the Company or the Dealers to subscribe or purchase any of the securities described therein, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the KW Note Issuer, the Guarantor and the Company in such jurisdiction.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES AND THE GUARANTEE (TOGETHER, THE "**SECURITIES**") DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, OR IN RESPECT OF ANY OFFERING OF SECURITIES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING IS MADE SOLELY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE OF REGULATION S UNDER THE SECURITIES ACT.

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the Offering Circular.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, IT MAY NOT BE FORWARDED TO ANY U.S. PERSONS OR TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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

U.S.$10,000,000,000
Medium Term Note Programme

国银金租
CHINA DEVELOPMENT BANK LEASING

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.
(國銀金融租賃股份有限公司)

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

(Hong Kong Stock Exchange Stock Code: 1606)

(as the Issuer of the Direct Issuance Notes)

or

CDBL FUNDING 2

(a company incorporated with limited liability in the Cayman Islands)

(as the Issuer of the KW Notes)

the KW Note will be unconditionally and irrevocably guaranteed by

CDB LEASING (INTERNATIONAL) COMPANY LIMITED
國銀租賃(國際)有限公司

(a company incorporated with limited liability in Hong Kong)

and

with the benefit of a Keepwell and Asset Purchase Deed provided by

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.
(國銀金融租賃股份有限公司)

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

(Hong Kong Stock Exchange Stock Code: 1606)

Under the U.S.$10,000,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), (1) China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) (the "**Company**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Direct Issuance Notes**") and (2) CDBL Funding 2 (the "**KW Note Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes unconditionally and irrevocably guaranteed (the "**Guarantee**") by CDB Leasing (International) Company Limited 國銀租賃(國際)有限公司 (the "**Guarantor**") (the "**KW Notes**", together with Direct Issuance Notes, the "**Notes**"). The KW Note Issuer is an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of the Guarantor. The Guarantor is a wholly-owned subsidiary of the Company through a trust arrangement. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$10,000,000,000 (or the equivalent in other currencies), subject to increase as further described in "*Summary of the Programme*".

The KW Note Issuer, the Guarantor and the Company entered into a Keepwell and Asset Purchase Deed on 19 July 2017 with The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**") as trustee of the KW Notes (the "**Keepwell and Asset Purchase Deed**") as further described in "*Description of the Keepwell and Asset Purchase Deed*". The Keepwell and Asset Purchase Deed does not constitute a guarantee by the Company of the obligations of the KW Note Issuer under the KW Notes or of the Guarantor under the Guarantee and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company, and will only be applicable to the KW Notes.

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

Notice to Hong Kong investors: Each of the KW Note Issuer, the Guarantor and the Company confirms that the Notes are intended for purchase by Professional Investors only and the Programme and the Notes, to the extent that such Notes are to be listed on the Hong Kong Stock Exchange will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, each of the KW Note Issuer, the Guarantor and the Company confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

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

Notes may be issued in bearer or registered form. The Notes of each Series issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**") (collectively, the "**Global Note**"). Bearer Notes that are issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**Code**") ("**TEFRA D**") must be initially represented by a Temporary Global Note and interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the Exchange Date (as defined herein), upon certification as to non-U.S. beneficial ownership. Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. The Notes of each Series in registered form will initially be represented by a global certificate (each a "**Global Certificate**"). Global Notes and Global Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), or with a sub-custodian for the Hong Kong Monetary Authority (the "**HKMA**") as operator of the Central Moneymarkets Unit Service (the "**CMU**"). Until the expiration of 40 days after the later of the commencement of the offering of a Tranche of a registered Series and the issue date thereof, beneficial interests in a Global Note or Global Certificate may be held only through Euroclear or Clearstream or the CMU. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes or Global Certificates for Certificates are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

Where the Administrative Measures for Examination and Registration of Medium-and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(中華人民共和國國家發展和改革委員會令(第56號)) as issued by the NDRC (as defined below) and effective from 10 February 2023, as supplemented by the relevant document issued by the NDRC in relation to the foreign debt quota available to the Company (where applicable) and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the National Development and Reform Commission of the PRC ("**NDRC**") from time to time (the "**NDRC Administrative Measures**") apply to a Tranche of Notes to be issued, (x) a pre-issuance registration certificate ("**Pre-Issuance NDRC Registration Certificate**") issued to China Development Bank ("**CDB**") by the NDRC pursuant to the NDRC Administrative Measures, and (y) an approval or confirmation provided by CDB which authorises the Company to use its foreign debt issuance quota under its Pre-Issuance NDRC Registration Certificate granted by the NDRC for the offering of the Notes, shall have been obtained pursuant to the NDRC Administrative Measures. The Company will be required to file or cause to be filed with the NDRC the requisite information and documents relating to the completion of an issue of the relevant Series or Tranche of Notes within the prescribed timeframe and to comply with the continuing obligations in accordance with the NDRC Administrative Measures.

In respect of a Tranche of Direct Issuance Notes, the approval by the NAFR (as defined in this Offering Circular) of the issuance by the Company of such Tranche of the Direct Issuance Notes or the general approval by the NAFR of such issuance by the Company as its general business, as the case maybe, will be obtained by the Company. In respect of a Tranche of Direct Issuance Notes, the Company undertakes to use its best endeavours to complete the registration and filing on or before the Registration Deadline (as defined in Condition 6(g)) of the Terms and Conditions of the Notes (the "**Terms and Conditions of the Notes**" or the "**Conditions**") with State Administration of the Foreign Exchange of the PRC ("**SAFE**") or its local counterpart of the relevant Notes (the "**Foreign Debt Registration**") which application shall be made by the Company in accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) issued by SAFE and which came into effect on 13 May 2013 and any implementation rules, reports, certificates or guidelines as issued by SAFE from time to time (the "**SAFE Measures**") and the Notice on Issues Relating to the Macro-prudential Management of Overall Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) promulgated by the People's Bank of China ("**PBOC**") on 11 January 2017 and any implementation rules, reports, certificates or guidelines as issued by the PBOC (the "**PBOC Notice**"), which will be made by the Company within the prescribed time period in accordance therewith.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state of the United States and may not be offered or sold or, in case of Bearer Notes, delivered, in the United States or, in case of Regulation S (as defined below) Category 2 offering, to or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. There will be no public offering of securities in the United States. The Notes and the Guarantee are being offered outside the United States in reliance on Regulation S under the Securities Act. Bearer Notes are subject to U.S. tax law requirements. Any Series of Notes may be subject to additional selling restrictions. The relevant Pricing Supplement in respect of such Series of Notes will specify any such restrictions. See "*Subscription and Sale*" and the relevant Pricing Supplement. Registered Notes are subject to certain restrictions on transfer as described in "*Subscription and Sale*".

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any relevant Tranche of Notes includes a legend entitled "Prohibition of sales to UK Retail Investors", such relevant Tranche of Notes is not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of the MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the relevant Tranche of Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of sales to UK Retail Investors", such relevant Tranche of Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the relevant Tranche of Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA") – Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time (each a "**Dealer**" and together the "**Dealers**") by the KW Note Issuer, the Guarantor or the Company, which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes. The Direct Issuance Notes issuable under the Programme have been assigned a rating of "A1" by Moody's Investors Service, Inc. ("**Moody's**") and a rating of "A+" by Fitch Ratings Ltd ("**Fitch**"). The KW Notes issuable under the Programme have been assigned a rating of "A2" by Moody's and a rating of "A+" by Fitch. The Company has been assigned a rating of "A1" by Moody's, "A" by S&P Global Ratings ("**S&P**") and "A+" by Fitch. These ratings are only correct as at the date of this Offering Circular. Tranches of Notes (as defined in "*Summary of the Programme*") to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes, the Guarantee, the Keepwell and Asset Purchase Deed. Prospective investors should be aware that the Keepwell and Asset Purchase Deed does not constitute a guarantee by the Company of the obligations of the KW Note Issuer under the KW Notes or of the Guarantor under the Guarantee and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company, and will only be applicable to the KW Notes, and that there are various other risks relating to the Notes, the KW Note Issuer, the Guarantor and the Company, and each of their subsidiaries, their businesses and their jurisdiction of operations which investors should familiarise themselves with before making an investment in the Notes. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" beginning on page 20 in this Offering Circular.

Arrangers

Standard Chartered Bank

Dealers

Standard Chartered Bank	**Bank of China**	**Bank of Communications**	**China CITIC Bank International**
HSBC	**DBS Bank Ltd.**	**China Minsheng Banking Corp., Ltd., Hong Kong Branch**	

This Offering Circular dated 21 November 2023

NOTICE TO INVESTORS

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

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. Investors are advised to read and understand the contents of the Offering Circular before investing. If in doubt, investors should consult their advisers.

Each of the KW Note Issuer, the Guarantor and the Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the KW Note Issuer, the Guarantor, the Company and its subsidiaries taken as a whole (the "**Group**"), the Notes, the Guarantee (in respect of the KW Notes) and the Keepwell and Asset Purchase Deed (in respect of the KW Notes) which is material in the context of the issue, offering, sale or distribution of the Notes (including all information which, according to the particular nature of the KW Note Issuer, the Guarantor, the Company and the Group and of the Notes, the Guarantee (in respect of the KW Notes) and the Keepwell and Asset Purchase Deed (in respect of the KW Notes), is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the KW Note Issuer, the Guarantor, the Company and the Group and of the rights attaching to the Notes, the Guarantee (in respect of the KW Notes) and the Keepwell and Asset Purchase Deed (in respect of the KW Notes)); (ii) this Offering Circular does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; (iii) the statements of fact contained in this Offering Circular are in every material respect true and accurate and not misleading in any material respect and there are no other facts in relation to the KW Note Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee (in respect of the KW Notes) and the Keepwell and Asset Purchase Deed (in respect of the KW Notes), the omission of which would in the context of the issue, offering, sale and distribution of the Notes make any statement in this Offering Circular, misleading in any material respect; (iv) the statements of intention, opinion, belief or expectation contained in this Offering Circular are honestly and reasonably made or held and have been reached after considering all relevant circumstances and based on reasonable assumptions; and (v) all reasonable enquiries have been made by the KW Note Issuer, the Guarantor and the Company to ascertain such facts and to verify the accuracy of all such information and statements.

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

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

This Offering Circular has been prepared by the KW Note Issuer, the Guarantor and the Company solely for use in connection with the Programme and the offering of the Notes thereunder described in this Offering Circular. The distribution of this Offering Circular and any Pricing Supplement and the offering of the Notes under the Programme in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular and any Pricing Supplement come are required by the KW Note Issuer, the Guarantor, the Company and the Dealers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including the United States, the European Economic Area, the United Kingdom, the Cayman Islands, the PRC, Hong Kong, Macau, Taiwan, Singapore and Japan, to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular and any Pricing Supplement, see "*Subscription and Sale*".

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the KW Note Issuer, the Guarantor and the Company in such jurisdiction.

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

PRIIPS/UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of sales to UK Retail Investors*", such Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA") – Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

No person has been or is authorised to give any information or to make any representation concerning the KW Note Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee (in respect of the KW Notes) or the Keepwell and Asset Purchase Deed (in respect of the KW Notes), other than as contained in or consistent with this Offering Circular or any information supplied by the KW Note Issuer, the Guarantor, the Company, the Group, or such other information as is in the public domain and, if given or made, any such other information or representation should not be relied upon as having been authorised by the KW Note Issuer, the Guarantor, the Company, the Dealers, the Trustee or the Agents (each as defined in the "*Terms and Conditions of the Notes*"). Neither the delivery of this Offering Circular, any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the KW Note Issuer, the Guarantor, the Company, the Group or any of them since the date hereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented, or create any implication that the information contained herein is correct at any date subsequent to the date hereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented. This Offering Circular or any Pricing Supplement does not constitute an offer of, or an invitation by or on behalf of the KW Note Issuer, the Guarantor, the Company, the Dealers, the Trustee or the Agents to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The KW Note Issuer, the Guarantor and the Company have submitted this Offering Circular confidentially to a limited number of institutional investors so that they can consider a purchase of the Notes. Neither the KW Note Issuer, the Guarantor nor the Company has authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Dealers, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Dealers, the Trustee or the Agents. None of the Dealers, the Trustee and the Agents has independently verified any of the information contained in this Offering Circular and can give any assurance that this information is accurate, truthful or complete.

This Offering Circular, the Pricing Supplement and any other information supplied in connection with the Programme or any Notes are not intended to provide the basis of any credit or other evaluation nor should they be considered as a recommendation by any of the KW Note Issuer, the Guarantor, the Company, the Dealers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular, the Pricing supplement and any other information supplied in connection with the Programme and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

Cayman Islands Data protection – Under the Cayman Islands Data Protection Act (Revised) and, in respect of EU data subjects, the EU General Data Protection Regulation (together, the "**Data Protection Legislation**"), data subjects have rights and the KW Note Issuer as data controller has obligations with respect to the processing of personal data by the KW Note Issuer and its affiliates and delegates. Breach of the Data Protection Legislation by the KW Note Issuer could lead to enforcement action.

Prospective investors should note that personal data may in certain circumstances be required to be supplied to the KW Note Issuer in order for an investment in the Notes to continue or to enable the Notes to be redeemed. If the required personal data is not provided, a prospective investor will not be able to continue to invest in the Notes or to redeem the Notes.

The KW Note Issuer has published a privacy notice (the "**Data Privacy Notice**"), which provides prospective investors with information on the KW Note Issuer's use of their personal data in accordance with the Data Protection Legislation. The location and means of accessing the Data Privacy Notice is specified in the "*General Information*" section of this Offering Circular.

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

Each person receiving this Offering Circular acknowledges that such person has not relied on the Dealers, the Trustee or the Agents or any person affiliated with the Dealers, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Dealers, the Trustee and the Agents or any of their respective affiliates, directors or advisers accepts any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made, by the Dealers, the Trustee or the Agents or any of their respective affiliates, directors or advisers or on its or their behalf in connection with the KW Note Issuer, the Guarantor, the Company, the Group, the Guarantee (in respect of the KW Notes), the Keepwell and Asset Purchase Deed (in respect of the KW Notes), the Programme or the issue and offering of the Notes thereunder. Each of the Dealers, the Trustee and the Agents or any of their respective affiliates, directors or advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Dealers, the Trustee, the Agents or any of their respective affiliates undertakes to review the financial condition or affairs of the KW Note Issuer, the Guarantor, the Company or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Dealers, the Trustee, the Agents or their respective affiliates.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

Notice to prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme, each such offering, a "**CMI Offering**", including certain Dealers, may be "capital market intermediaries" ("**CMIs**") subject to paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the KW Note Issuer, the Company, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the KW Note Issuer, the Company, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the KW Note Issuer, the Company, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the KW Note Issuer, the Company, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

Unless otherwise specified or the context requires, all references in this Offering Circular to "**the Company**", "**we**", "**us**", "**our**", "**Group**" and words of similar import are to China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) and its consolidated subsidiaries.

In this Offering Circular, unless otherwise indicated or the context otherwise requires, all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China, all references to "**China**" or the "**PRC**" are to the People's Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China ("**Macau**") and Taiwan, and all references to "**PRC government**" are to the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the PRC, all references to "**Hong Kong dollars**", "**HK dollars**", "**HK$**" or "**HKD**" are to the lawful currency of Hong Kong, all references to "**Sterling**" or "**£**" are to the lawful currency of the United Kingdom and all references to "**U.S. dollars**", "**U.S.$**" or "**USD**" are to the lawful currency of the United States of America (the "**United States**" or "**U.S.**").

Solely for convenience, this Offering Circular contains translations of certain Hong Kong dollar amounts and Renminbi amounts into U.S. dollar amounts. Unless indicated otherwise, the translations of Hong Kong dollar amounts and Renminbi amounts into U.S. dollar amounts have been made at the rate of HK$7.8363 to U.S.$1.00 and RMB7.2513 to U.S.$1.00 respectively, which are the exchange rates set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System on 30 June 2023. These translations should not be construed as representations that the Hong Kong dollar or Renminbi amounts could actually be converted into any U.S. dollar amounts, or vice versa, at the rates indicated or at all. Unless specified otherwise, references in this Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Company compiled on a consolidated basis.

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

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the KW Note Issuer, the Guarantor, the Company or the Dealers or their respective affiliates, directors and advisers, and none of the KW Note Issuer, the Guarantor, the Company or the Dealers or their respective affiliates, directors and advisers make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In case of inconsistencies or discrepancies, the Chinese names shall prevail.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Company as at and for the years ended 31 December 2021 (the "**Company's 2021 Audited Consolidated Financial Statements**") and 31 December 2022 (the "**Company's 2022 Audited Consolidated Financial Statements**") (collectively, the "**Company's Audited Consolidated Financial Statements**"), which are included elsewhere in this Offering Circular, were prepared and presented in accordance with the International Financial Reporting Standards ("**IFRS**"). The Company's Audited Consolidated Financial Statements have been audited by Ernst & Young, the Company's independent auditor for the years ended 31 December 2021 and 2022.

The unaudited but reviewed condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2023 (the "**Company's 2023 Reviewed Consolidated Interim Financial Statements**"), which are included elsewhere in this Offering Circular, were prepared and presented in accordance with International Accounting Standard ("**IAS**") 34. The Company's 2023 Reviewed Consolidated Interim Financial Statements have been reviewed by BDO Limited ("**BDO**"), the Company's independent auditor for the six months ended 30 June 2023. The unaudited but reviewed consolidated interim financial information as at 30 June 2023 and for the six months ended 30 June 2022 and 2023 set forth in the Company's 2023 Reviewed Consolidated Interim Financial Statements was prepared on the same basis as the Company's Audited Consolidated Financial Statements and has not been audited by the Company's auditors. Consequently, such consolidated interim financial information and the Company's 2023 Reviewed Consolidated Interim Financial Statements may not provide the same quality of information associated with information that has been subject to an audit. Investors must exercise caution when using such data to evaluate the Company's financial condition and results of operations. Such unaudited but reviewed consolidated interim financial information as at and for the six months ended 30 June 2023 should not be taken as an indication of the expected financial condition and results of operations of the Company for the full financial year ending 31 December 2023.

The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2021 (the "**Guarantor's 2021 Audited Consolidated Financial Statements**") and 31 December 2022 (the "**Guarantor's 2022 Audited Consolidated Financial Statements**") (collectively, the "**Guarantor's Audited Consolidated Financial Statements**"), which are included elsewhere in this Offering Circular, were prepared and presented in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**"). The Guarantor's Audited Consolidated Financial Statements have been audited by Ernst & Young, the Guarantor's independent auditor for the years ended 31 December 2021 and 2022.

Save for the Guarantor's Audited Consolidated Financial Statements, the financial information contained in this Offering Circular does not constitute specified financial statements (as defined in the Companies Ordinance (Cap. 622) of Hong Kong (the "**Companies Ordinance**")) in relation to the Guarantor. Since the Guarantor is a private company, the Guarantor is not required to deliver its specified financial statements as at and for the years ended 31 December 2021 and 2022 to the Registrar of Companies of Hong Kong and has not done so. Ernst & Young, the Guarantor's independent auditor for the years 2021 and 2022, has reported on the specified financial statements in relation to the Guarantor as at and for the years ended 31 December 2021 and 2022. The auditor's reports in respect of the Guarantor's specified financial statements as at and for the years ended 31 December 2021 and 2022 were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain any statement under section 406(2) or 407(2) or (3) of the Companies Ordinance.

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

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

(i) each relevant Pricing Supplement;

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

(iii) any annual audited financial statements and unaudited but reviewed interim financial statements of the Company, in each case together with any audit or review reports prepared in connection therewith, that are published subsequent to the date of this Offering Circular as amended and supplemented from time to time,

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

Any statement contained in this Offering Circular or in a document incorporated by reference into this Offering Circular will be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained in any such subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Offering Circular, except as modified or superseded.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available (upon written request and satisfactory proof of holding) free of charge, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the Company's principal place of business at CDB Financial Centre, No. 2003 Fuzhong Third Rd., Lianhua Street, Futian District 518000, Shenzhen, PRC.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases, you can identify forward-looking statements by such terminology as "**may**", "**will**", "**should**", "**could**", "**would**", "**expect**", "**intend**", "**plan**", "**anticipate**", "**going forward**", "**ought to**", "**seek**", "**project**", "**forecast**", "**believe**", "**estimate**", "**predict**", "**potential**" or "**continue**" or the negative of these terms or other comparable terminology. However, these words are not the exclusive means of identifying forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to:

- general political and economic conditions, including those related to the PRC;
- the Group's ability to successfully implement its business plans and strategies;
- future developments, trends and conditions in the industry and markets in which the Group operates or into which the Group intends to expand;
- the Group's business prospects;
- the Group's capital expenditure and operational plans;
- the actions and developments of the Group's competitors;
- the Group's financial condition and performance;
- capital market developments;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business and its business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- the Group's dividend policy;
- various business opportunities that the Group may pursue;
- macroeconomic measures adopted by the PRC government to manage economic growth;
- changes in the global economic conditions and material volatility in the global financial markets; and
- other risks identified in the section entitled "*Risk Factors*" in the Offering Circular.

Such statements reflect the current views of the KW Note Issuer, the Guarantor or the Company with respect to future events, operations, results, liquidity and capital resources and are not guarantees of future performance, some of which may not materialise or may change. Although the KW Note Issuer, the Guarantor and the Company believe that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements.

All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the KW Note Issuer, the Guarantor, the Company and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. The KW Note Issuer, the Guarantor and the

Company undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the KW Note Issuer's, the Guarantor's and the Company's actual results could differ materially from those anticipated in these forward-looking statements. All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set forth in this section.

These forward-looking statements speak only as at the date of this Offering Circular. The KW Note Issuer, the Guarantor and the Company expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in their expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

TABLE OF CONTENTS

SUMMARY

This summary does not contain all the information that may be important to prospective investors in deciding whether or not to invest in the Notes and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

THE KW NOTE ISSUER

CDBL Funding 2 is an exempted company incorporated with limited liability under the Companies Act (Revised) of the Cayman Islands. It was incorporated in the Cayman Islands on 23 May 2017 as a special purpose vehicle. Its registered office is at Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

THE GUARANTOR

The Guarantor is wholly-owned by the Company through a Nominee Shareholder Agreement entered into between CFAS SERVICES LIMITED, an independent third party as nominee shareholder and trustee, and the Company as beneficiary. The Guarantor was incorporated in Hong Kong on 3 September 2009. As at the date of this Offering Circular, the issued share capital of the Guarantor is HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each. The registered office of the Guarantor is at 21st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong. None of the Guarantor's equity securities is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

The Guarantor serves as an operating platform for the Group's overseas operations in offshore shipping and equipment leasing. As at 30 June 2023, the Guarantor held a total of 248 special purpose companies ("**SPCs**") in Hong Kong, 245 of which are for ship leasing business, two for equipment leasing business and one for funding. Prior to 2015, the Guarantor was a financing and capital operations platform which was parallel with the other project companies in the Group and was beneficially owned by the Company as to 100% through a trust arrangement. For the purpose of satisfying the Group's offshore financing and capital needs, in 2015, the Company completed a restructuring and transferred a number of project companies in Hong Kong to the Guarantor. Since then, the Guarantor has been the holding company for the Group's shipping and equipment leasing business in Hong Kong.

The Guarantor serves as an important platform for the Company's operations in offshore shipping and equipment leasing, facilitating the Company in its continuous expansion of its shipping leasing business on a global scale. The Guarantor aims to continue to optimise and modernise its fleet structure with energy-saving, environmental-friendly and high-tech vessels.

In 2017, the Guarantor initiated and launched the first operating lease project of Cargill International in relation to five 200,000-tonne Newcastlemax dry bulk carriers. The Guarantor was also active in seeking quality projects through market exploration. In the following years, the Guarantor continued to promote key customer relationships in the shipping lease business and cooperated with important customers.

As of 30 June 2023, the Guarantor had a total of 206 ships, of which 179 ships were in operation and 27 new ships were under construction. In terms of lease method, among the ships in operation managed by the Guarantor, 150 ships were under operating lease and 29 ships under finance lease; in terms of ship type, among the ships in operation managed by the Guarantor, there were 128 bulk carriers, 27 product tankers, 18 container ships, five LNG vessels and one passenger cruise ship.

In 2023, the Guarantor continued to maintain the balanced development of operating leasing and financial leasing to improve the operational stability of its ship leasing business. The Guarantor continues to optimise the structure of the operating leasing fleet; enhance ship management services and strengthen the international first-class management of the operating lease fleet. On one hand, the Guarantor benefited from improvements in the bulk carrier transportation market, on the other hand, the Guarantor also gained support from the Group's commitment to ship leasing business and its forward-looking strategic planning. As at 31 December 2020, 2021 and 2022, the Guarantor had total assets of approximately RMB44,877.4 million, RMB50,430.3 million and RMB63,684.9 million, respectively. For the years ended 31 December 2020, 2021 and 2022, the Guarantor's revenue amounted to RMB1,783.7 million, RMB5,116.0 million and RMB5,666.4 million, respectively, and its net income amounted to RMB741.6 million, RMB3,192.3 million and RMB2,992.5 million, respectively.

THE GROUP

As at the date of this Offering Circular, the Company is the sole leasing business platform and one of the key strategic business segments of CDB, which reports directly to the PRC's highest administrative authority, the State Council of the PRC, and is one of the world's largest development finance institutions with PRC sovereign level credit ratings. We are dedicated to providing comprehensive leasing services to high-quality customers in industries, including aviation, regional development, shipping, vehicle and construction machinery. We are a pioneer and a leader in the PRC leasing industry and have one of the highest international credit ratings among PRC financial institutions. Founded in 1984, we were among the first leasing companies in the PRC and the first leasing companies regulated by CBRC.

As at 30 June 2023, our business segments are as follows:

- **Aircraft Leasing:** mainly engaged in the acquisition, leasing, management and disposal of commercial aircrafts;

- **Regional Development Leasing:** mainly engaged in the provision of leasing services that support the national policy driven regional development, thereby improving the regional financial service capacity to better assist the high-quality development of the regional economy, in alignment with major regional development strategies of the state;

- **Ship Leasing:** mainly engaged in the leasing of ships;

- **Inclusive Finance:** mainly engaged in the leasing of vehicles and construction machinery; and

- **Green Energy and High-end Equipment Leasing:** mainly engaged in the leasing of energy infrastructure and high-end equipment.

As one of the first leasing companies in the PRC, we have witnessed and participated in the development of the PRC leasing industry. With an increasingly diverse range of leasing products and a continually improving regulatory environment, the leasing industry has been playing an increasingly important role in the PRC financial system. We have weathered economic and industry cycles and regulatory reforms and gained experience through continual improvement in our business operations, products and business model innovation and exploration of new sectors. We have identified key sectors, namely the aircraft and regional development leasing businesses, which have well-developed business models, good asset quality and growth potential, and key customer groups, namely, large and medium-sized, high-quality corporate customers, as the primary focus of our business. Through exploration of different business sectors in a strategic manner, continuous product innovation and business improvement as well as optimisation of corporation governance, we outpaced our peers in terms of asset scale, profitability and risk control, and formed a business development model with obvious advantages of core competitiveness and prominent sustainable development capabilities.

The continued market-oriented reform of the PRC financial industry, the increase in demand for customised leasing products and services, the internationalisation of the Renminbi and favourable government policies have brought important opportunities in the leasing industry. We believe that our market-leading position, long operating history, well-developed business model and premier brand name will enable us to seize such opportunities. The extensive experience we gained through economic and industry cycles in the PRC enables us to achieve sustained growth in the next stage of China's economic transformation and to continue to maintain our leading position in the fast-developing PRC leasing industry. In addition, we obtained one of the highest international credit ratings among PRC financial institutions, two of which are on par with the sovereign rating of the PRC. Our superior funding capabilities provide strong support to our business development and empower us generate attractive financial returns.

Through navigating industry and macroeconomic cycles and regulatory reforms, we have maintained our market-leading position and gained experience through continual innovation and exploration. We have been playing an important role in driving the development of the PRC leasing industry and have achieve a number of "firsts" in our operating history, including but not limited to:

- the first listed CBRC-regulated financial leasing company in China and the sole leasing business and listing platform of CDB;
- the first CBRC-regulated leasing company to issue bonds on the international markets on the strength of our own credit ratings;
- the first CBRC-regulated leasing company to lease aircraft under finance and operating leases, respectively;
- the first CBRC-regulated leasing company to set up an overseas business platform to conduct overseas aircraft leasing;
- the first CBRC-regulated leasing company to conduct the leasing of toll roads and rail transit; and
- the first CBRC-regulated leasing company to launch commercial vehicle leasing through the manufacturer credit model.

For the six months ended 30 June 2023, our Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance and Green Energy and High-end Equipment Leasing businesses accounted for 33.6%, 27.2%, 22.7%, 8.0% and 8.5% of our revenue and other income, respectively.

Competitive Strengths

- We are a pioneer in the PRC leasing industry, with a leading market position and a premier brand name;
- As the sole leasing business platform and one of the key strategic business segments of CDB, we have the benefit of strong shareholder support;
- Our unique business model focuses and differentiated strategy on high-quality, large- and medium-sized enterprises both in China and globally;
- We have an industry leading, highly specialised Aircraft Leasing business with increasing profitability;
- We have strong capabilities in our Regional Development Leasing business;
- We have strong creditworthiness and balanced and diversified funding sources; and
- We have a visionary, highly effective, market-oriented and experienced management team.

Business Strategies

- Seize opportunities in the golden age of the fast-developing PRC leasing market by leveraging our leading market position;
- Expand our business scale through both organic growth and acquisitions, and continue to enhance our international operational capabilities;
- Further enhance our management of leased assets, particularly, leased asset trading capabilities, provide value-added services, and increase the proportion of revenue from intermediary businesses;
- Continue to enhance the diversification of financing channels and balance financing costs;
- Continue to enhance our risk management and control capabilities; and
- Establish a high-performing and professional team through an effective incentive mechanism.

SUMMARY OF THE PROGRAMME

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

Company	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司).
KW Note Issuer	CDBL Funding 2.
Guarantor in respect of the KW Notes	CDB Leasing (International) Company Limited 國銀租賃(國際)有限公司.
Keepwell and Asset Purchase Deed provider in respect of the KW Notes	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司).
Guarantee	The Guarantor will, in respect of a Tranche of KW Notes, unconditionally and irrevocably guarantee (the "**Guarantee**") the due and punctual payment of all sums from time to time payable by the KW Note Issuer under the Trust Deed, the KW Notes and the Receipts and the Coupons.
Undertakings in relation to the Direct Issuance Notes	In respect of a Tranche of Direct Issuance Notes, the Company undertakes to use its best endeavours to complete the registration and filing on or before the Registration Deadline (being the day falling 90 Registration Deadline Business Days after the date of the relevant Issue Date) with SAFE or its local counterpart of the relevant Notes (the "**Foreign Debt Registration**") which application shall be made by the Company in accordance with the *Administrative Measures for Foreign Debt Registration* (外債登記管理辦法) issued by SAFE and which came into effect on 13 May 2013 and any implementation rules, reports, certificates or guidelines as issued by SAFE from time to time (the "**SAFE Measures**") and the *Notice on Issues Relating to the Macro-prudential Management of Overall Cross-border Financing* (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) promulgated by the PBOC on 11 January 2017 and any implementation rules, reports, certificates or guidelines as issued by the PBOC (the "**PBOC Notice**"), which will be made by the Company within the prescribed time period in accordance therewith.
Information Report to NDRC . . .	Where the NDRC Administrative Measures apply, for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with the Conditions, the Company undertakes to, among other things, file or cause to be filed with the NDRC the requisite information and documents within the prescribed time period and to comply with the continuing obligations in accordance with the NDRC Administrative Measures, as further described in Condition 4(b) of the Terms and Conditions of the Notes.

Description	Medium Term Note Programme.
Size	Up to U.S.$10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of the Notes outstanding at any one time. The KW Note Issuer, the Guarantor and the Company may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the KW Note Issuer, the Guarantor and the Company to fulfil their respective obligations in respect of the relevant Notes, the Guarantee and the Keepwell and Asset Purchase Deed are discussed under "*Risk Factors*".
Arrangers	Standard Chartered Bank and Standard Chartered Bank (Hong Kong) Limited.
Dealers	Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited, Bank of China Limited, Bank of Communications Co., Ltd. Hong Kong Branch, China CITIC Bank International Limited, The Hongkong and Shanghai Banking Corporation Limited, DBS Bank Ltd. and China Minsheng Banking Corp., Ltd., Hong Kong Branch. The KW Note Issuer, the Guarantor and the Company may from time to time terminate the appointment of any Dealer under the Programme or appoint Dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Dealers**" are to all persons appointed as a dealer in respect of one or more Tranches or the Programme.
Certain Restrictions.	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*"). Further restrictions may apply in connection with any particular Series or Tranches of Notes.
Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Principal Paying Agent, Paying Agent, Transfer Agent and Calculation Agent.	The Hongkong and Shanghai Banking Corporation Limited.
CMU Lodging and Paying Agent.	The Hongkong and Shanghai Banking Corporation Limited.
Registrar in respect of Notes Held in the CMU	The Hongkong and Shanghai Banking Corporation Limited.
Registrar in respect of Notes Held in Clearstream and Euroclear	The Hongkong and Shanghai Banking Corporation Limited.

Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and/or the issue price), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of a Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	Notes may be issued in bearer or registered form as described in "*Terms and Conditions of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and vice versa. A Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. A Tranche of Registered Notes will initially be represented by a Global Certificate. Where TEFRA D (as defined below) is applicable, Bearer Notes must initially be issued in the form of a Temporary Global Note, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.
Clearing Systems	Clearstream, Euroclear, the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the KW Note Issuer, the Guarantor, and/or the Company, as the case may be, the Principal Paying Agent, the Trustee and the relevant Dealer(s).
Initial Delivery of Notes	On or before the issue date for a Tranche, the Global Note or Global Certificate representing the Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the HKMA as operator of the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the KW Note Issuer, the Guarantor and/or the Company, as the case may be, the Trustee, the Principal Paying Agent and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.

Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the KW Note Issuer, the Guarantor and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the KW Note Issuer, the Guarantor and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent.
Specified Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives. Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the KW Note Issuer or the Company in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the KW Note Issuer or the Company in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Fixed Rate Notes	Fixed interest will be payable in arrear on such date or dates as may be agreed between the KW Note Issuer, the Guarantor, and/or the Company, as the case may be, and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the KW Note Issuer, the Guarantor and/or the Company, as the case may be the relevant Dealer(s) and the Principal Paying Agent.
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: • on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporated in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first Tranche of the Notes of the relevant Series); or • by reference to EURIBOR, HIBOR, SHIBOR, CNH HIBOR or SOFR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or • on such other basis as may be agreed between the KW Note Issuer, the Guarantor, and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent. Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in "*Terms and Conditions of the Notes*") will be made in such currencies, and based on such rates of exchange, as the KW Note Issuer, the Guarantor and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent may agree and as may be specified in the relevant Pricing Supplement.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes (as defined in "*Terms and Conditions of the Notes*") or of interest in respect of Index Linked Interest Notes (as defined in "*Terms and Conditions of the Notes*") will be calculated by reference to such index and/or formula or to changes in prices of securities or commodities or to such other factors as the KW Note Issuer, the Guarantor and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent may agree and as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable (detailed in a formula, index or otherwise). Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the KW Note Issuer or the Company in the United Kingdom or if the activity of issuing the Notes is carried on from an establishment maintained by the KW Note Issuer or the Company in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption.	Notes may be redeemed before their stated maturity at the option of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.

Redemption for Change of Control	Following the occurrence of a Change of Control, the holder of each KW Note or, as the case may be, the holder of each Direct Issuance Note (in case of Condition 6(f)(i) of the Terms and Conditions of the Notes) will have the right at such holder's option, to require the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) to redeem all, or some only, of such holder's relevant Note at 101% of their principal amount together with unpaid interest accrued to the date fixed for redemption, as further described in Condition 6(f) of the Terms and Conditions of the Notes.
Redemption for No Registration Event	Following the occurrence of a No Registration Event, the Company (in respect of each Tranche of Direct Issuance Notes) shall, at the option of the holder of any Direct Issuance Note redeem all but not some only of the Direct Issuance Notes of the relevant Tranche held by such holder at a price equal to their principal amount (together with interest accrued to the date fixed for redemption), as further described in Condition 6(g) of the Terms and Conditions of the Notes.
Redemption for Taxation Reasons	Notes will be redeemable at the option of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) prior to maturity for taxation reasons as further described in Condition 6(c) of the Terms and Conditions of the Notes.
Status of the Notes	The Notes, the Receipts and the Coupons relating to them constitute direct, general, unconditional, unsubordinated and (subject to Condition 4(a) of the Terms and Conditions of the Notes) unsecured obligations of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) under the relevant Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Notes, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes), present and future.
Status of the Guarantee	The Guarantee constitutes direct, general, unconditional, unsubordinated and (subject to Condition 4(a) of the Terms and Conditions of the Notes) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future (subject to Condition 4(a) of the Terms and Conditions of the Notes) unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Notes.
Cross-Acceleration	The Terms and Conditions of the Notes will contain a cross-acceleration provision as described in Condition 10(c) of the Terms and Conditions of the Notes.
Withholding Tax	All payments of principal, premium (if any) and interest in respect of the Notes, the Receipts, the Coupons, the Trust Deed and under the Guarantee by or on behalf of the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. The KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) will pay such additional amounts as will result in the receipt by the Noteholders, Couponholders and Receiptholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. See Condition 8 of the Terms and Conditions of the Notes.
Ratings	Each Series of Notes may be assigned ratings by any of Moody's and/or Fitch or any other relevant rating agency, as specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.
Governing Law and Jurisdiction . .	English law with the submission to the exclusive jurisdiction of Hong Kong courts.
Listing and Admission to Trading	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme under which Notes may be issued by way of debt issues to Professional Investors only within the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. Separate application will be made for the listing of, and permission to deal in, the Notes which are agreed at the time of issue to be so listed on the Hong Kong Stock Exchange. Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).

	However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, stock exchange or quotation system.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, the Cayman Islands, the PRC, Hong Kong, Macau, Taiwan, Singapore and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*". Bearer Notes will be issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**Code**") ("**TEFRA D**") unless (i) the relevant Pricing Supplement states that the Bearer Notes are issued in compliance with rules in substantially the same form as U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the Code ("**TEFRA C**"); or (ii) the Bearer Notes are issued other than in compliance with TEFRA D or TEFRA C. In the case of Bearer Notes, only Notes with a term of 365 days or less (taking into account any unilateral rights to rollover or extend the term) will be issued other than in compliance with TEFRA D or TEFRA C and will be referred to in the relevant Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**") is not applicable. Bearer Notes with a term of more than 365 days (taking into account any unilateral rights to rollover or extend the term) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the KW Note Issuer or the Company to comply with the certification requirements under TEFRA D. Where TEFRA D is applicable, Bearer Notes must initially be issued in the form of Temporary Global Notes, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.
Keepwell and Asset Purchase Deed	The KW Note Issuer, the Guarantor, the Company and the Trustee have entered into the Keepwell and Asset Purchase Deed, which will only be applicable to the KW Notes, as further described in "*Description of the Keepwell and Asset Purchase Deed*".
Legal Entity Identifier of the Company	3003001Y2JXAVQAIZ618.
Legal Entity Identifier of the KW Note Issuer	549300VM1W749R7UDT24.

SELECTED FINANCIAL INFORMATION OF THE COMPANY

The following tables set forth the summary consolidated financial information of the Company as at and for the periods indicated.

The summary consolidated financial information of the Company as at and for the years ended 31 December 2020, 2021 and 2022, as set forth below, has been derived from the Company's Audited Consolidated Financial Statements, which have been audited by Ernst & Young, the Company's independent auditor for the years ended 31 December 2021 and 2022. The Company's Audited Consolidated Financial Statements have been prepared and presented in accordance with IFRS.

The summary consolidated financial information of the Company as at 30 June 2023 and for the six months ended 30 June 2022 and 2023, as set forth below, has been derived from the Company's 2023 Reviewed Consolidated Interim Financial Statements, which have been reviewed by BDO, the Company's independent auditor for the six months ended 30 June 2023. The Company's 2023 Reviewed Consolidated Interim Financial Statements have been prepared and presented in accordance with IAS 34.

The unaudited but reviewed consolidated interim financial information as at 30 June 2023 and for the six months ended 30 June 2022 and 2023 set forth in the Company's 2023 Reviewed Consolidated Interim Financial Statements was prepared on the same basis as the Company's 2022 Audited Consolidated Financial Statements and has not been audited by the Company's auditors. Consequently, such consolidated interim financial information and the Company's 2023 Reviewed Consolidated Interim Financial Statements may not provide the same quality of information associated with information that has been subject to an audit. Investors must exercise caution when using such data to evaluate the Company's financial condition and results of operations. Such unaudited but reviewed consolidated interim financial information as at and for the six months ended 30 June 2023 should not be taken as an indication of the expected financial condition and results of operations of the Company for the full financial year ending 31 December 2023. Please also refer to "Risk Factors – Risks Relating to Our Business and Industry – The Company's 2023 Reviewed Consolidated Interim Financial Statements have not been audited".

In preparing the Company's 2021 Audited Consolidated Financial Statements, the Company has adopted the following revised IFRSs for the first time: amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 and amendment to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted) and has applied these amendments as detailed in the Company's 2021 Audited Consolidated Financial Statements. Please refer to note 2.2 of the Company's 2021 Audited Consolidated Financial Statements. Please also refer to "Risk Factors – Risks Relating to Our Business and Industry – We face risks relating to changes in accounting standards".

In preparing the Company's 2022 Audited Consolidated Financial Statements, the Company has adopted the following revised IFRSs for the first time: amendments to IFRS3: Reference to the Conceptual Framework, amendments to IAS16: Property, Plant and Equipment: Proceeds before Intended Use, amendment to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract and Annual improvements to IFRSs 2018-2020: Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 and has applied these amendments as detailed in the Company's 2022 Audited Consolidated Financial Statements. Please refer to note 2.2 of the Company's 2022 Audited Consolidated Financial Statements. Please also refer to "Risk Factors – Risks Relating to Our Business and Industry – We face risks relating to changes in accounting standards".

In preparing the Company's 2023 Reviewed Consolidated Interim Financial Statements, the Company has adopted the following revised IFRSs for the first time: IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17): Insurance Contracts, amendments to IAS 8: Definition of Accounting Estimates, amendments to IAS1 and IFRS Practice Statement 2: Disclosure of Accounting Policies, amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction and amendments to IAS 12: International Tax Reform – Pillar Two model Rules and has applied these amendments as detailed in the Company's 2023 Reviewed Consolidated Interim Financial Statements. Please refer to note 3 of the Company's 2023 Reviewed Consolidated Interim Financial Statements. Please also refer to "Risk Factors – Risks Relating to Our Business and Industry – We face risks relating to changes in accounting standards".

The summary consolidated financial information as set forth below should be read in conjunction with the relevant consolidated financial statements of the Company and the notes included therein.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	**(audited)**	**(audited)**	**(reviewed)**	**(reviewed)**
Revenue					
Finance lease income	9,199,844	9,813,486	10,288,623	5,134,619	5,296,753
Operating lease income	8,520,051	11,550,309	12,475,713	6,425,283	5,510,197
Total revenue	17,719,895	21,363,795	22,764,336	11,559,902	10,806,950
Net investment gains	41,189	87,279	32,489	6,632	118,031
Other income, gains or losses	1,567,632	1,864,732	2,256,632	868,184	922,117
Total revenue and other income	19,328,716	23,315,806	25,053,457	12,434,718	11,847,098
Depreciation and amortisation	(4,133,564)	(4,348,822)	(5,380,735)	(2,541,914)	(2,896,375)
Staff costs	(430,448)	(494,793)	(546,785)	(270,526)	(221,336)
Fee and commission expenses	(80,658)	(82,056)	(51,015)	(26,764)	(41,149)
Interest expense	(6,980,798)	(8,087,780)	(8,206,689)	(3,956,755)	(4,834,889)
Other operating expenses	(838,048)	(1,256,500)	(1,653,476)	(658,453)	(755,109)
Net impairment losses on financial assets	(707,674)	(2,443,087)	(1,226,596)	(1,487,255)	(287,833)
Net impairment losses on other assets	(1,573,949)	(1,067,202)	(3,030,207)	(824,845)	(177,201)
Total expenses	(14,745,139)	(17,780,240)	(20,095,503)	(9,766,512)	(9,213,892)
Profit before tax	4,583,577	5,535,566	4,957,954	2,668,206	2,633,206
Income tax expense	(1,315,256)	(1,613,354)	(1,606,881)	(718,490)	(672,958)
Profit for the year/reporting period	3,268,321	3,922,212	3,351,073	1,949,716	1,960,248
Attributable to:					
Owners of the Company	3,268,321	3,922,212	3,351,073	1,949,716	1,960,248
Earnings per share attributable to owners of the Company (Expressed in RMB Yuan per share) – Basic and diluted	0.26	0.31	0.27	0.15	0.16

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	**(audited)**	**(audited)**	**(audited)**
Assets				
Cash and bank balances	34,992,986	36,833,077	29,760,725	21,248,114
Financial assets at fair value through profit or loss	216,862	156,330	131,894	168,357
Derivative financial assets	328,291	94,627	840,778	809,711
Financial assets at fair value through other comprehensive income	955,060	970,740	1,464,986	1,375,088
Accounts receivable	1,960,650	1,245,057	3,487,733	2,168,183
Finance leases receivable	166,040,552	190,871,553	193,494,283	202,132,437
Assets held-for-sale	–	–	364,578	–
Prepayments	15,829,764	11,958,595	11,551,036	12,289,396
Investment properties	1,040,023	904,310	1,041,945	1,107,039
Property and equipment	77,088,767	92,829,721	106,524,461	116,244,987
Right-of-use assets	181,149	154,492	141,184	133,265
Deferred tax assets	1,330,842	1,674,834	1,831,030	2,019,821
Other assets	3,364,721	4,144,293	4,082,614	4,289,663
Total assets	303,329,667	341,837,629	354,717,247	363,986,061
Liabilities				
Borrowings	210,382,017	236,087,673	246,882,657	247,342,470
Due to banks and other financial institutions	895,747	10,657,467	11,230,725	10,566,126
Financial assets sold under repurchase agreements	–	–	429,914	1,307,466
Derivative financial liabilities	1,416,207	576,497	28,283	451,803
Accrued staff costs	155,694	203,957	263,800	208,970
Tax payable	342,021	372,472	769,122	425,957
Bonds payable	46,221,709	45,045,528	36,872,054	35,884,204
Lease liabilities	196,490	172,141	147,234	144,911
Deferred tax liabilities	757,764	1,822,217	1,541,095	941,130
Other liabilities	16,332,703	16,792,923	22,268,918	31,109,315
Total liabilities	276,700,352	311,730,875	320,433,802	328,382,352
Equity				
Paid-in capital/share capital	12,642,380	12,642,380	12,642,380	12,642,380
Capital reserve	2,418,689	2,418,689	2,418,689	2,418,689
Hedging and fair value reserve	(1,145,885)	(459,909)	696,592	637,967
Translation reserve	(188,569)	(338,774)	506,969	930,932
General reserves	5,474,730	6,235,767	6,792,264	6,792,264
Retained profits	7,427,970	9,608,601	11,226,551	12,181,477
Total equity	26,629,315	30,106,754	34,283,445	35,603,709

SELECTED FINANCIAL RATIOS

	For the year ended 31 December/ As at 31 December			For the six months ended 30 June/ As at 30 June	
	2020	2021	2022	2022	2023
Return on average total assets[(1)] . .	1.16%	1.22%	0.96%	1.13%	1.09%
Return on average equity[(2)]	12.50%	13.83%	10.41%	12.49%	11.22%
Cost-to-income ratio[(3)]	7.14%	7.89%	9.14%	7.82%	8.63%
Net profit margin before tax and impairment losses[(4)].	38.74%	42.34%	40.48%	43.08%	28.67%
Net profit margin[(5)].	18.44%	18.36%	14.72%	16.87%	18.14%
Non-performing asset ratio[(6)].	0.80%	0.67%	0.63%	0.91%	0.78%
Non-performing asset ratio of finance lease business[(7)].	0.54%	0.45%	0.73%	0.86%	0.86%
Gearing Ratio[(8)]	8.36x	8.47x	7.75x	8.14x	7.69x

Notes:

(1) Calculated by dividing net profit for the year/reporting period by average balance of total assets at the beginning and the end of the year/reporting period (on an annualised basis).

(2) Calculated by dividing net profit for the year/reporting period by weighted average balance of total shareholders' equity during the year/reporting period (on an annualised basis).

(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/reporting period by the total revenue for the year/reporting period.

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

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

CAPITAL RATIO DATA

	As at 31 December			As at 30 June
	2020	2021	2022	2023
Capital Adequacy Indicators[1]				
Core tier-one capital adequacy ratio[2]	9.82%	9.40%	9.86%	9.75%
Tier-one capital adequacy ratio[3].	9.82%	9.40%	9.86%	9.75%
Capital adequacy ratio[4]	12.60%	11.93%	12.46%	12.33%
Asset Quality Indicators				
Ratio of allowance to non-performing finance lease related assets[5]	625.95%	847.80%	573.07%	491.85%

Notes:

(1) Calculated based on the Capital Administrative Measures (資本管理辦法) published by the CBRC on 7 June 2012, which became effective on 1 January 2013.

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

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

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

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

SELECTED FINANCIAL INFORMATION OF THE GUARANTOR

The following tables set forth the summary consolidated financial information of the Guarantor as at and for the periods indicated.

The summary consolidated financial information of the Guarantor as at and for the years ended 31 December 2020, 2021 and 2022, as set forth below, has been derived from the Guarantor's Audited Consolidated Financial Statements, which have been audited by Ernst & Young, the Guarantor's independent auditor for the years ended 31 December 2021 and 2022. The Guarantor's Consolidated Financial Statements have been prepared and presented in accordance with HKFRS.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	**(audited)**	**(audited)**
Revenue			
Finance lease income	832,658	625,338	673,362
Operating lease income	951,013	4,490,625	4,993,057
Total revenue	1,783,671	5,115,962	5,666,419
Other income, gains or losses	726,919	903,977	1,285,117
Total revenue and other income	2,510,589	6,019,939	6,951,536
Expenses			
Depreciation	(504,471)	(899,268)	(1,441,169)
Interest expenses	(875,372)	(919,638)	(1,192,443)
Other operating expenses	(320,569)	(637,971)	(879,759)
Net impairment losses on financial assets	(68,622)	(282,292)	(371,029)
Net impairment losses on other assets	–	(88,446)	(74,622)
Total expenses	(1,769,033)	(2,827,615)	(3,959,022)
Profit before tax	741,556	3,192,324	2,992,515
Income tax expense	–	–	–
Profit for the year attributable to owners of the Guarantor	741,556	3,192,324	2,992,515
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges, net of tax	(21,002)	56,083	2,807
Currency translation differences	(139,304)	(49,572)	494,948
Total other comprehensive income/(loss) for the year, net of tax	(160,306)	6,510	497,755
Total comprehensive income for the year attributable to owners of the Guarantor, net of tax	581,250	3,198,834	3,490,270

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	**(audited)**	**(audited)**
Assets			
Cash and bank balances	11,146,123	6,078,446	8,147,166
Derivative financial assets	328,291	56,608	22,948
Account receivable	–	49,995	632,265
Finance lease receivables	12,372,523	11,692,173	10,078,644
Prepayments	4,494,801	3,180,343	2,088,755
Property and equipment	13,624,819	24,618,664	26,568,013
Other receivables	2,910,841	4,754,043	16,147,094
Total assets	44,877,397	50,430,272	63,684,885
Liabilities			
Borrowings	20,934,004	22,644,552	35,021,670
Derivative financial liabilities	138,510	25,034	11,054
Bonds payable	20,093,083	21,256,121	18,641,058
Finance lease liabilities	818,687	671,287	524,042
Guarantee deposits from lessees	170,969	178,070	185,252
Other liabilities	1,259,557	993,786	1,150,118
Total liabilities	43,414,810	45,768,851	55,533,194
Equity			
Share capital	9	9	9
Other reserves	(75,342)	(68,832)	428,923
General reserves	619,342	696,672	704,740
Retained earnings	918,579	4,033,573	7,018,019
Total equity	1,462,587	4,661,421	8,151,691
Total liabilities and equity	44,877,397	50,430,272	63,684,885

RISK FACTORS

Any investment in the Notes involves certain risks. Prospective investors should consider carefully all of the information in this Offering Circular including but not limited to the risks and uncertainties described below, before making an investment decision. If any of the following risks actually occurs, our business, financial condition, results of operations or prospects could be materially and adversely affected. Additional risks or uncertainties not presently known to us, or that are currently deemed immaterial, may also impair our business operations. There can be no assurance that any of the events discussed in the risk factors below will not occur and if such events do occur, the investors may lose all or part of your original investment in the Notes.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Uncertainty and instability in macroeconomic, geopolitical and global market conditions could adversely affect our business.

Our business, financial condition, results of operations and prospects are largely affected by the macroeconomic, geopolitical and market conditions in China and elsewhere around the world. Our revenue is primarily derived from our leasing services, the growth of which is dependent on the demand for leasing services in the PRC and overseas markets. After years of rapid development, the economic growth of China, the principal market of our business, has decelerated gradually. A downturn in the PRC and overseas economies may adversely affect the overall demand for leasing services, which could, in turn, harm our business and growth prospects.

Our business, financial condition, results of operations and prospects are also subject to evolving macroeconomic and local policies in China and abroad, including inflation or deflation, fluctuations in currency, accessibility to financing and the levels of interest rates. The changes in national macroeconomic and local policies may materially and adversely affect our and our lessees' businesses, financial condition and results of operations. For example, we may encounter difficulties in collecting our debts from our lessees or debtors or suffer business or other losses as a result of economic, political, and social changes and events in a particular country or region. If we fail to promptly adjust our business structure and proactively prevent the risks in response to such policy changes, our business operations and prospects may be adversely affected.

While the International Monetary Fund expects global growth to be approximately 3.0% in both 2023 and 2024, there are a number of uncertainties ahead. The global economy has experienced significant challenges in recent years due to political tensions, ongoing international trade disputes, the elevated uncertainty stemming from monetary and fiscal policies adopted by central banks and other leading financial authorities globally and other relevant factors.

Increased economic nationalism and trade protectionism have increased geopolitical uncertainty and unpredictability throughout the world. Since the second half of 2018, there have been trade tensions between China and the United States with both countries imposing tariffs on certain products imported from each other. The escalating U.S.-China trade war and the U.S. global trade policy against the PRC, including tightening regulatory restrictions, industry-specific quotas, tariffs, non-tariff barriers and taxes may have an adverse effect on the PRC economy. Similar international trade disputes may also cause disruptions in the international flow of goods and services, which may in turn add to the uncertainties relating to the overall prospects for the global and the PRC economies this year and beyond, which may have a material adverse impact on our business, prospects, financial conditions and results of operations. On 31 January 2020, the United Kingdom (the "**UK**") officially exited the European Union ("**Brexit**"). With Brexit taking full effect, it is unclear how it will ultimately affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and other countries. Given the lack of precedent, the effect of Brexit remains uncertain, and Brexit has created and may continue to create negative economic impact and increase volatility in the global markets. Furthermore, the Russo-Ukrainian conflict that began in February 2022 and geopolitical uncertainty originated by, among others, the increased tensions between Russia and members of the North Atlantic Treaty Organisation, are contributing to further increases in the prices of energy, oil and other commodities and to volatility in financial markets globally, as well as a new landscape in relation to international sanctions and export-control measures. Geopolitical events such as continued tensions in various countries in the Middle East, the Korean peninsula, Eastern Europe as well as Africa could significantly undermine the stability of the global economy and financial markets. Such geopolitical risks may have a material adverse impact on macroeconomic factors which affect our business, financial condition and results of operations.

In addition, the COVID-19 pandemic, as well as the policies implemented by governments in response to the pandemic, have had and may continue to have an adverse effect on the global economy and financial markets. Please also refer to "*Risk Factors – Risks Relating to our Business and Industry – We may be subject to risks related to epidemics, acts of terrorism, wars, or other natural or man-made calamities globally*".

Furthermore, there are increasing inflationary pressures which have been triggered by a number of factors, including liberal monetary policies, interruptions to the global supply chain caused by measures taken by various governments to contain COVID-19, labour shortages and rising energy costs, may have severe consequences on the global economy such as increased costs of borrowings and production and lower business activities, which may in turn have a material adverse effect on our business, financial condition and results of operations. High inflation in 2022 has forced central banks of major economies to raise interest rates sharply, further depressing demand and increasing downward pressure on the global economy.

Concerns over various factors, including inflation, energy costs, geopolitical issues, the availability and cost of credit, unemployment, consumer confidence, declining asset values, capital market volatility and liquidity issues, have created difficult operating conditions in the past and could create difficult operating conditions in the future, any of which could have a material adverse effect on our business, financial condition and results of operations and prospects.

Any inability to maintain our asset quality may have a material adverse impact on our business, financial condition and results of operations.

The sustainability and future growth of our business are largely dependent on our ability to effectively manage and maintain the asset quality of our leased asset portfolio, a substantial portion of which is our finance lease related assets. If the asset quality of our finance lease related assets deteriorates, it may materially and adversely affect our business and results of operations. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the non-performing asset ratio for our finance lease business was 0.54%, 0.45%, 0.73% and 0.86%, respectively.

Substantial increase in our lease contract value or deterioration of our leased asset portfolio may lead to an increase in the level of our non-performing assets. We are continually improving our business model, management experience and risk management measures, especially those of our credit risk management, and take initiatives to mitigate risks for purposes of reducing the levels of our non-performing assets. However, we may fail to effectively control the non-performing assets in our leased asset portfolio.

Our leased asset portfolio may deteriorate due to various reasons, including factors beyond our control, such as a slowdown in the PRC or global economic growth, the occurrence of a global credit crisis, or other adverse market trends. Any significant changes in our lessees' industries may adversely affect their operations, financial condition and cash flows, which may affect their ability to perform their payment obligations and may lead to defaults of the lessees. Other factors beyond our control that may affect our lessees' financial condition and cash flows include the following:

- an increase in operating costs;
- labour shortages;
- fluctuations in interest rates and financing costs;
- accessibility to other financial support of the lessee;
- economic conditions and currency fluctuations in countries and regions where the lessee's business operates;
- competition in the lessee's industry;
- government regulations and related fees that impact the lessee's business; and
- geopolitical and other events, including the outbreak of war, terrorist acts, infectious diseases and natural disasters.

Our business involves various industries, any volatility of which may materially and adversely affect our business, financial condition and results of operations.

Our business primarily comprises Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance and Green Energy and High-end Equipment Leasing businesses. These businesses involve various industries, and could be affected, to various extents, by the economic cycle of the relevant industries. The nature, timing and extent of changes in industry-wide conditions are largely unpredictable. In the event of an industry downturn, unfavourable economic and market conditions may lead to a decline in demand for our leasing services, and an increase in our clients' default, as well as the deterioration in the quality of our leased assets, which may, in turn, materially and adversely affect our business, financial condition and results of operations. For instance, the outbreak of COVID-19 in early 2020 and its spread worldwide had a significant impact and continues to have a significant impact on the aviation and shipping industry. The COVID-19 pandemic and further prevention and control measures had a comprehensive impact on China and the global economy. Although the COVID-19 pandemic is now under control, the outbreak of COVID-19 has had and may continue to have a certain impact on our business operations, financial status of the lessees, or the fair value of leased assets or cash flows generated by future operating activities. It may affect the quality or income of our leased assets (including financial lease receivables, accounts receivable and operating lease equipment) to a certain extent.

By business segment, our business, financial condition and results of operations may be materially and adversely affected by the following factors:

- Our Aircraft Leasing business largely depends on the market demand for aircraft. In the first half of 2023, PRC airlines contributed to approximately 24.4% of the lease revenue of our Aircraft Leasing business. As a result, the development and conditions of the PRC commercial aviation industry could have a material impact on our business, financial condition and results of operations. The PRC commercial aviation industry has experienced rapid growth. However, there can be no assurance that this industry will be able to maintain such growth in the future. The global economy and the aviation industry may also affect our business. Unfavourable global economic and market conditions as well as other factors may discourage the use of air travel. For example, the decline in air passenger volumes, due to, among other things, flight restrictions and quarantine measures imposed by countries as a result of COVID-19 pandemic adversely affected our airline lessees' businesses and led to reduced demand for aircraft in 2021 and 2022. In addition, the surge in or fluctuations of fuel prices may also affect the profitability of our airline lessees and hence their ability to timely make lease payments to us. Even during periods of strong demand for air travel and air cargo transportation services, we may face a reduction in demand for leasing our aircraft, as such demand typically leads to sustained periods of financial strength and stability for certain airline customers. Under such circumstances, these airline customers may seek to purchase their own aircraft rather than entering into aircraft leasing arrangements. In addition, airline consolidation, industry liberalisation or deregulation, rising interest rates and high volatility in jet fuel prices in recent years, removal of visa or travel restrictions and growth in new airline business models may also affect financial performance for our airline customers. Airlines or other aircraft owners may also seek to lease out their own aircraft, thereby leading to increased competition in the aircraft leasing industry, which could materially and adversely affect our business, financial condition and results of operations.

- Our customers in the Regional Development Leasing business mainly comprise enterprises associated with local governments in the PRC. Unfavourable economic and market conditions may lead to changes in government policies or to a decrease in government income and an increase in its debt, which may result in the reluctance or inability of local governments to make lease payments, and thereby adversely affect our business, financial condition and results of operations. We may also be affected by national policies that standardise and restrain local governments' ability to raise financing.

- For our Ship Leasing business, unfavourable economic and market conditions may reduce freight volumes by ship or by truck, passenger volumes which may adversely affect our lessees' businesses.

- For our Inclusive Finance business, the construction machinery and equipment involved in our Construction Machinery Leasing business are widely used in the construction of infrastructure in China. If the total investment in infrastructure in China reduces and the PRC market for construction machinery becomes more mature, the ability of our Inclusive Finance business to generate cash flow may be hindered and our lease rates may decrease in the future.

- Certain of our customers in the Inclusive Finance business are small and medium-sized enterprises ("**SMEs**") from various industries. Due to the constraint in size, SMEs may lack the financial and management resources necessary to withstand the adverse impacts of substantial economic volatility, an increasingly stringent regulatory environment or other factors, which could leave them more susceptible to macroeconomic recession. Compared with larger enterprises, SMEs generally have less financial transparency, and therefore we may not be able to assess their credit risks accurately. In addition, some lessees may reduce or cease their business scale as required by the PRC government due to concerns over environmental impacts and excess production capacity in certain manufacturing industries. As a result, these lessees may delay or default on their lease payments, which could lead to an increase in our non-performing assets, and therefore materially and adversely affect our business, financial condition and results of operations.

Our leased assets, and collateral or guarantees securing our leases may not be sufficient or fully realised.

We have obtained ownership of the leased assets as security for our leases, and required additional security for certain leases. For the purposes of reducing the credit risk of our leases, we have required some of our lessees to provide charged and/or pledged collateral, mostly land and properties. In the case of a material breach of lease payment terms, we are entitled to enforce our security rights against such collateral and/or recover and dispose of the leased assets. Although we conduct regular post-lease examinations of such collateral, its value may decrease significantly and may be materially and adversely affected by factors including damage, losses, excess supply, devaluation or a decrease in market demand.

Similarly, material deterioration of the guarantors' financial condition or creditworthiness may significantly affect the amount we could recover under the respective guarantees. We regularly review our guarantors' financial condition, but there can be no assurance that sudden deterioration in their financial condition or even bankruptcy would not happen to such guarantors during the lease period.

If the value of the leased assets, or the collateral or guarantees securing our leases, proves to be insufficient to compensate our losses from the relevant overdue lease payments, we may need to obtain additional security from the lessees or other sources. However, there can be no assurance that we will be able to achieve that. Any decline in the value of the leased assets, collateral or guarantees securing our leases, or our failure to obtain additional security, may cause us to make additional allowance for, or write off, our non-performing assets, which may, in turn, materially and adversely affect our business, financial condition and results of operations.

We may not be able to liquidate or otherwise realise the value of the leased assets upon a lessee's default. In addition, the procedures for liquidating or otherwise realising the value of collateral may be protracted, and such collateral may not be liquid. Therefore, it may be difficult to enforce such charges or pledges. Furthermore, under certain circumstances, our security interest in the collateral may be subordinated to the rights of certain other parties. Any of the foregoing could adversely affect our ability to realise the value of the leased assets, or the collateral that secures our leases, in a timely manner, or at all.

We are subject to changing regulatory requirements, and failure to comply with such regulations may affect our business operations and prospects.

We are a leasing company regulated by the National Administration of Financial Regulation (the "**NAFR**", which replaced the former China Banking and Insurance Regulatory Commission (the "**CBIRC**")). Both our domestic and overseas businesses are subject to the regulation of the NAFR and the Shenzhen branch of the NAFR. We are also subject to the regulation of the PBOC and the SAFE. We are mainly subject to the regulatory requirements including those in the Measures on Financial Leasing Companies (金融租賃公司管理辦法) issued by the China Banking Regulatory Commission (the "**CBRC**"). Our regulators supervise and regulate us by imposing a series of regulatory ratios, such as capital adequacy ratio, and the maximum amount of lease financing towards a single shareholder or customer.

Despite the rapid growth of the PRC leasing industry in recent years, the relevant regulatory regime is still under development. Promulgation of new rules and regulations, and changes in interpretation or application of existing rules and regulations, may affect our implementation of new businesses, the concentration of our clients, and our operating costs, which may affect our business strategies and prospects as well as our ability to effectively compete with other companies not similarly affected. For example, on 13 March 2014, the CBRC revised the Measures on Financial Leasing Companies (金融租賃公司管理辦法), which introduced a new rule that limits the amount of lease financing towards a single shareholder. On 30 December 2021, the CBIRC issued the Administrative Measures for Project Companies of Financial Leasing Companies (金融租賃公司項目公司管理辦法) which introduced new rules for the establishment and management of project companies and special purpose vehicles for the purpose of carrying out financial leasing businesses, including shareholding requirement, capital requirement, permitted businesses, accounting and risk management and reporting requirement, including the reporting obligation imposed on a professional subsidiary when a management project company under the control of such professional subsidiary issue bonds. In addition, in February 2022, the CBIRC issued the Notice on Issues Related to Strengthening the Compliance Supervision of Financial Leasing Businesses of Financial Leasing Companies (關於加強金融租賃公司融資租賃業務合規監管有關問題的通知) and other documents for leasing companies, which continued to provide direction for the business compliance, the division of regulatory responsibilities and the optimisation of business structure and leasehold management in the leasing industry. Such new measures may necessitate reorganisation of certain leasing businesses carried out by us and/or our onshore and offshore project companies, and we expect to consult the NAFR and the relevant regulators on their regulatory opinions and suggestions when structuring such reorganisation.

Pursuant to the minimum capital requirements contained in the Administrative Measures for the Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the CBRC, we have been required to maintain a minimum Core Tier 1 capital adequacy ratio of 5%, a minimum Tier 1 capital adequacy ratio of 6% and a minimum capital adequacy ratio of 8% since 1 January 2013. In addition, pursuant to the Notice regarding the Arrangement of Transition Period of Implementation of the Administrative Measures for the Capital of Commercial Banks (Provisional) (關於實施<商業銀行資本管理辦法(試行)>過渡期安排相關事項的通知) promulgated on 30 November 2012 by the CBRC, we are required to gradually increase the above regulatory ratios to achieve a minimum Core Tier 1 capital adequacy ratio of 7.5%, a minimum Tier 1 capital adequacy ratio of 8.5% and a minimum capital adequacy ratio of 10.5% by 31 December 2018. As at 30 June 2023, our Core Tier 1 capital adequacy ratio and Tier 1 capital adequacy ratio were both 9.75%, and our capital adequacy ratio was 12.33%, all of which complied with the increases in regulatory requirements. Certain factors could adversely affect our ability to comply with applicable capital adequacy requirements in the future, including deterioration in our asset quality and a decline in our profitability. Meanwhile, our ability to satisfy the current regulatory capital requirements may be constrained by any government's regulatory approval, changes in our credit ratings, and any PRC and overseas economic, political, market and other conditions that may affect our capital-raising activities. There can be no assurance that we will continue to meet the capital adequacy requirements enforced by PRC regulatory authorities from time to time. We may also incur additional compliance and capital related costs as a result. We may have to reduce our growth rate or the scale of our lease financing to customers, such as by selling or disposing of certain leased assets on terms which are unfavourable to us or inconsistent with our business plans or development strategies, or by raising additional capital. If we are unable to maintain our compliance with regulatory requirements and sufficient capital, the NAFR may take a number of measures against us, including imposing restrictions on our ability to develop innovative business models and to assign or pay dividends. These measures may also trigger mandatory prepayments for some of our debts. As a result, our reputation may be significantly damaged and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Meanwhile, we will need to comply with more stringent regulations in the future. For example, in 2016, the CBRC required us to meet the regulatory requirements for a minimum ratio of allowance to non-performing finance lease related assets of 150%, and a minimum ratio of allowance to total finance lease related assets of 2.5%, which we had met as at 30 June 2023. Satisfying such regulatory ratios may require us to accrue additional provisioning, leading to increased impairment losses, decreased profit and decreased net book value of leased assets. If we fail to meet such requirements, the regulator may reprimand us, issue risk warnings or take corresponding regulatory measures, which may materially and adversely affect our business, financial condition, results of operations and prospects. In addition, there can be no assurance that regulatory requirements that would materially and adversely affect our business, financial condition and results of operations will not change in the future. As at 30 June 2023, our ratio of allowance for non-performing finance lease related assets and our ratio of allowance to total finance lease related assets were 491.85% and 4.25%, respectively.

The regulatory authorities in China conduct periodic on-site inspections and continuous supervision of our compliance with the relevant regulatory ratios and in relation to our business operation. For example, the Shenzhen branch of the NAFR (which replaced the Shenzhen branch of the CBIRC) may from time to time issue inspection reports and regulatory letters as to whether we met each of the regulatory ratios. Such regulatory letters may contain suggestions, such as how to improve our internal governance system and capital adequacy ratios, and requirements that we rectify such matters within a prescribed period. In addition, in April 2023, we received decisions by the Shenzhen branch of the CBIRC on (now known as the Shenzhen branch of the NAFR) certain non-compliances in relation to our business operation. If we fail to rectify such matters in time, or if our activities seriously disrupt our business operations and harm the interests of customers, our business may be suspended and our shareholders' interests limited, or additional regulatory measures may be imposed on us, which may materially and adversely affect our business, financial condition and results of operations, and harm our reputation. In addition, regulatory authorities such as the NAFR may make reference to the regulatory standards for commercial banks when supervising our business. While we actively respond to the regulator's regulatory opinions and suggestions, there can be no assurance that the regulators will not apply more stringent regulations in the future.

We have recently reclassified our business segments, which may affect the comparability of the segment financial information across the three years ended 31 December 2022 and the six months ended 30 June 2022 and 2023.

In preparing the Company's 2023 Reviewed Consolidated Interim Financial Statements, in order to further respond to national strategic calls and regulatory policy directions, to more accurately and timely convey to investors our business status and development planning, and to enhance the quality and efficiency of information disclosure, we adjusted our original business segments. Before the adjustment, our business segments included four leasing segments, i.e. aircraft leasing, infrastructure leasing, ship leasing and inclusive finance and others. Our adjusted business segments currently include aircraft leasing, regional development leasing, ship leasing, inclusive finance, green energy and high-end equipment leasing. See note 44 to the Company's 2023 Reviewed Consolidated Interim Financial Statements included elsewhere in this Offering Circular.

As our previous "infrastructure leasing" and "others" business segments were combined and re-divided into "regional development leasing" and "green energy and high-end equipment leasing" segments, after such adjustment, the segment revenues from our "infrastructure leasing" and "others" business segments contained in the in the Company's Audited Consolidated Financial Statements may not be directly comparable with the segment revenue from our "regional development leasing" and "green energy and high-end equipment leasing" segments recorded in the Company's 2023 Reviewed Consolidated Interim Financial Statements. The Company's Audited Consolidated Financial Statement, which includes our segment revenue for the years ended 31 December 2020, 2021 and 2022 and are included elsewhere in this Offering Circular, have not reflected the above adjustment adopted in the Company's 2023 Reviewed Consolidated Interim Financial Statements. If so adjusted, the adjusted amounts of segment revenue for the years ended 31 December 2020, 2021 and 2022 might be different from the financial information reported in the Company's Audited Consolidated Financial Statements.

Consequently, period-to-period comparisons of our historical operating results must be evaluated in light of the impact of such adjustments or reclassifications.

We require significant funding to support our business and may not be able to maintain sufficient liquidity to meet our business needs.

Our leasing business is balance sheet-driven, which requires a substantial amount of funding to support the growth of our leased asset portfolio, fund our operations and repay our debts. We have to make significant principal and interest payments on our outstanding indebtedness. Although we generally generate considerable funds from our operations, meeting our cash requirements for business needs in the long term requires substantial liquidity and stable access to multiple sources of funding. We fund our operations and expansion primarily through borrowings and bonds payable, in addition to the cash generated from our business operations. As at 30 June 2023, the balances of our outstanding debts from the foregoing funding sources were RMB247.3 billion and RMB35.9 billion, respectively. If we fail to maintain our existing and future funding arrangements on commercially acceptable terms, we may not be able to continue obtaining sufficient funding from our current sources. Our current sources of funding may not be sufficient to meet our liquidity needs in the future, and we may not be able to timely explore new sources to raise financing for our business.

In addition, unfavourable changes in our credit ratings could increase our funding costs and adversely affect our ability to obtain funding to support our business. As at the date of this Offering Circular, we have received "A1", "A" and "A+" international credit ratings from Moody's, S&P and Fitch, respectively, all with a stable outlook. However, there can be no assurance that these ratings will be maintained for any given period of time, will not be lowered, or withdrawn entirely, by the rating agency if in its judgement circumstances in the future so warrant.

We may not be able to repay our debts, and we may incur more debts.

Due to the balance sheet-driven nature of our business, we expect that we will continue to maintain significant levels of indebtedness. As at 30 June 2023, our total liabilities amounted to RMB328.4 billion. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our gearing ratio (net debt-to-equity ratio[*Note 1*]) was 8.36x, 8.47x, 7.75x and 7.69x, respectively. In certain of our financing agreements, our creditors are entitled to require us to repay our debts early, if any mandatory prepayment event occurs, such as our violation of certain regulatory indicators, failure to satisfy specified loan-to-value ratios or non-performing asset ratios, or CDB's inability to remain as our controlling shareholder. There can be no assurance that such events will not occur. A mandatory prepayment of debt could reduce our working capital and liquidity and affect our financing ability.

We expect that we will incur additional indebtedness in the future. Our level of indebtedness requires a portion of our cash flows from operations to be dedicated to interest and principal payments, and therefore these will not be available to fund our operations, working capital, capital expenditures, expansion, acquisitions or general corporate purposes. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, our interest expenses were RMB7.0 billion, RMB8.1 billion, RMB8.2 billion, RMB4.0 billion and RMB4.8 billion, respectively, representing 39.4%, 37.9%, 36.1%, 34.2% and 44.7% of our total revenue, respectively. In order to meet our current debt commitments, and to maintain an adequate level of unrestricted cash to properly fund our operations and expansion, we may need to raise additional funds by accessing additional funding from banks or other financial institutions. Our inability to raise such funds may materially and adversely affect our financial condition and growth prospects.

In addition, neither CDB nor any PRC governmental entity has any obligation to repay any amount under the Notes or provide a guarantee of any kind for the Notes. The repayment obligations under the KW Notes and the Guarantee are solely to be fulfilled by the KW Note Issuer and the Guarantor, and the obligations under the Keepwell and Asset Purchase Deed are solely to be fulfilled by the Company. The repayment

Note:

(1) The net debt-to-equity ratio equals to the sum of borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements and bonds payable less cash and bank balances, divided by total equity.

obligations under the Direct Issuance Notes are solely to be fulfilled by the Company. If any of the KW Note Issuer, the Guarantor or the Company does not fulfil its obligations under the Notes, the Guarantee or the Keepwell and Asset Purchase Deed, as the case may be, the Noteholders will only have recourse to the KW Note Issuer, the Guarantor or the Company, and not CDB or any PRC governmental entity. The indirect ownership or control by the PRC government does not provide assurance on the financial condition of the KW Note Issuer, the Guarantor and the Company.

Changes in market interest rates may have a significant impact on our financial condition.

Since both the lease income we receive from leases and the interest we pay on our indebtedness are affected by market interest rates, high volatility in market interest rates, for example, the multiple interest rate hikes by the U.S. government since 2022, will directly affect our financing costs, lease income and net interest margin, and, in turn, affect our profit margin and financial condition. For example, any changes in interest rates will impact both our funding costs and our lease income. We may be susceptible to interest rate volatility if we are unable to maintain a balance between fixed and floating rate debts and match the floating/fixed lease income and lease maturities with financing on a similar basis or secure appropriate hedges for the same.

Fluctuations in interest rates will also affect the market value of and return on derivative financial instruments and may result in a gap between our interest rate sensitive assets and interest rate-sensitive liabilities. Fluctuations in market interest rates are subject to various factors beyond our control, such as the regulatory framework of the PRC banking and financial sectors, and the economic and political environment in China and abroad.

The majority of rental income from our RMB-denominated leasing business is based on, and fluctuates with the Loan Prime Rate ("**LPR**") published by the PBOC, while liabilities mainly bear a fixed interest rate. Most of our U.S. dollar-denominated assets leased under operating leases are leased under fixed rate leases while a significant portion of our U.S. dollar-denominated liabilities bear a floating interest rate. We use interest rate swaps to manage these exposures, but there can be no assurance that these interest rate swaps will continue to be effective in mitigating risks or our decision to use derivative instruments will continue to be accurate. If any of such failure to control interest rate risk happens, as a result, our net interest spread may grow or contract as market interest rates fluctuate, which may adversely affect our financial condition and profitability. See also "*Risk Factors – Risks Relating to the PRC – Future fluctuations in the value of the Renminbi could have an adverse effect on our financial condition and results of operations*".

We are subject to liquidity risk.

We rely on diversified funding sources through the reserve of sufficient credit. We use quasi-cash assets, such as bank deposits and money market bonds as our main liquidity reserves, and hold a certain proportion of senior bonds to ensure that liquidity reserves can mitigate liquidity risks. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our cash and bank balances amounted to RMB34,993.0 million, RMB36,833.1 million, RMB29,760.7 million and RMB21,248.1 million, respectively. Although systems and procedures are in place as part of our liquidity management mechanism to identify and manage on a timely basis the liquidity risks arising from our businesses, there can be no assurance that these systems and procedures will successfully manage and mitigate our Group's liquidity risks. Our ability to obtain additional sources of funding may also be affected by factors such as deterioration in market conditions and disruptions to financial markets. Global capital markets have experienced and may continue to experience negative investor sentiment, significant volatility and liquidity disruptions. We may not be able to secure required funding on commercially acceptable terms on a timely basis or at all, which could result in liquidity risk and materially and adversely affect our business, financial condition and results of operations.

Our allowance for impairment losses on finance lease related assets may not be adequate to cover future credit losses.

We make allowance for impairment losses on finance lease related assets*(Note 1)* in accordance with IAS. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our allowance for impairment losses on finance lease related assets were RMB5,820.9 million, RMB7,590.2 million, RMB8,567.4 million and RMB8,998.4 million, respectively, representing 3.4%, 3.8%, 4.2% and 4.2% of our total finance lease related assets before allowance for impairment losses, respectively. The amount of allowance for impairment losses on our finance lease related assets is determined on the basis of our internal provisioning procedures and guidelines, taking into account a number of factors, such as the nature and industry-specific characteristics of our lessees and their creditworthiness, economic conditions and trends, delinquencies and the value of the underlying collateral and guarantees. As the accounting standards require significant judgement and estimation on the future credit risks at certain points of time, we may underestimate future risks and thus our allowance may not be adequate to cover the actual credit losses. Furthermore, impairment losses may differ substantially from time to time and may be difficult to predict. For example, for the year ended 31 December 2021, our impairment losses amounted to RMB3,510.3 million, representing an increase of 53.9% as compared with the impairment losses of RMB2,281.6 million for the year ended 31 December 2020, primarily due to the increase in credit impairment losses. For the year ended 31 December 2022, our impairment losses amounted to RMB4,256.8 million, representing an increase of 21.3% as compared with the impairment losses for the year ended 31 December 2021, primarily due to the significant increase in impairment loss on aircraft stranded in Russia as a result of the impact of the conflict between Russia and Ukraine. Our allowance may prove to be inadequate if unforeseen or adverse changes occur in the PRC or overseas economies in which we operate, or if other events adversely affect specific lessees, industries or markets. Under such circumstances, we may need to make additional allowance for our finance lease related assets, which could significantly reduce our profit and may materially and adversely affect our business, financial condition and results of operations.

Any decrease in the residual value of the aircraft and ships that we finance could adversely affect our business, financial condition and results of operations.

Declines in the residual value of the aircraft and ships financed by us may reduce our earnings. We recognise the residual value of leased aircraft and ships (as the case may be) as the estimated future market value of the leased asset at the maturity of the lease. We estimate the residual value of the leased asset at the inception of a lease based on a number of factors, including historical sale prices, management's experience, estimation by third parties and any known significant market and product trends. If the estimated market value of our leased assets declines significantly due to economic factors, obsolescence or other adverse circumstances, we may not realise the expected residual value of the leased assets, which could adversely affect our business, financial condition and results of operations.

We operate in increasingly competitive industries.

The leasing industry has developed rapidly and become increasingly competitive. Although the PRC leasing industry still has great potential for development, there can be no assurance that we will be able to maintain our advantageous position as a result of the increasingly intense competition.

Due to the diverse and international nature of our business, we mainly compete with PRC and overseas leasing companies, including bank-affiliated, captive and independent leasing companies. Some of these competitors may have greater financial and management resources than we do. Some of our competitors may have greater operational and financial resources as well as customer networks and relationships, lower financing costs, and higher risk tolerance or different methods of risk assessment, such that they can consider or afford a wider variety of investments, establish more relationships, and bid more aggressively on assets available for sale. In addition, some of our competitors may offer better terms to prospective lessees than us.

Note:

(1) Finance lease related assets refer to leased assets under finance leases, consisting of finance lease receivable and accounts receivable (advances for finance lease projects).

We also compete with major commercial banks and other financial services providers in China and abroad. These institutions may provide financing at more favourable terms to our current and prospective customers. Airlines or other aircraft owners may seek to lease out their own aircraft, thereby leading to increased competition in the aircraft leasing industry. Manufacturers and distributors of vehicles and construction machinery may also offer financing terms and product support more favourable to our current and potential lessees than our finance leases could provide. In addition, as the debt capital market continues to develop and mature in China, issuance of debt securities, especially those of municipal bonds, may gain wider popularity among local governments or enterprises associated with them, as they may offer more favorable terms than our leasing services.

In terms of operating leases of our Aircraft Leasing business, we generally face competition in the acquisitions of new aircraft, sales of aircraft and purchases of asset portfolios from domestic and overseas large and medium-sized aircraft leasing companies, airlines, aircraft brokers, aircraft manufacturers and investors and funds with greater capital to invest in aircraft. The competition for a leasing transaction mainly depends on aircraft models, aircraft conditions, specification and configuration, aircraft slots, rental, lease tenure, lease conditions, management experience and reputation. The competition in the purchases and sales of leased aircraft mainly depends on the availability of the leased aircraft, price, the terms that they are subject to and the creditworthiness of the lessees, if any. We may not always be able to compete successfully with our competitors in the aircraft acquisition or sales market, which could materially and adversely affect our business and growth prospects.

Some industries that we are engaged in are cyclical.

Some of our leasing assets relate to cyclical industries, such as the shipping industry. The shipping industry is highly cyclical and may experience volatility in revenue, profitability and vessel values resulting from changes in the supply of and demand for shipping capacity. The demand for ships is influenced by global and regional economic conditions, developments in international trade, changes in seaborne and other transportation patterns, weather patterns, armed conflicts, canal closures, embargoes and strikes, among other factors. These factors are beyond our control and the nature, timing and degree of changes in industry conditions are largely unpredictable. Any decrease in demand for our services in these industries due to cyclical downturns could result in extensive customer defaults, decreased revenue and an inability to grow or maintain our business, and could materially adversely affect our business, financial condition and results of operations.

Our Aircraft Leasing business depends on the lease extension and continual re-leasing of our aircraft and the placement of new aircraft on order, and we may not be able to do so on favourable terms or operate our business smoothly.

The success of our Aircraft Leasing business depends on the lease extension of and continual re-leasing of our aircraft and placement of new aircraft on order so as to generate sufficient revenue to finance our operations and pay our debt obligations. We lease a majority of our aircraft to airlines under long-term operating leases. Under an operating lease, we bear the risk of extending the lease of and re-leasing the aircraft in our fleet upon expiry of the operating lease or early termination of the lease, and we may not be able to realise their respective residual value after expiration of the initial lease. Our ability to lease, extend the lease of or re-lease our aircraft will depend on the overall development trend in the aviation industry and general market and competitive conditions at the time that the operating leases are entered into and expire. In addition, our ability to extend the lease of or re-lease our aircraft will be affected by the particular maintenance, damage and operating history of the aircraft and their engines. Furthermore, our ability to avoid significant off-lease time is likely to be adversely affected by, among other things, increases in fuel and non-fuel costs, deterioration in the financial condition of the aviation industry, major airline bankruptcies, sales of large numbers of repossessed aircraft by financial institutions, the introduction of newer models of aircraft and other factors leading to oversupply (including manufacturer overproduction), as well as political and economic uncertainties.

For instance, Boeing 737 MAX aircraft have been grounded by aviation authorities and commercial operations have been restricted due to two aircraft accidents. In January 2020, Boeing officially announced that the production of Boeing 737 MAX aircraft will be stopped until further notice. As announced by the Company on 17 April 2020, as at such date, the Company had 99 undelivered Boeing 737 MAX aircraft ("**Undelivered Aircraft**") under the purchase agreements entered into with the Group as the buyer and Boeing as the manufacturer (collectively, and as amended and supplemented from time to time, the "**Purchase Agreements**"). Following the grounding of 737 MAX aircraft by aviation authorities worldwide and the suspension of 737 MAX aircraft deliveries by Boeing, the Company, CDBALF (as defined below) and Boeing entered into supplemental agreements to make the following amendments (i) to terminate the purchase and delivery of 29 Undelivered Aircraft, leaving a total of 70 Undelivered Aircraft, (ii) all Boeing 737 MAX 10 aircraft which remain on order under the Purchase Agreements shall be converted to Boeing 737 MAX 8 aircraft and (iii) the delivery of further 20 Undelivered Aircraft shall be deferred to various dates in 2024, 2025 and 2026. On 26 March 2021, the Company, CDBALF and Boeing entered into further supplemental agreements with respect to the Purchase Agreements whereby the Company and CDBALF have agreed with Boeing, among other things, to amend the Purchase Agreements by terminating the purchase and delivery of 20 undelivered Boeing 737 MAX aircraft under the Purchase Agreements in order to recalibrate their Boeing 737 MAX aircraft fleet. In 2021, a total of 24 undelivered Boeing 737 MAX 8 aircraft orders were cancelled.

For our Aircraft Leasing business, the fleet utilisation rate of our owned portfolio under operating leases for the six months ended 30 June 2023 was 95.2%. As at 30 June 2023, one of our four freighters was under conversion and was scheduled for delivery in the second half of 2023. In addition to the committed aircraft, the Group has 100 non-binding entitlements with other Boeing, Airbus and other aircraft manufacturers, consisting of 20 ARJ21 aircraft and 50 C919 aircraft from The Commercial Aircraft Corporation of China, Ltd., and 30 MA700 aircraft from AVIC Aircraft Co., Ltd. Among the 102 committed aircraft as at 30 June 2023 (including direct orders from airline manufacturers and sale-lease-back), 18 were scheduled for delivery in 2023, 24 in 2024, 38 in 2025, 22 in 2026. There can be no assurance that such lessees or purchasers will proceed with the leasing or purchasing arrangement under our expected conditions as scheduled, and there can be no assurance that we would be able to, under such expected conditions, avoid significant off-lease time, find interested lessees or purchasers for our aircraft in advance, and enter into contracts on favourable terms with them in the future.

Our international operations expose our Aircraft Leasing and Ship Leasing businesses to geopolitical, economic and legal risks associated with a global business.

We conduct our Aircraft Leasing and Ship Leasing businesses globally, including in certain emerging markets. There are risks inherent in conducting our business internationally, including:

- general political and economic instability in international markets;
- difficulties with managing overseas operations, including complying with the relevant laws and regulations of international organisations or various regulatory and legal requirements of different jurisdictions, and obtaining different approval or licence requirements;
- challenges in providing leasing services, and recruiting, in overseas markets;
- limitations on the repatriation of our assets and profits to China;
- expropriation of our international assets;
- differences in accounting treatment in different jurisdictions;
- potential adverse tax consequences;
- foreign exchange losses;

- inability to effectively enforce contractual or legal rights; and
- different liability standards and legal systems that may be less developed and less predictable than those in advanced economies.

For our Aircraft Leasing business, if any of our airline lessees materially violates their payment obligations under their lease agreements with us, we may not be able to timely repossess or re-lease the aircraft. We may incur additional costs in arranging for the repossession or re-leasing of such aircraft. For example, when our lessees or the relevant operators utilise the leased aircraft only for domestic flights in their registered jurisdiction, it may be difficult for us to repossess or re-lease the aircraft, particularly if the aircraft operates within jurisdictions that only allow the lessees or relevant operators to deregister the aircraft.

Deterioration in the debt repayment capabilities of local governments or adverse changes in PRC regulatory policies affecting government financing could materially and adversely affect our business, asset quality, financial condition, results of operations and prospects.

For our Regional Development Leasing business, we primarily provide finance lease services to enterprises associated with local governments, including local government financing vehicles. Our Regional Development Leasing business mainly engages in the provision of leasing services that support the national policy driven regional development, thereby improving the regional financial service capacity to better assist the high-quality development of the regional economy, in alignment with major regional development strategies of the state.

Due to the restrictions imposed by PRC laws and regulations, local governments are unable to provide guarantees for local government financing vehicles and, therefore, the ability of certain local government financing vehicles to pay lease payments largely depends on whether they are able to obtain sufficient financial support from the local governments. It is possible that such financial support may be reduced or denied due to a local government's lack of liquidity, budget priorities or other factors. Accordingly, we are exposed to the credit risk of these local government financing vehicles. In addition, it may be more difficult for us to take recourse against such local government financing vehicles as compared with the other lessees.

Our risk management and internal control systems may have defects, which may not effectively mitigate all the risks we face.

We assume various risks in our business operations, including but not limited to asset, credit, concentration, interest rate, liquidity, information technology, business information and reputational risks. We continually improve our risk management system, but our risk management measures may not be able to capture and mitigate all material risks in our business expansion. Therefore, when we enter into a new industry, approach new customers or develop new products or services, we may not be able to adequately identify and estimate all future risk exposures, since some of our risk management and control methods are based upon historical business experience, market behaviour and past events, and such risk exposures could be significantly greater than our estimation based on historical data.

Our other risk management methods depend on the evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. For example, we have connected our IT systems with the enterprise credit reporting system of the PBOC. During the development and assessment stage of leasing projects, we perform credit reviews for prospective lessees, which include considering the customer credit reports in the reporting system as important evaluation materials for our risk determination of projects. However, as the information in the reporting system concerns only enterprises which borrow from or guarantee borrowings from financial institutions, there can be no assurance that the reporting system contains adequate credit information of all of our customers or their guarantors. In addition, as such enterprise credit information is disclosed voluntarily by various financial institutions linked with the reporting system, there can be no assurance that the credit information of customers obtained from the reporting system is complete, accurate and up-to-date.

Furthermore, as our business is developing, our risk management and internal control policies may not be able to effectively reduce and mitigate all types of risks, including unexpected risks and those of which we are unaware, which may contribute to an increase in our non-performing asset ratio. In addition, in response to operational, legal or regulatory risks, we need to establish various sets of policies and procedures, in order to accurately record and verify a large number of transactions and events. Such policies and procedures may not be fully effective. Any failure to properly implement our risk management procedures or any failure to identify applicable risks may materially and adversely affect our financial condition and results of operations.

Our insurance coverage may not be sufficient to cover potential liabilities or losses.

Although we have obtained insurance coverage for our business operations that we consider necessary and sufficient for our operations and customary for the industries in which we operate, we may face risks in connection with our business for which we do not have adequate insurance coverage. For example, in line with the general practice in China, we do not maintain business interruption insurance.

As a result, our insurance coverage may be inadequate to cover such losses should they arise. Any such uninsured losses may materially and adversely affect our results of operations and financial condition.

Although we do not control the operation of our leased assets, such as aircraft, vessels and equipment, our ownership of these leased assets could give rise, in some jurisdictions, to strict liability resulting from their operations. We normally require our lessees under the lease contracts to indemnify us for, and insure against, liabilities arising out of the use and operation of the leased assets, including third-party claims for death or injury to persons and damage to property for which we may be deemed liable; for example, our aircraft lessees are required to carry overall insurance for our aircraft, including Hull all risk and Hull war risk in respect of loss or damage while airborne and on the ground, and liability insurance covering third party legal liability, bodily injury, property damage and so on. Our lessees are also required to maintain the types of insurance pursuant to our request when purchasing insurance. Although we may restrict the use of leased property (for example, geographically) when entering into the contracts to avoid the risks that may occur in the future, there can be no assurance that claims arising from our leased assets will not be asserted against us in the future. There can be no assurance that our lessees' insurance and any contingent insurance undertaken by us will be adequate or sufficient to cover all types of claims that may be asserted against us. Any insurance coverage shortfall or default by lessees in fulfilling their indemnification or insurance obligations, as well as the lack of available insurance, could reduce our revenue upon an event of loss and could subject us to uninsured liabilities, any of which could have an adverse impact on our financial condition and our ability to meet our financial obligations.

Our success in business depends on our ability to attract and retain senior management and key employees.

We operate in an increasingly competitive market environment where highly specialised expertise is required for the efficient management of leased assets. We depend on the continued efforts of our senior management team and core employees for our success. Our senior management plays a vital role in our operation. Each of them has many years of experience in the financial or leasing industry in China, and they collectively possess in-depth understanding of our major business lines, our customers and competitors, and the laws related to our business. Therefore, they are essential in formulating and implementing strategies necessary for achieving success for us. However, our senior management team and key employees may voluntarily terminate employment with us or leave their positions due to reasons beyond our control. The loss of service of any of our senior management team and key employees could impair our ability to operate and hinder our efforts to implement business and growth strategies. We may not be able to replace them with others of equivalent expertise and experience within a reasonable period of time.

Our continued success also depends on our ability to attract and retain qualified staff to manage our existing operations. We may also need to offer superior compensation and other benefits to attract and retain key personnel, and our compensation and benefit payments may thus increase unpredictably or at a greater rate than our revenues. This may also adversely affect our financial condition and results of operations.

We may not be able to detect or prevent fraud or other misconduct committed by our employees or third parties.

Fraud or other misconduct by our employees, such as unauthorised business transactions, bribery and breach of our internal policies and procedures, or by third parties, such as breach of law, may be difficult to detect or prevent. It could subject us to financial loss and sanctions imposed by governmental authorities while seriously damaging our reputation. This may also impair our ability to effectively attract prospective customers, develop customer loyalty, obtain financing on favourable terms, compete in invitations to tender and conduct other business activities.

Our risk management systems, information technology systems and internal control procedures are designed to monitor our operations and overall compliance. However, we may be unable to identify non-compliance or suspicious transactions promptly, or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct committed by our employees or third parties, and the precautions we take to prevent and detect such activities may not be effective. Therefore, we are subject to the risk that fraud or other misconduct may have previously occurred but was undetected or may occur in the future. This may materially and adversely affect our business, financial condition and results of operations.

We may not be able to fully detect money laundering and other illegal or improper activities in its business operations on a timely basis.

We are required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in China and other jurisdictions where we operate. The anti-money laundering laws and regulations in China require us to establish sound internal control policies and procedures with respect to anti-money laundering and counter-terrorist financing monitoring and reporting activities. Although we adopted policies and procedures aimed at detecting, and preventing being used for, money-laundering activities by criminals or terrorist-related organisations and individuals or improper activities, such efforts may not completely eliminate instances where our networks may be used by other parties to engage in money laundering and other illegal or improper activities. If we fail to fully comply with applicable laws and regulations, the relevant government agencies may impose fines and other penalties on us, which may adversely affect our business and results of operations and reputation.

Our business is dependent on the proper functioning of our information technology systems.

Our business operations are dependent on the ability of our information technology systems to accurately process large numbers of transactions and information in a timely manner. The major functions of our IT systems include screening of potential projects and lessees, post-lease management, asset management, data management and risk and financial management. Our business-related information technology systems include the full life cycle leasing business management system, systems for our aircraft leasing platform, and the inclusive finance business management system, which provide secure and stable technology services and support our growing business operations. Our information technology infrastructure also plays an important role in our risk management and financial control. We have established our own internal back-up systems to carry on the principal functions in the event of system failures. However, our operations may be disrupted if any of our systems fail due to, among other things, fire, natural disasters, power loss, software faults, computer virus attacks, cyber-attacks, phishing attacks, conversion errors due to system upgrades, or security breaches. Any disruption to any of our information technology systems could harm our business and adversely affect our financial condition and results of operations.

Our business generates and processes a large amount of data, and any improper use or disclosure of such data could subject us to significant reputational, financial, legal, and operational consequences.

Our business generates and processes a large quantity of transaction data. We face risks inherent in handling large volumes of data and in protecting the security of such data. In particular, we face a number of challenges relating to data from transactions and other activities on our platforms, including:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behaviour by our employees;

- addressing concerns related to privacy and sharing, safety, security, and other factors; and

- complying with applicable laws, rules, and regulations relating to the collection, use, retention, disclosure, or security of personal information, including any requests from regulatory and government authorities relating to such data.

Any systems failure or security breach or lapse that results in the release of user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability. Any failure, or perceived failure, by us to comply with our privacy policies or with any regulatory requirements or privacy protection-related laws, rules, and regulations could result in proceedings or actions against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs, and severely disrupt our business.

We are subject to domestic and international laws relating to the collection, use, retention, security, and transfer of personally identifiable information, with respect to our customers and employees. In many cases, these laws do not only apply to third-party transactions, but may also restrict transfers of personally identifiable information among us and our international subsidiaries. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause us to incur substantial costs or require us to change our business practices, and failure to comply with any data protection laws could subject us to significant penalties and negative publicity and severely disrupt our operations.

The effectiveness of our credit risk management is affected by the quality and scope of credit information available in China.

The complete and reliable information relating to customer credit risk is relatively limited in China. While the enterprise credit reporting system developed by the PBOC has been put into operation, such reporting system can only provide limited information. Moreover, the credit information and reporting system in China is still developing. As a result, our assessment of the credit risks associated with certain customers may not be based on complete, accurate or reliable information. Until the enterprise credit reporting system or other information databases are fully developed, we have to rely on other publicly available resources, our internal resources or the information resources from CDB, which may not be comparable to a comprehensive national credit information system. As a result, it may affect our ability to effectively manage credit risk, which may materially and adversely affect our business, financial condition and results of operations.

We may be subject to risks related to epidemics, acts of terrorism, wars, or other natural or man-made calamities globally.

A recurrence of Ebola virus disease, Severe Acute Respiratory Syndrome, or other epidemic or pandemic diseases such as H5N1 bird flu, H1N1 swine flu, Type A H1N1 influenza or Middle East Respiratory Syndrome and the ongoing COVID-19, especially in the areas where we or our lessees operate, may result in widespread health crises and restrict business activities in the affected areas, which may in turn cause material disruptions to our and our lessees' businesses. Natural disasters such as earthquakes, floods, volcano eruptions, severe weather conditions, or other catastrophic events, may also severely affect the regions where we or our lessees operate. Severe and prolonged contagious disease outbreaks, such as COVID-19, could result in a widespread health crisis that could dampen investor sentiment, and the business activities and operations in the affected regions operated by us could be severely affected. In 2022, a number of countries have cancelled or relaxed their containment measures in relation to COVID-19. While restrictive measures have been relaxed and many aspects of daily life gradually returned to normal, there can be no assurance that there will not be a resurgence of COVID-19 that would result in a significant slowdown of the PRC and worldwide economies in the future, which in turn could materially and adversely affect our business, financial condition and results of operations. Any of these factors could have a material adverse effect on our financial condition, business and results of operations, including the fair value of leased assets and cash flow generated by future operating activities.

Similarly, acts of terrorism, wars, threats of war, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, including, among others, the increased tensions between Russia and members of the North Atlantic Treaty Organisation, could affect economic development and construction projects. In turn, there could be a material adverse effect on our business, financial condition and results of operations. In addition, we may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, our operational continuity may be adversely and materially affected and our reputation seriously harmed.

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

There can be no assurance that our controlling shareholder will continue to support us, and changes in its control over us may materially and adversely affect our business, financial condition and results of operations.

We obtain support from our controlling shareholder, CDB, in many aspects, such as business, finance and risk management, including the following, among others:

- we conduct business through collaboration with CDB in our Regional Development Leasing business, given its strong resources in customer selection and marketing, due diligence and project review;
- for risk management, we are able to access CDB's resources and data on risk assessment when necessary;
- we have credit lines granted by CDB;
- according to regulatory requirements and the articles of association of the Company (the "**Articles of Association**"), CDB is required to provide us with liquidity support and capital injection under certain circumstances specified by the NAFR; and
- as our credit standing is largely affected by that of CDB's, we benefit from the sound credit rating of CDB, which has helped reduce our financing costs, further expanded our financing channels and enhanced our bargaining power.

If CDB's control over us or its willingness to support us changes, our business, financial condition and results of operations could be materially and adversely affected. In particular, we have entered into certain financing agreements which require CDB to remain as our controlling shareholder. Therefore, if CDB loses its status as our controlling shareholder, our credit rating may decline and our financing costs may increase. In addition, this change of control may trigger mandatory prepayment obligations under certain of our existing financing contracts, and result in a significant increase in our financing costs in the future.

Any downgrading of the Company's corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect the Group's business and the Group's liquidity.

Any adverse revision to the Company's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies may adversely affect the Group's business and its financial performance and the trading price of the Notes. Further, the Group's ability to obtain financing or to access capital markets may also be limited, thereby lowering its liquidity.

Cross-border operations inherently pose complex legal, political, regulatory, tax and economic risks, which could have a material adverse effect on our business.

The scope of our international operations may require us in certain situations to comply with trade and economic sanctions and other restrictions imposed by the United States, the European Union, Singapore, China and other governments or organisations. The U.S. Department of Justice, Department of Commerce, Department of State and Department of Treasury and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose on corporations and individuals for violations of economic sanctions laws, export control laws, the Foreign Corrupt Practises Act, and other federal statutes and regulations, including those established by the Office of Foreign Assets Control. In addition, the UK Bribery Act of 2010 prohibits both domestic and international bribery, as well as bribery in both private and public sectors. Under these and other laws and regulations, various government agencies may require export licences, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned persons or entities, and modifications to compliance programmes, which may increase compliance costs, and may subject us to fines, penalties and other sanctions. A violation of these laws or regulations could adversely impact our business, financial condition and results of operations.

We face risks relating to changes in accounting standards.

Our historical consolidated financial information must be evaluated in light of any changes in accounting standards. There can be no assurance that our historical financial information was or will be indicative of what our results of operations, financial condition or cash flow will be in the future or that financial information is comparable on a year-to-year basis. For example, in preparing the Company's 2021 Audited Consolidated Financial Statements, we adopted the following revised IFRSs for the first time: amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 and amendment to IFRS 16: COVID-19 Related Rent Concessions beyond 30 June 2021 (early adopted) and has applied these amendments as detailed in the Company's 2021 Audited Consolidated Financial Statements. In preparing the Company's 2022 Audited Consolidated Financial Statements, the Company has adopted the following revised IFRSs for the first time: amendments to IFRS3: Reference to the Conceptual Framework, amendments to IAS16: Property, Plant and Equipment: Proceeds before Intended Use, amendment to IAS37: Onerous Contracts – Cost of Fulfilling a Contract and Annual improvements to IFRSs 2018-2020: Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 and has applied these amendments as detailed in the Company's 2022 Audited Consolidated Financial Statements. In preparing the Company's 2023 Reviewed Consolidated Interim Financial Statements, the Company has adopted the following revised IFRSs for the first time: IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17): Insurance Contracts, amendments to IAS 8: Definition of Accounting Estimates, amendments to IAS1 and IFRS Practice Statement 2: Disclosure of Accounting Policies, amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction and amendments to IAS 12: International Tax Reform – Pillar Two model Rules and has applied these amendments as detailed in the Company's 2023 Reviewed Consolidated Interim Financial Statements. Please refer to note 2.2 of the Company's 2021 Audited Consolidated Financial Statements, note 2.2 of the Company's 2022 Audited Consolidated Financial Statements and note 3 of the Company's 2023 Reviewed Consolidated Interim Financial Statements, respectively, for the nature and impact of such revised IFRSs.

Our historical growth may not be indicative of its future performance.

There is inherent risk in using our historical financial information to project or estimate its financial performance in the future, as it only reflects our past performance under particular conditions. We may not be able to sustain the historical growth rate, revenue, gross profit margin and return on net assets for various reasons, including, but not limited to, deterioration in the market conditions of the leasing industry in the PRC and other jurisdictions where we operate, macro-economic measures taken by the government to manage economic growth and intensified competition among securities firms. In addition, our financial and operating results may not meet the expectations of credit analysts or investors. Our revenue, expenses and operating results may vary from period to period due to a variety of factors beyond its control. As a result of these and other factors, there can be no assurance that its future revenues will increase or that it will continue to be profitable. Accordingly, investors should not rely on our historical results as an indication of our future financial or operating performance.

The Company's 2023 Reviewed Consolidated Interim Financial Statements have not been audited.

The Company's 2023 Reviewed Consolidated Interim Financial Statements have not been audited by BDO, the Company's independent auditor for the six months ended 30 June 2023 or any other independent auditors. Consequently, the Company's 2023 Reviewed Consolidated Interim Financial Statements should not be relied upon by prospective investors to provide the same quality of information associated with information that has been subject to an audit. In addition, the Company's 2023 Reviewed Consolidated Interim Financial Statements should not be taken as an indication of the Group's expected financial condition or results of operations for the full financial year ending 31 December 2023.

RISKS RELATING TO THE PRC

The PRC's economic, political and social conditions, as well as government policies, could affect our business.

We derive substantial revenues from our operations in the PRC. In addition, we intend to further expand our business in the PRC. We will, accordingly, be subject to economic, political and legal developments in the PRC as well as in economies in the surrounding region.

The following conditions and developments in the PRC may have a material impact on the Group's financial condition, results of operations and prospects:

- inflation, interest rates and general economic conditions;
- the introduction of economic policies to control inflation or stimulate growth or further regulation on foreign currency and capital;
- changes to the rate or method of taxation;
- economic reforms;
- changes in demographic factors in the PRC;
- changes to governmental policies, laws and regulations, including, without limitation, those relating to taxes, foreign investment or classification of industries; and
- government-driven reforms or reorganisations of state-owned enterprises.

While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may have a negative effect on us. For example, we may be adversely affected by the PRC government's control over capital investments or any types of margin requirement or any changes in tax or labour regulations or foreign exchange controls that are applicable to us. In addition, any changes in the economic, political or social conditions in the PRC, may have a material adverse effect on our present and future business operations.

Interpretation and enforcement of the laws in the PRC may involve uncertainties.

Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of changes to existing laws and the abrogation of local regulations by national laws could impact our business and prospects. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve uncertainties.

It may be difficult to effect service of process upon, or to enforce against, us or our senior management members who reside in the PRC in connection with judgments obtained in non-PRC courts.

Most of our assets and subsidiaries are located in China. In addition, most of our directors and senior management reside within China, and the assets of the directors and senior management may also be located within China. As a result, it may be difficult to effect service of process outside China upon most of our directors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the UK, the United States and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments from various jurisdictions is uncertain.

Future fluctuations in the value of the Renminbi could have an adverse effect on our financial condition and results of operations.

Our functional currency is Renminbi, and a major portion of our cost of sales is denominated in Renminbi. We conduct a certain part of our business overseas, and these business contracts may be denominated in foreign currencies. We are therefore subject to risks associated with foreign currency exchange rate fluctuations on our foreign currency-denominated business. Furthermore, the Notes may be denominated in various foreign currencies, including U.S. dollars and euro. Therefore, the devaluation of the Renminbi against the U.S. dollar may also adversely affect our ability to perform the obligations under the Notes.

The exchange rate of the Renminbi against the Hong Kong dollar, U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's, as well as international, political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and the U.S. dollar, has been based on rates set daily by the PBOC, based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. On 19 June 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. On 16 April 2012, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the U.S. dollar in the inter-bank spot foreign exchange market from 0.5% to 1% in order to further improve the managed floating RMB exchange rate regime based on market supply and demand with reference to a basket of currencies. In March 2014, the PBOC further enlarged the floating band for the trading price of RMB against the U.S. dollar on the inter-bank spot exchange market to 2.0% around the central parity rate. On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. Against the backdrop of uncertain trade and volatile global economy, the PBOC authorised the China Foreign Exchange Trade System and National Interbank Funding Centre on 8 August 2019 to publish the central parity rate of the Renminbi against the U.S. dollar in the interbank exchange market, which was U.S.$1.00 to RMB7.0039. That was the first time the value of the Renminbi against the U.S. dollar fell below RMB7.00 per U.S. dollar since 2008. The PRC government may in the future implement other exchange rate reforms, including making the Renminbi a freely convertible currency. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system. In recent years, the PBOC has adhered to the principle of exchange rate risk neutrality, emphasising that two-way fluctuations in the RMB exchange rate should become the norm going forward. Fluctuations in the value of Renminbi could adversely affect the value of our foreign currency-denominated transactions along with the value of the cash flow generated from our foreign currency-denominated operations, thereby adversely affecting our profitability. This may also have an adverse effect on our plans to expand the international operations.

RISKS RELATING TO THE NOTES ISSUED UNDER THE PROGRAMME

Risks Relating to the KW Notes

The KW Note Issuer is a special purpose company with no substantial business activities and has limited financial resources.

The KW Note Issuer is an offshore subsidiary of the Company incorporated specifically for the purpose of raising finance through the issuance of the KW Notes. The KW Note Issuer has limited assets as recourse for holders of the KW Notes. The KW Note Issuer does not and will not have any business activities other than the issue of the KW Notes, and its ability to make payments under the KW Notes will depend on its receipt of timely remittances of funds from the Company and/or the Company's subsidiaries. There is no assurance that the KW Note Issuer could receive timely and sufficient funds from the Company and/or the Company's subsidiaries to meet its payment obligations under the KW Notes.

The KW Notes and the Guarantee are unsecured obligations.

The KW Notes will be guaranteed by the Guarantor only and will not be guaranteed by the Company. The KW Notes and the Guarantee are unsecured obligations of the KW Note Issuer and the Guarantor, respectively. The repayment of the KW Notes and payment under the Guarantee may be adversely affected if:

- the KW Note Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the KW Note Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness;
- there is an acceleration of any of the KW Note Issuer's or the Guarantor's indebtedness; or
- the foreign exchange authority adopts more stringent controls over cross-border foreign exchange.

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

The Keepwell and Asset Purchase Deed is not a guarantee of the payment obligations under the KW Notes and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company, and performance by the Company of its obligations under the Keepwell and Asset Purchase Deed is subject to the approvals of the PRC authorities.

The Company has entered into a Keepwell and Asset Purchase Deed in relation to the KW Notes, as further discussed in "*Description of the Keepwell and Asset Purchase Deed*". Pursuant to the terms of the Keepwell and Asset Purchase Deed, the Trustee may take action against the Company to enforce the provisions of the Keepwell and Asset Purchase Deed. However, neither the Keepwell and Asset Purchase Deed nor any actions taken by the Trustee thereunder can be deemed as a guarantee by the Company of the payment obligation of the KW Note Issuer under the KW Notes or the payment obligation of the Guarantor under the Guarantee. Accordingly, the Company will only be obliged to cause the KW Note Issuer or the Guarantor to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the KW Note Issuer or the Guarantor to pay such payment obligations in full as they fall due, rather than assume the payment obligation as in the case of a guarantee.

Furthermore, even if the Company intends to perform its obligations under the Keepwell and Asset Purchase Deed, depending on the manner in which the Company performs its obligations under the Keepwell and Asset Purchase Deed in causing the Guarantor to obtain, before the due date of the relevant payment obligations, funds sufficient to meet its obligations under the Guarantee, such performance may be subject to obtaining prior consent, approvals, registration and/or filings from relevant PRC governmental authorities, including the NDRC, the Ministry of Commerce of China ("**MOFCOM**") and SAFE. PRC counsels to the Dealers and the KW Note Issuer have confirmed that (i) if the assets to be purchased under the Keepwell and Asset Purchase Deed are to be imported into the PRC, the relevant PRC governmental approvals or permits from PRC approval authorities, including but not limited to the NDRC, Civil Aviation Administration of China, MOFCOM and the General Administration of Customs of the PRC (中華人民共和國海關總署), are required and (ii) if the purchased assets under the Keepwell and Asset Purchase Deed would not be imported into the PRC, and those assets would be leased by the Company after the purchase (falling within the ambit of the finance leasing laws in the PRC), the Company should register such lease at the local foreign exchange authority within 15 working days upon an external claim and there are no other Regulatory Approvals (as defined in the Keepwell and Asset Purchase Deed) required under the PRC laws. Although the Company is required to use all reasonable endeavours to obtain any required consents and approvals in order to fulfil its obligations under the Keepwell and Asset Purchase Deed, it is uncertain whether any such consents or approvals can be obtained in a timely manner or at all, in particular, such consents or approvals are unlikely to be obtained if the Company is in a reorganisation when its obligation under the Keepwell and Asset Purchase Deed has been triggered. Further, if after using its reasonable endeavours, the Company fails to obtain the required consents or approvals in such reorganisation, the Company may be relieved of its obligations under the Keepwell and Asset Purchase Deed. In the event that the Company fails to obtain the requisite consents or approvals, the KW Note Issuer and the Guarantor may have insufficient funds to discharge their outstanding payment obligations to the holders of the KW Notes. Further, in the event of an insolvency of a Relevant Transferor (as defined in the Keepwell and Asset Purchase Deed) any sale proceeds received by that Relevant Transferor may be subject to the insolvency claims of third parties. The Trustee's claim against the sale proceeds will be an unsecured claim and may rank lower in priority to any claims by secured third-party creditors of such Relevant Transferor where it is the Guarantor. Where a Relevant Transferor is not the Guarantor, the Trustee will not have a direct claim against the sale proceeds received by such Relevant Transferor.

In addition, the obligations under the Keepwell and Asset Purchase Deed may not give rise to a debt claim against the Company or be recognised by PRC courts in the event of any insolvency proceedings in relation to the Company in the PRC. In addition, if the Company enters into any insolvency proceeding, it will be practically impossible for the Company to obtain the requisite approvals as described above with respect to the performance of its obligations under the Keepwell and Asset Purchase Deed. As the parties to the Keepwell and Asset Purchase Deed have submitted to the exclusive jurisdiction of Hong Kong courts, parties who have successfully obtained a judgment from Hong Kong courts in relation to a claim under a Keepwell and Asset Purchase Deed and wish to enforce such a judgment in the PRC may do so pursuant to the Arrangement. However, it is currently uncertain as to whether such a judgment will be recognised and enforced by PRC courts where it relates to insolvency proceedings commenced in the PRC as the judicial practice in this area is still evolving. Consequently, even if the holders of the KW Notes or the Trustee have successfully obtained judgment in Hong Kong courts in relation to the Keepwell and Asset Purchase Deed, there can be no assurance that PRC courts will recognise and enforce such a judgment in insolvency proceedings relating to the Company. Accordingly, the holders of the KW Notes may have limited or no remedies against the Company in connection with such insolvency proceedings.

Furthermore, under the Keepwell and Asset Purchase Deed, the Company will undertake, among other things, to cause the KW Note Issuer and the Guarantor to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the KW Notes and/or the Guarantee. However, any claim by the KW Note Issuer, the Guarantor, the Trustee and/or holders of the KW Notes against the Company in relation to the Keepwell and Asset Purchase Deed will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (which do not guarantee the KW Notes), particularly the onshore operating subsidiaries of the Company, and all claims by creditors of such subsidiaries (which do not guarantee the KW Notes) will have priority to the assets of such entities over the claims of the KW Note Issuer, the Guarantor, the Trustee and/or holders of the KW Notes under the Keepwell and Asset Purchase Deed.

Performance by the Company of its undertaking under the Keepwell and Asset Purchase Deed may be subject to consent from third-party creditors and shareholders, and may also be restricted if any of the assets are secured in favour of third-party creditors.

The ability of the Company to purchase or procure a subsidiary of the Company to purchase certain assets from one or more Relevant Transferors pursuant to the terms of the Keepwell and Asset Purchase Deed may be affected by any present or future financing agreements, lease agreements or other agreements of the Company and its subsidiaries:

- in the event that such financing agreements, lease agreements or other agreements contain non-disposal or other restrictive covenants that would restrict or prevent the sale of any asset by a Relevant Transferor or restrict the terms of any assets sale or purchase, such covenants would need to be complied with, or the Company and its subsidiaries would need to obtain the consent/waiver from the third-party creditor or counterparty, as the case may be, before the Relevant Transferor is able to proceed with the sale of such assets or before such assets sale or purchase can proceed; and

- in the event that certain assets have been secured in favour of third-party creditors, the Company and its subsidiaries would need to arrange for these security interests to be released before the Relevant Transferor is able to proceed with the sale of such assets.

Under the Terms and Conditions of the Notes, the Trust Deed and the Keepwell and Asset Purchase Deed, there are no restrictions on the Guarantor or its subsidiaries entering into financing agreements, lease agreements or other agreements with such non-disposal or other restrictive covenants or securing the assets of any of the Guarantor and its subsidiaries in favour of its creditors. In the event the obligation to purchase assets under the Keepwell and Asset Purchase Deed becomes effective, there is no assurance that the Guarantor will be able to obtain any required consents from its creditors or that it will be able to arrange for any existing security arrangement to be released in order for the sale of the assets to proceed.

If such consents or releases cannot be obtained, the Guarantor may need to repay the indebtedness owed to its third-party creditors in order to be able to sell the relevant assets to the Company, failing which, the KW Note Issuer and the Guarantor may have insufficient funds to discharge their respective payment obligations to the holders of the KW Notes.

The proceeds realisable from the asset sale pursuant to the Keepwell and Asset Purchase Deed may not be sufficient to satisfy the KW Note Issuer's and Guarantor's obligations under the KW Notes and the Guarantee, respectively.

Under the Terms and Conditions of the Notes, the Trust Deed and the Keepwell and Asset Purchase Deed, there are no restrictions on the Guarantor or its subsidiaries to dispose of any of their assets or secure in favour of third-party creditors or any requirement to maintain a certain minimum value in respect of their assets. The holders of the KW Notes also have no security interest in any of such assets held by the Guarantor or its subsidiaries. Such assets may be sold and transferred to third parties outside the Group, be secured in favour of third-party creditors or depreciate in value over a period of time. There can be no assurance that upon the occurrence of a Triggering Event (as defined in the Keepwell and Asset Purchase Deed) there are sufficient assets held by the Guarantor or its subsidiaries available for sale to the Company or the Designated Purchasers, as the case may be, for the performance by the Company of its obligations under the Keepwell and Asset Purchase Deed.

Furthermore, the Purchase Price determined in respect of the assets to be purchased in the event of an asset sale pursuant to the Keepwell and Asset Purchase Deed will depend upon market and economic conditions and other similar factors and applicable laws. No independent appraisals of any assets held by the Guarantor or its subsidiaries have been prepared by or on behalf of the Company or the Guarantor in connection with this offering of the KW Notes. Accordingly, there can be no assurance that the proceeds of any asset sale pursuant to the Keepwell and Asset Purchase Deed following a Triggering Event would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the KW Notes and the Guarantee.

Under the Enterprise Income Tax Law, the KW Note Issuer may be classified as a "resident enterprise" of the PRC. Such classification could result in unfavourable tax consequences to the KW Note Issuer and/or its non-PRC Noteholders.

Under the Enterprise Income Tax Law (the "**EIT Law**") of the PRC, an enterprise established outside the PRC with a "*de facto management body*" within the PRC is deemed a "resident enterprise," meaning that it can be treated as a PRC enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define "*de facto management*" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation on 22 April 2009 (the "**Circular 82**") provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "*de facto management body*" located within the PRC if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management frequently reside within the PRC. On 27 July 2011, the State Administration of Taxation issued the *Provisional Administrative Regulations of Enterprise Income Taxation of a Foreign Enterprise Controlled by a PRC Enterprise or a PRC Enterprise Group* (the "**Circular 45**"), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group". Circular 45 identifies and defines two ways for a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its *de facto* management body is located in the PRC based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise. Second, the tax authority may determine that the foreign enterprise is a resident enterprise after its active investigation.

Neither the KW Note Issuer nor the Guarantor believes that it is currently a PRC resident enterprise. However, neither the KW Note Issuer nor the Guarantor can assure holders of the KW Notes that they will not be deemed "a resident enterprise" under the EIT Law and other applicable implementation regulations and, therefore, be subject to enterprise income tax at a rate of 25 per cent. on their global income in the future, although dividends paid from one resident enterprise to another may qualify as "tax-exempt income". If the KW Note Issuer or the Guarantor is not considered to be a PRC resident enterprise for EIT Law purposes, the payment of interest on or in respect of the KW Notes by it to the overseas holders of the KW Notes will not be subject to PRC withholding tax.

Under the EIT Law and the implementation regulations thereunder, a PRC withholding tax at a rate of 10 per cent. is normally applicable to PRC-sourced income derived by non-resident enterprises, subject to adjustment by applicable treaty. The implementation regulations of the EIT Law further set forth that interest income is viewed as PRC-sourced income if the enterprise or the establishment that pays or bears the interest is situated in the PRC. Pursuant to the Individual Income Tax Law of the PRC and its implementation regulations, PRC withholding tax at a rate of 20 per cent is normally applicable to PRC-sourced income derived by non-resident individuals. Thus, any gains realised on the transfer of the KW Notes by overseas holders of the KW Notes may be subject to PRC income tax at a rate of 10 per cent. for enterprise holders of the KW Notes under the EIT Law or 20 per cent. for individual holders of the KW Notes under the Individual Income Tax Law, if such gains are regarded as PRC-sourced.

If the KW Note Issuer or the Guarantor is required to withhold PRC tax from interest payments on the KW Notes to non-PRC holders of KW Notes, the KW Note Issuer or the Guarantor, as the case may be, will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the relevant holders of KW Notes of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the KW Notes, and could have an adverse effect on the KW Note Issuer's and the Guarantor's financial condition.

Risks Relating to the Direct Issuance Notes

If the Company fails to complete the SAFE registration in connection with the Direct Issuance Notes within the time period prescribed by the SAFE, there may be logistical hurdles for cross-border payment under the Direct Issuance Notes.

In respect of a Tranche of Direct Issuance Notes, the Company is required to complete the Direct Issuance Note Foreign Debt Registration on or before the Registration Deadline (being the day falling 90 Registration Deadline Business Days after the date of the relevant Issue Date) in accordance with the SAFE Measures, which will be made by the Company within the prescribed time period in accordance with the SAFE Measures. The Company is also required to complete the relevant filing obligation as required by the PBOC's *Notice on Issues Relating to the Macro-prudential Management of Overall Cross-border Financing* (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) promulgated by the PBOC on 11 January 2017. Without completing such registration and filing requirements, the proceeds raised by the issuance of such Tranche of Direct Issuance Notes cannot be remitted to the Company on a cross-border basis. There may be hurdles at the time of remittance of funds as domestic banks may require evidence of SAFE registration in connection with the relevant Tranche of Direct Issuance Notes in order to effect such remittance.

The Direct Issuance Notes are unsecured obligations.

The Direct Issuance Notes are unsecured obligations of the Company. The repayment of the Direct Issuance Notes may be adversely affected if:

- the Company enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Company's future secured indebtedness or other unsecured indebtedness;
- there is an acceleration of any of the Company's indebtedness; or
- the foreign exchange authority adopts more stringent controls over cross-border foreign exchange.

If any of these events were to occur, the Company's assets may not be sufficient to pay amounts due on the Direct Issuance Notes.

Risks Relating to the Notes Generally

If the Company fails to comply with the continuing obligations under the NDRC Administrative Measures in connection with the Notes, the NDRC may impose penalties or other administrative procedures on the Company.

Effective from 10 February 2023, the NDRC Administrative Measures supersede the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015 ("**Circular 2044**"). According to the NDRC Administrative Measures, domestic enterprises and their overseas controlled entities shall procure the registration of any foreign debt securities with a term not less than one year issued with the NDRC prior to the issue of the securities, and notify the particulars of the relevant issues within the timeframe prescribed by the NDRC after the completion of the relevant issue, and to comply with the continuing obligations under the NDRC Administrative Measures.

Under the NDRC Administrative Measures, the Company shall (i) file or cause to be filed with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance and the expiration of the Certificate with respect to the relevant Notes in accordance with the NDRC Administrative Measures, (ii) file or cause to be filed with the NDRC the requisite information and documents within five PRC business days before the end of January and the end of July each year, and (iii) file or cause to be filed the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations.

The NDRC Administrative Measures mention some legal consequences of non-compliance with the post-issue notification requirement. Failure to comply with the NDRC post-issue and continuing filing obligations (such as post-issue filing, pre-issuance approval expiration filing, periodical filing and major event filing, etc.) under Articles 24 and 26 of the NDRC Administrative Measures may result in the relevant entities being ordered to make corrections within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The aforesaid regulatory violations committed by enterprises shall be publicised on the "Credit China" (信用中國) website and the national enterprise credit information publicity system, among others.

However, the NDRC Administrative Measures are new and their implementation may involve significant uncertainty. The administration and enforcement of the NDRC Administrative Measures may be subject to executive and policy discretion of the NDRC. While the NDRC Administrative Measures have set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the NDRC Administrative Measures, the NDRC Administrative Measures are silent on whether any such non-compliance would affect the validity and enforceability of the Notes. There is no assurance that the failure to comply with the NDRC Administrative Measures would not result in adverse consequences on the KW Note Issuer's or the Guarantor's or the Company's ability to perform in accordance with the Terms and Conditions of the Notes or the enforceability of the Notes.

If either of the KW Note Issuer or the Company is unable to comply with the restrictions and covenants in their respective debt agreements (if any), the Notes or the Guarantee, there could be a default under the terms of these agreements, the Notes or the Guarantee, which could cause repayment of the KW Note Issuer or the Company's debt to be accelerated.

If any of the KW Note Issuer or the Company is unable to comply with the restrictions and covenants in the Notes, the Guarantee, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the KW Note Issuer or the Company, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements of the KW Note Issuer and the Company may contain cross-acceleration or cross-default provisions. As a result, the default by the KW Note Issuer or the Company under one debt agreement may cause the acceleration of repayment of debt, including the Notes, or result in a default under its other debt agreements, including the Notes. If any of these events occur, there can be no assurance that the Group's assets and cash flows would be sufficient to repay in full all of the KW Note Issuer's or the Company's indebtedness, or that it would be able to find alternative financing. Even if the KW Note Issuer or the Company could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the KW Note Issuer or the Company.

The KW Note Issuer or the Company may not be able to repurchase the relevant Notes upon the exercise of a redemption option by Noteholders.

Upon the occurrence of certain events, including but not limited to a Change of Control and a No Registration Event as described in the "*Terms and Conditions of the Notes*", Noteholders may require the KW Note Issuer or the Company to redeem their Notes. The source of funds for any such redemption would be the KW Note Issuer's or the Company's available cash and third-party financing. The KW Note Issuer or the Company, however, may not have sufficient available funds at the time of the occurrence of any such event to redeem the tendered outstanding Notes. The KW Note Issuer's or the Company's failure to redeem the tendered Notes would constitute an Event of Default (as defined in the "*Terms and Conditions of the Notes*"). This Event of Default may, in turn, constitute an event of default under other indebtedness, which could cause the related debt to be accelerated after any applicable notice or grace periods.

The liquidity and price of the Notes may be volatile.

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

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the subprime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

A trading market for the Notes may not develop.

A Tranche of Notes is a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The relevant Dealers in relation to any Tranche of Notes are not obligated to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the relevant Dealers in relation to any Tranche of Notes.

A single investor may subscribe for a substantial proportion of any Tranche of Notes.

A single investor may subscribe for a substantial proportion of any Tranche of Notes. Any holder of a substantial proportion of such Notes will be able to exercise considerable voting power on its own, and may be able to, among other things, convene meetings and prevent the passing of Extraordinary Resolutions.

Additionally, the existence of any such significant holder may reduce the liquidity of the relevant Tranche of Notes in the secondary trading market. If such holder sells a material amount of the aggregate principal amount of such Notes at any one time, it may materially and adversely affect the trading price of such Notes.

The ratings of the Notes to be issued under the Programme may be downgraded or withdrawn.

Tranches of Notes to be issued under the Programme may be rated or unrated. The ratings represent the opinions of the rating agencies and their assessment of the ability of the KW Note Issuer and the Company to perform their respective obligations under the relevant Notes and credit risks in determining the likelihood that payments will be made when due under the relevant Notes. A rating is not a recommendation to buy, sell or hold the relevant Notes and may be subject to suspension, reduction or may be withdrawn at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the relevant Notes and the KW Note Issuer's or the Company's ability to access the debt capital markets.

The insolvency laws of the Cayman Islands and PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar.

As the KW Note Issuer and the Company are incorporated under the laws of the Cayman Islands and PRC respectively, any insolvency proceeding relating to the KW Note Issuer or the Company would likely involve the Cayman Islands or PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

The Trustee may request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including without limitation, giving notice to the KW Note Issuer, the Guarantor or the Company pursuant to Condition 16 of the "*Terms and Conditions of the Notes*" and taking enforcement steps pursuant to Condition 12 of the "*Terms and Conditions of the Notes*", the Trustee may, at its sole discretion, request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders of the Notes. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed (as defined in the "*Terms and Conditions of the Notes*") or the Terms and Conditions of the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

Decisions that may be made on behalf of all holders of the Notes may be adverse to the interests of individual holders of the Notes.

The Terms and Conditions of the Notes contain provisions for calling meetings (including by way of teleconference or video conference call) of holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Notes including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of the individuals.

The Terms and Conditions of the Notes also provide that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Guarantee, the Keepwell and Asset Purchase Deed, the Agency Agreement or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such (provided that the Trustee will not do so in contravention of an express direction given by an Extraordinary Resolution in respect of the Notes or a request made pursuant to Condition 10 in respect of the Notes). There is a risk that the decision made by the Trustee may be adverse to the interests of the individual holders of the Notes.

The Notes may not be a suitable investment for all investors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A holder of a beneficial interest in a Global Note or Global Certificates must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The KW Note Issuer and the Company have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

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

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

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

The Financial Institutions (Resolution) Ordinance may override the contractual terms of, and adversely affect, the Notes.

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which includes The Hongkong and Shanghai Corporation Limited as the Trustee and Agents. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution.

On 25 June 2021, the government of Hong Kong published the Financial Institutions (Resolution) (Contractual Recognition of Suspension of Termination Rights – Banking Sector) Rules (the "**Stay Rules**") in the Gazette. The Stay Rules have come into operation on 27 August 2021 following completion of the vetting process by the Legislative Council of Hong Kong. Following a transitional period of 24 months from the date of the commencement of the Stay Rules for the earliest first phase compliance, entities subject to the Stay Rules are required to adopt appropriate provisions in certain financial contracts to the effect that the contractual parties agree to be bound by the temporary stay that may be imposed by the Hong Kong Monetary Authority under the FIRO, which may in turn affect any in-scope financial contracts between a qualifying entity and its counterparty(ies).

As the implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules, the Trustee and the Agents are unable to assess the full impact of FIRO, the Stay Rules, any potential secondary legislation and/or supporting rules and regulations made under FIRO on the financial system generally, the Trustee or any of the Agents' counterparties, the Trustee or the Agents, any of its consolidated subsidiaries, its operations and/or its financial position.

Risks Relating to the Structure of a Particular Issue of Notes (for both KW Notes and Direct Issuance Notes) under the Programme.

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

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

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

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

(ii) they may receive no interest;

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

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

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

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

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

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

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

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

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

Interest rates and indices which are deemed to be benchmarks (including EURIBOR) are the subject of national and international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK-supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

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

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to a benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark and/or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an inter-bank offered rate (such as EURIBOR) or other relevant reference rate (which could include, without limitation, any mid-swap rate), and/or any page on which such benchmark may be published (or any successor service) becomes unavailable, or if any Paying Agent, Calculation Agent, the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) or other party is no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (both as defined in the Terms and Conditions of the Notes), with or without the application of an Adjustment Spread (as defined in the Terms and Conditions of the Notes). There is no guarantee that any Adjustment Spread will be determined or applied. If no Adjustment Spread is determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest.

The use of any such Successor Rate or Alternative Reference Rate or, if applied, Adjustment Spread to determine the Rate of Interest may result in Notes linked to or referencing the initial inter-bank offered rate or other relevant reference rate performing differently (including paying a lower Rate of Interest) than they would do if the initial inter-bank offered rate or other relevant reference rate (as applicable) were to continue to apply in its current form.

Under these fallback arrangements, the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) will use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined in the Terms and Conditions of the Notes) to determine the Successor Rate or Alternative Reference Rate (as applicable), no later than five Business Days (as defined in the Terms and Conditions of the Notes) prior to the relevant Interest Determination Date (the "**IA Determination Cut-off Date**"), but in the event that the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (acting in a reasonable manner) is unable to appoint an Independent Adviser, or such Independent Adviser fails to determine the Successor Rate or Alternative Reference Rate (as applicable) prior to the relevant IA Determination Cut-off Date, the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (acting in a reasonable manner) will have discretion to, amongst other things, determine the relevant Successor Rate or Alternative Reference Rate (as applicable). There can be no assurance that such Successor Rate or Alternative Reference Rate (as applicable) determined by the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) will be set at a level which is on terms commercially acceptable to all Noteholders.

In certain circumstances, the ultimate fallback for the purposes of calculation of Rate of Interest for a particular Interest Accrual Period may result in the Rate of Interest for the last preceding Interest Accrual Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page.

Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, any determinations that may need to be made by the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) with the involvement of an Independent Adviser entails a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by EU Benchmarks Regulation, UK Benchmarks Regulation or any other international or national reforms and the possible application of the benchmark replacement provisions of the Notes, in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The use of Secured Overnight Financing Rate ("SOFR") as a reference rate is subject to important limitations.

The rate of interest on the Floating Rate Notes may be calculated on the basis of SOFR (as further described under Condition 5(b)(iii)(C) of the Terms and Conditions of the Notes).

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the "**ARRC**") announced SOFR as its recommended alternative to U.S. dollar LIBOR. However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo-financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources, and the Group has no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a SOFR Benchmark Event occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Any of the fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR had been provided by the Federal Reserve Bank of New York in its current form. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes.

Investors should be aware that the market continues to develop in relation to SOFR as a reference rate in the capital markets and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions of the Notes. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Notes referencing SOFR. Similarly, if SOFR do not prove widely used in securities such as the Notes referencing SOFR, investors may not be able to sell such Notes referencing SOFR at all or the trading price of the Notes referencing SOFR may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

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

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

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

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

Investors may lose part or all of their investment in any Index-Linked Notes issued.

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index-Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Notes subject to optional redemption by the KW Note Issuer or the Company may have a lower market value than Notes that cannot be redeemed.

An optional redemption feature is likely to limit the market value of Notes. During any period when the KW Note Issuer or the Company may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The KW Note Issuer or the Company may be expected to redeem Notes when the cost of borrowing is lower than the interest rate payable on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an interest rate as high as the interest rate payable on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Risks Relating to Renminbi-denominated Notes ("Renminbi Notes")

Renminbi Notes may be issued under the Programme. Renminbi Notes may contain particular risks for potential investors.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes.

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar. However, there has been significant reduction in control by the PRC government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC government.

Although the PBOC has implemented policies improving accessibility to Renminbi to settle cross-border transactions in the past, there is no assurance that the PRC government will liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite the Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the KW Note Issuer or the Company to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the KW Note Issuer's or the Company's ability to source Renminbi outside the PRC to service Renminbi Notes.

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

There are regulations issued by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC, although the PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

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

Investment in Renminbi Notes is subject to exchange rate risks.

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The PBOC has in recent years implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

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

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

Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident enterprise from the transfer of Renminbi Notes but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident individual Holder from the transfer of Renminbi Notes. The abovementioned rate may be reduced by an applicable tax treaty.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and thus become subject to EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules.

Therefore, if enterprise or individual resident Holders which are non-PRC residents are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual Holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

CAPITALISATION AND INDEBTEDNESS

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the Group's consolidated capitalisation and indebtedness as at 30 June 2023. The following table should be read in conjunction with the Company's 2023 Reviewed Consolidated Interim Financial Statements and related notes which are included elsewhere in this Offering Circular.

	As at 30 June 2023	
	RMB'000	*U.S.$'000*(1)
Liabilities		
Borrowings	247,342,470	34,110,086
Due to banks and other financial institutions	10,566,126	1,457,135
Financial assets sold under repurchase agreements	1,307,466	180,308
Derivative financial liabilities	451,803	62,306
Accrued staff costs	208,970	28,818
Bonds payable	35,884,204	4,948,658
Tax payable	425,957	58,742
Lease liabilities	144,911	19,984
Deferred tax liabilities	941,130	129,788
Other liabilities	31,109,315	4,290,171
Total liabilities	**328,382,352**	**45,285,997**
Equity		
Share capital	12,642,380	1,743,464
Capital reserve	2,418,689	333,552
Hedging and available-for-sale revaluation reserve	637,967	87,980
Translation reserve	930,932	128,381
General reserves	6,792,264	936,696
Retained profits	12,181,477	1,679,903
Total equity	**35,603,709**	**4,909,976**
Total capitalisation(2)	**363,986,061**	**50,195,973**

Notes:

(1) Calculated at the exchange rate of U.S.$1.00 = RMB7.2513 on 30 June 2023 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board.

(2) Total capitalisation equals the sum of total liabilities and total equity.

There has been no material change in the consolidated capitalisation and indebtedness of the Group since 30 June 2023.

CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets forth the Guarantor's consolidated capitalisation and indebtedness as at 31 December 2022. The following table should be read in conjunction with the Guarantor's 2022 Audited Consolidated Financial Statements and related notes included elsewhere in this Offering Circular.

	As at 31 December 2022	
	RMB'000	*U.S.$'000$*[(1)]
Liabilities		
Borrowings	35,021,670	5,077,665
Derivative financial liabilities	11,054	1,603
Bonds payable	18,641,058	2,702,699
Finance lease liabilities	524,042	75,979
Guarantee deposits from lessees	185,252	26,859
Other liabilities	1,150,118	166,751
Total liabilities	**55,533,194**	**8,051,556**
Equity		
Share capital	9	1
Other reserves	428,923	62,188
General reserves	704,740	102,178
Retained earnings	7,018,019	1,017,517
Total equity	**8,151,691**	**1,181,884**
Total capitalisation[(2)]	**63,684,885**	**9,233,440**

Notes:

(1) Calculated at the exchange rate of U.S.$1.00 = RMB6.8972 on 30 December 2022 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board.

(2) Total capitalisation equals the sum of total liabilities and total equity.

There has been no material change in the consolidated capitalisation and indebtedness of the Guarantor since 31 December 2022.

USE OF PROCEEDS

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

DESCRIPTION OF THE KW NOTE ISSUER

FORMATION

CDBL Funding 2 is an exempted company incorporated with limited liability under the Companies Act (Revised) of the Cayman Islands. It was incorporated in the Cayman Islands on 23 May 2017 as a special purpose vehicle. Its registered office is at Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

BUSINESS ACTIVITY

The KW Note Issuer was established with unrestricted objects as set out in its memorandum of association and the KW Note Issuer has full power and authority to carry out any object not prohibited by law as provided by section 7(4) of the Companies Act (Revised) of the Cayman Islands. The KW Note Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment and those incidental to the issue of notes and other debt securities under the Programme and any other activities reasonably incidental thereto.

FINANCIAL STATEMENTS

Under Cayman Islands law, the KW Note Issuer is not required to publish interim or annual financial statements. The KW Note Issuer has not published, and does not propose to publish, any financial statements. The KW Note Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the KW Note Issuer's affairs and to explain its transactions. The KW Note Issuer has engaged independent external auditors to conduct annual audit of its financial accounts.

DIRECTORS AND OFFICERS

As at the date of this Offering Circular, the directors of the KW Note Issuer are Yang Yuxia and Mo Yanfeng. As at the date of this Offering Circular, the KW Note Issuer does not have any employees and has no subsidiaries.

SHARE CAPITAL

Under its memorandum of association, the KW Note Issuer has a share capital of U.S.$50.00 with a nominal or par value of U.S.$1.00 each, and one share has been issued to and is currently held by the Guarantor. The register of members of the KW Note Issuer is maintained at its registered office in the Cayman Islands at Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. No part of the equity securities of the KW Note Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

DESCRIPTION OF THE GUARANTOR

OVERVIEW

The Guarantor is wholly-owned by the Company through a Nominee Shareholder Agreement entered into between CFAS SERVICES LIMITED, an independent third party as nominee shareholder and trustee, and the Company as beneficiary. The Guarantor was incorporated in Hong Kong on 3 September 2009. As at the date of this Offering Circular, the issued share capital of the Guarantor is HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each. The registered office of the Guarantor is at 21st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong. None of the Guarantor's equity securities is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

The Guarantor serves as an operating platform for the Group's overseas operations in offshore shipping and equipment leasing. As at 30 June 2023, the Guarantor held a total of 248 special purpose companies ("**SPCs**") in Hong Kong, 245 of which are for ship leasing business, two for equipment leasing business and one for funding. Prior to 2015, the Guarantor was a financing and capital operations platform which was parallel with the other project companies in the Group and was beneficially owned by the Company as to 100% through a trust arrangement. For the purpose of satisfying the Group's offshore financing and capital needs, in 2015, the Company completed a restructuring and transferred a number of project companies in Hong Kong to the Guarantor. Since then, the Guarantor has been the holding company for the Group's shipping and equipment leasing business in Hong Kong.

The Guarantor serves as an important platform for the Company's operations in offshore shipping and equipment leasing, facilitating the Company in its continuous expansion of its shipping leasing business on a global scale. The Guarantor aims to continue to optimise and modernise its fleet structure with energy-saving, environmental-friendly and high-tech vessels.

In 2017, the Guarantor initiated and launched the first operating lease project of Cargill International in relation to five 200,000-tonne Newcastlemax dry bulk carriers. The Guarantor was also active in seeking quality projects through market exploration. In the following years, the Guarantor continued to promote key customer relationships in the shipping lease business and cooperated with important customers.

As of 30 June 2023, the Guarantor had a total of 206 ships, of which 179 ships were in operation and 27 new ships were under construction. In terms of lease method, among the ships in operation managed by the Guarantor, 150 ships were under operating lease and 29 ships under finance lease; in terms of ship type, among the ships in operation managed by the Guarantor, there were 128 bulk carriers, 27 product tankers, 18 container ships, five LNG vessels and one passenger cruise ship.

In 2023, the Guarantor continued to maintain the balanced development of operating leasing and financial leasing to improve the operational stability of its ship leasing business. The Guarantor continues to optimise the structure of the operating leasing fleet, enhance ship management services and strengthen the international first-class management of the operating lease fleet. On one hand, the Guarantor benefited from improvements in the bulk carrier transportation market, on the other hand, the Guarantor also gained support from the Group's commitment to ship leasing business and its forward-looking strategic planning. As at 31 December 2020, 2021 and 2022, the Guarantor had total assets of approximately RMB44,877.4 million, RMB50,430.3 million and RMB63,684.9 million, respectively. For the years ended 31 December 2020, 2021 and 2022, the Guarantor's revenue amounted to RMB1,783.7 million, RMB5,116.0 million and RMB5,666.4 million, respectively, and its net income amounted to RMB741.6 million, RMB3,192.3 million and RMB2,992.5 million, respectively.

DIRECTORS

All directors of the Guarantor were appointed by the Company. As at the date of this Offering Circular, the directors of the Guarantor are Yang Yuxia and Mo Yanfeng.

FINANCIAL INFORMATION

For details of the Guarantor's financial information, see "*Selected Financial Information of the Guarantor*" and the Guarantor's Audited Consolidated Financial Statements.

DESCRIPTION OF THE GROUP

OVERVIEW

The KW Note Issuer is an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of the Guarantor. The Guarantor is a wholly-owned subsidiary of the Company through a trust arrangement. As at the date of this Offering Circular, the Company is the sole leasing business platform and one of the key strategic business segments of CDB, which holds 64.4% of the equity interest of the Company. CDB is a development financial institution which is wholly-owned by the PRC government and reports directly to the PRC's highest administrative authority, the State Council of the PRC, and is one of the world's largest development finance institutions with PRC sovereign level credit ratings. We are dedicated to providing comprehensive leasing services to high-quality customers in industries, including aviation, regional development, shipping, vehicle and construction machinery. We are a pioneer and a leader in the PRC leasing industry and have one of the highest international credit ratings among PRC financial institutions. Founded in 1984, we were among the first leasing companies in the PRC and the first leasing companies regulated by CBRC.

As at 30 June 2023, our business segments are as follows:

- **Aircraft Leasing:** mainly engaged in the acquisition, leasing, management and disposal of commercial aircrafts;

- **Regional Development Leasing:** mainly engaged in the provision of leasing services that support the national policy driven regional development, thereby improving the regional financial service capacity to better assist the high-quality development of the regional economy, in alignment with major regional development strategies of the state;

- **Ship Leasing:** mainly engaged in the leasing of ships;

- **Inclusive Finance:** mainly engaged in the leasing of vehicles and construction machinery; and

- **Green Energy and High-end Equipment Leasing:** mainly engaged in the leasing of energy infrastructure and high-end equipment.

For the six months ended 30 June 2023, our Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance and Green Energy and High-end Equipment Leasing businesses accounted for 33.6%, 27.2%, 22.7%, 8.0% and 8.5% of our revenue and other income, respectively.

Our history dates back to 1984, when our predecessor, Shenzhen Leasing Company Limited, was established in the PRC following approval by the Shenzhen government. Since then we have operated for nearly 40 years, and were one of the first leasing companies in China. In 1999, the Shenzhen Leasing Company Limited was renamed Shenzhen Financial Leasing Company Limited.

In 2001, the Company became the first aviation lessor in the PRC. In 2003 and 2005, it became the first highway lessor and urban rail transit lessor in the PRC, respectively. In 2008, CDB became our controlling shareholder through share acquisition and capital increase. Since 2008, we have been the only leasing business platform of CDB. On 22 May 2008, the Company was renamed China Development Bank Financial Leasing Company Limited. In 2009, the Company expanded its business to become the first overseas aviation lessor and the first overseas shipping lessor in the PRC. In 2011, it became the first affordable housing lessor in the PRC.

In 2015, the Company was renamed as China Development Bank Financial Leasing Co., Ltd. On 11 August 2015, CDB, HNA Group Company Limited (海航集團有限公司), Xi'an Aircraft Industry (Group) Company Ltd. (西安飛機工業(集團)有限責任公司), Jiangsu Jia Yuan Investment Company Limited (江蘇佳源投資有限公司), Qitian Holding Company Limited (啟天控股有限公司), Bank of Urumqi Co., Ltd. (烏魯木齊銀行股份有限公司), Sichuan Financial Leasing Co., Ltd. (四川金融租賃股份有限公司), and Huilian Assets Management Company Limited (匯聯資產管理有限公司), entered into a promoters' agreement, pursuant to which the parties agreed to convert the Company into a joint stock company with limited liability. Pursuant to the Approval of the Management Plan of the State-owned Equity Interest in China Development Bank Financial Leasing Co., Ltd. (關於國銀金融租賃股份有限公司國有股權管理方案的批覆) (Caijin Han [2015] No. 161) issued by the Ministry of Finance dated 21 September 2015, and the Approval of the Change of Registered Capital of China Development Bank Financial Leasing Co., Ltd. (關於國銀金融租賃有限公司變更註冊資本的批覆) (Shen Yin Jian Fu [2015] No. 297) issued by the Shenzhen branch of the CBRC dated 25 September 2015, the Company was converted on 28 September 2015 upon registration with the Market and Quality Supervision Commission of Shenzhen Municipality.

As one of the first leasing companies in the PRC, we have witnessed and participated in the development of the PRC leasing industry. With an increasingly diverse range of leasing products and a continually improving regulatory environment, the leasing industry has been playing an increasingly important role in the PRC financial system. We have weathered economic and industry cycles and regulatory reforms and gained experience through continual improvement in our business operations, products and business model innovation and exploration of new sectors. We have identified key sectors, namely the aircraft and regional development leasing businesses, which have well-developed business models, good asset quality and growth potential, and key customer groups, namely, large and medium-sized, high-quality corporate customers, as the primary focus of our business. Through exploration of different business sectors in a strategic manner, continuous product innovation and business improvement as well as optimisation of corporation governance, we outpaced our peers in terms of asset scale, profitability and risk control, and formed a business development model with obvious advantages of core competitiveness and prominent sustainable development capabilities.

The continued market-oriented reform of the PRC financial industry, the increase in demand for customised leasing products and services, the internationalisation of the Renminbi and favourable government policies have brought important opportunities in the leasing industry. We believe that our market-leading position, long operating history, well-developed business model and premier brand name will enable us to seize such opportunities. The extensive experience we gained through economic and industry cycles in the PRC enables us to achieve sustained growth in the next stage of China's economic transformation and to continue to maintain our leading position in the fast-developing PRC leasing industry. In addition, we obtained one of the highest international credit ratings among PRC financial institutions, two of which are on par with the sovereign rating of the PRC. Our superior funding capabilities provide strong support to our business development and empower us generate attractive financial returns.

AWARDS

We have a market-leading position and a premier brand and continually strive to be a world-class leasing company. In recognition of our expertise and experience earned from nearly 40 years in the leasing business, we have received a number of awards, including:

Year	Awards	Organisers/Media
2023	Excellent Cooperation Award (優秀合作獎)	West Lake Forum Cup of the 2022 China Financial Leasing (West Lake) Forum (2022年度中國融資租賃(西湖)論壇西湖論壇杯)
2022	Asia-Pacific Region Annual Financing Project (亞太大區年度融資項目) and Annual Transaction (年度交易)	11th Airline Economics Annual Conference (Airline Economics第11屆航空年會)
	2022 (the Fifth Session) China's Financial Leasing Soaring Award – High-Quality Development Leading Enterprise (2022年(第五屆)中國融資租賃騰飛獎–高質量發展領軍企業)	Global Leasing Industry Competitiveness Forum (全球租賃業競爭力論壇)
	Annual Inclusive Finance Model Award (年度普惠金融典範獎)	16th Financial Billboard • Golden Banyan Tree Award" (第十六屆金融風雲榜 • 金榕樹獎) hosted by Shenzhen Special Zone Daily (《深圳特區報》)

Year	Awards	Organisers/Media
	Shenzhen Green and Sustainable Finance Excellent Case (深圳市綠色及可持續金融優秀案例)	Shenzhen Green Finance Association (深圳市綠色金融協會)
2021.	Best Financial Institution (最佳金融公司)	5th Golden Hong Kong Stocks Awards Ceremony (第五屆"金港股"評選) hosted by Zhitong Finance (智通財經)
	Most Competitive Financial Leasing Company (最具競爭力金融租賃公司)	2021 Gold Medal List of Chinese Financial Institutions – Golden Dragon Award Ceremony (2021年度中國金融機構金牌榜 • 金龍獎) hosted by Financial News (《金融時報》)
	Most Influential Financial Leasing Company (最具影響力金融租賃公司)	Global Leasing Industry Competitiveness Forum
	Social Responsibility Award of the Year (年度社會責任獎)	15th Financial Awards – Golden Banyan Awards Ceremony (第十五屆金融風雲榜 • 金榕樹獎) hosted by Shenzhen Special Zone Daily
	2020-2021 Excellent Case Award for Green Finance (2020-2021年綠色金融優秀案例獎)	Shenzhen Banking Industry Social Responsibility Excellent Case Selection (深圳市銀行業社會責任優秀案例評選) hosted by Shenzhen Banking Association (深圳市銀行業協會)
2020.	Business Growth Award (經營增長獎勵) and Comprehensive Contribution Award (綜合貢獻獎勵)	Futian District Committee of Shenzhen, CPC (中共深圳市福田區委) and Futian District People's Government of Shenzhen (深圳市福田區人民政府)
	Most Socially Responsible Financial Leasing Company of the Year (年度最具社會責任金融租賃公司)	Financial News
	China Financial Leasing Soaring Award to Help Leading Enterprises in Real Economy (中國融資租賃騰飛獎 • 助力實體經濟領軍企)	Global Leasing Industry Competitiveness Forum
	Social Responsibility Contribution Case Award (社會責任貢獻案例獎)	Nanfang Daily (《南方日報社》)
	2020 Financial Leasing Company Tianji Award (2020年度金融租賃公司天璣獎)	Securities Times (《證券時報》)
	Innovative Development Award (創新發展獎)	8th China Aviation Finance 10,000-Family Award (第八屆中國航空金融萬戶獎評選)
	Annual Report Gold Award (年報金獎)	League of American Communications Professionals (LACP) (美國國際通訊專業聯盟)
	Excellent Case of Guangdong Green Finance Innovation in 2019 (2019年度廣東綠色金融創新優秀案例)	Green Finance Professional Committee of Guangdong Institute of Finance (廣東金融學會綠色金融專業委員會), Green Finance Professional Committee of Shenzhen Special Economic Zone Institute of Finance (深圳經濟特區金融學會綠色金融專業委員會), Guangzhou Green Finance Industry Self-Discipline Association (廣州市綠色金融業自律機制) and Guangzhou Financial Industry Association (廣州金融業協會)

Year	**Awards**	**Organisers/Media**
2019.	Best Brand Value Award (最佳品牌價值獎) and Best Annual Reports Design Award (最佳年報設計獎)	China Financial Market Awards (《中國融資》大獎)
	2019 Financial Leasing Company Tianji Award (2019年度金融租賃公司天璣獎)	Securities Times
	Ten-year Industry Contribution Award of China Aviation Finance (中國航空金融十年產業貢獻獎) and Best Transaction for the Year (年度最佳交易)	China Air Finance 'WAN HOO' Award (中國航空金融萬戶獎)
	2018-2019 Excellent Case of Social Responsibilities 'Green Financial' in Banking Industry in Shenzhen (2018-2019深圳銀行業社會責任「綠色金融」優秀案例獎)	Shenzhen Banking Association
	Most Competitive Leasing Company for the Year (年度最具競爭力租賃公司)	2019 China Financial Institutions Gold Medal List • Golden Dragon Award (2019中國金融機構金牌榜 • 金龍獎) by Financial News
	2019 China Finance Leasing Excellence Award (2019中國融資租賃卓越成就獎)	China International Finance Forum (中國國際金融論壇)
	Most Socially Responsible Listed Enterprise (最具社會責任上市公司)	Golden Hong Kong Stocks (金港股)
	Listing Company with Most Influence Brand (最具品牌影響力上市公司) in the Jin Wu Prize (金吾獎) of financial institutions value ranking for 2018	Hong Kong Stocks channel of ifeng.com (鳳凰網港股頻道)
2018.	Highest Credit in Corporate Social Responsibility Evaluation	Shenzhen Association of Enterprises for Promotion of Social Responsibility (深圳市企業社會責任促進會)
	Best Leasing Listed Company (最佳上市租賃公司) in the Teng Fei Prize (騰飛獎) of China Finance Leasing	2018 (5th) Global Leasing Industry Competitiveness Forum (2018(第五屆)全球租賃業競爭力論壇)
	Best Green Finance Award in Banking Industry of Shenzhen (最佳綠色金融獎) and the Most Visible Brand Award (最受關注品牌獎) for 2017	12th China (Shenzhen) International Finance Expo (第十二屆深圳國際金融博覽會)
	Leasing Company of the Year in China (中國年度租賃公司) in the China Aviation Finance and Leasing Award Ceremony	China Air Finance Conference, Shanghai (上海中國航空金融年會)
	Industry Contribution Award (行業貢獻獎)	Shenzhen Association of Trade in Services (深圳市服務貿易協會)
2017.	Annual Transaction Award	Hong Kong Annual Meeting of Marine Money (海事金融香港年會)
	Key Service and Trading Company in Shenzhen for 2016	Shenzhen Service and Trade Association (深圳市服務貿易協會)
	President's Award	Community Chest of Hong Kong (香港公益會)
	Jun Ding Award for Financial Leasing Company in China in 2017	Jun Ding Award for Financial Management Institution in China (2017中國財務管理機構君鼎獎) in 2017 by Securities Times

Year	Awards	Organisers/Media
	Fifth China Air Finance Wanhu Award for Leaping Development Award	Sixth China Air Finance Development (DFTP) Summit (第六屆中國航空金融發展(東疆)國際論壇)
	2016 Best Green Finance Award in Banking Industry of Shenzhen	11th China (Shenzhen) International Finance Expo (第十一屆(深圳)國際金融博覽會)
	Best Leasing Company for the Year	2017 Gold Medal List of Chinese Financial Institutions Golden Dragon (2017中國金融機構金牌金龍獎) organised by Financial Times
	Best Corporate Governance Award	2017 China Financial Market Listed Companies Awards organised by China Financial Market (《中國融資》2017中國融資上市公司大獎)
	Most Valuable Financial Stocks Company of Golden Hong Kong Stocks Award 2017	Listed Company Selection of 2017 Golden Hong Kong Stocks (2017金港股上市公司評選)
2016.	The Most Influential Leasing Company for the Year (年度最具影響力租賃公司)	2016 Gold Medal List of Chinese Financial Institutions Golden Dragon (《金融時報》2016中國金融機構金牌金龍獎)
	The Best IPO (最佳IPO)	2016 China Financial Market Listed Companies Awards organised by China Financial Market (香港《中國融資》2016中國融資上市公司大獎)
2015.	Most Innovative Leasing Company of the Year (年度最具創新力租賃公司)	Institute of Finance and Banking, Chinese Academy of Social Sciences (中國社會科學院金融研究所) and Financial News
	Industrial Promotion Award of the China Air Finance Wan Hu Awards (中國航空金融萬戶獎 – 產業促進獎)	General Aviation Committee of China Air Transportation Association (中國航空運輸協會通用航空委員會) and Tianjin Dongjiang Free Trade Port Management Committee (天津東疆保税港區管理委員會)
	Ship Leasing Deal of the Year	Marine Money
2014.	PRC Financial Leasing Company of the Year (中國融資租賃年度公司)	China Financial Leasing Annual Conference (中國融資租賃委員會)
	30-Year Award for Contribution to the Financial Leasing Industry (融資租賃30年最佳行業貢獻獎)	Financial News
	China Aircraft Leasing International Financing Structure Innovation Award (中國飛機租賃國際融資結構創新獎)	General Aviation Committee of China Air Transportation Association and Tianjin Dongjiang Free Trade Port Management Committee

COMPETITIVE STRENGTHS

We are a pioneer and a leader in the PRC leasing industry and the sole leasing business platform of CDB as at the date of the Offering Circular, dedicated to providing comprehensive leasing services to high-quality customers in aviation, regional development, shipping, inclusive finance, and energy infrastructure and high-end equipment.

We are a pioneer in the PRC leasing industry, with a leading market position and a premier brand name

We were one of the first companies to engage in the leasing business in the PRC.

We were established in 1984. Shenzhen Leasing Company Limited, our predecessor, was one of the first companies to conduct leasing business in the PRC and also one of the first leasing companies to obtain the "financial permit" in the PRC. We were also one of the first CBRC-regulated leasing companies in the PRC. Since inception in 1984, we have witnessed and participated in the development of the PRC leasing industry. With an increasingly diverse range of leasing products and a continually improving regulatory environment, the leasing industry has been playing an increasingly important role in the PRC financial system.

We are a pioneer in the leasing industry in the PRC.

Through navigating industry and macroeconomic cycles and regulatory reforms, we have maintained our market-leading position and gained experience through continual innovation and exploration. We have been playing an important role in driving the development of the PRC leasing industry and have achieved a number of "firsts" in our operating history, including but not limited to:

- the first listed CBRC-regulated financial leasing company in China and the sole leasing business and listing platform of CDB;
- the first CBRC-regulated leasing company to issue bonds on the international markets on the strength of our own credit ratings;
- the first CBRC-regulated leasing company to lease aircraft under finance and operating leases, respectively;
- the first CBRC-regulated leasing company to set up an overseas business platform to conduct overseas aircraft leasing;
- the first CBRC-regulated leasing company to conduct the leasing of toll roads and rail transit; and
- the first CBRC-regulated leasing company to launch commercial vehicle leasing through the manufacturer credit model.

We have a well-established business presence built around our core strengths.

Through continual improvement in our business operations and product innovation, we have expanded our business scope to new sectors and identified several growth sectors as our focus. We have five business segments namely, Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance, and Green Energy and High-end Equipment Leasing businesses. We have one of the broadest geographic coverage among PRC leasing companies. As at 30 June 2023, our assets in the Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance and Green Energy and High-end Equipment Leasing businesses accounted for 27.1%, 36.4%, 14.9%, 9.0% and 12.6% of our total segment assets, respectively. We have actively promoted the transformation and development of traditional leasing business and steadily developed our Aircraft Leasing and Ship Leasing businesses which are characterised by operating leasing being the primary business model. In response to national strategic calls and regulatory policy directions, we have also deepened the development of our Regional Development Leasing and Inclusive Finance businesses and actively expanded our Green Energy and High-end Equipment Leasing business, thereby further optimising our business structure. In 2022 and the first half of 2023, against the backdrop of full implementation of regulatory requirements, we stepped up our business innovation and transformation and maintained a steady development of our leasing business as a whole. This strategic approach aimed to enhance our contribution to national strategies and bolster our support for the real economy.

We have a market-leading position and a premier brand.

Our expertise and experience in the leasing business have been well recognised. See "– *Awards*" for more details on the variety of awards we have received over the years. We possess a premier brand name in the PRC and our brand is an important intangible asset that is not replicable by our competitors.

The continued market-oriented reform of the PRC financial industry, increasing demand for customised leasing products and services, internationalisation of the Renminbi and favourable government policies have brought important opportunities in the leasing industry. We believe that our market-leading position, long-operating history, well-developed business model and premier brand name will enable us to seize such opportunities. In addition, the extensive experience we gained through economic and industry cycles in the PRC enables us to achieve sustained growth in the next phase of China's economic transformation and continue to maintain our leading position in the fast-developing PRC leasing industry.

As the sole leasing business platform and one of the key strategic business segments of CDB, we have the benefit of strong shareholder support

We have the benefit of CDB's full support in terms of branding, customer network, risk management processes and experience, capital and funding support. One of CDB's key points of focus is to align with China's major medium- and long-term national economic development strategies and allocate its financing resources to support major national projects in infrastructure, basic industries, pillar industries and strategic emerging sectors in the PRC. As a result, we have the benefit of, and will continue to benefit from, significant competitive advantages in the form of:

- *Alignment with CDB's development strategy* – We are the core subsidiary and sole leasing platform of CDB. It is one of the key strategic business segments of CDB's broader integrated "investment, loan, bond, leasing and securities" services business model. The Company's business positioning and development strategies are fully backed by CDB. As one of the China's premier development finance institutions, CDB is able to participate in the formulation of development plans at national, provincial and local levels, which helps to align the development strategies of CDB and its subsidiaries. In addition, CDB also provides us with strong support in terms of customer management, balance sheet management and risk management. We gain access to customer resources more efficiently through collaboration with CDB headquarters and its local branches. We have established strategic cooperative relationships with industry-leading customers, most of which have business relationships with CDB. Our collaboration with CDB also facilitates CDB's fulfilment of its promise of "comprehensive financial services" to its customers and enhances customer loyalty, creating a "win-win" situation.

- *Direct and indirect financial support from CDB* – CDB is one of the PRC's largest policy banks by asset and is a leading bank in the PRC for providing foreign currency loans and a market leader in the PRC onshore and offshore bond market, derivatives market, foreign-currency loans and asset-backed securitisation market. We benefit from this range of expertise and diversified funding sources. CDB's sovereign-level credit rating and liquidity commitment to us in accordance with regulatory requirements enable us to better manage our balance sheet.

- *Close integration with and ability to leverage off CDB's group-wide resources* – We are well-positioned to draw on CDB's wealth of experiences in managing the risks in large and medium-sized, medium and long-term financing projects in the PRC. As a major bank providing infrastructure financing in China, CDB is privy to the fiscal condition of governments at various levels in China. In terms of project review and approval, advice from CDB is valuable to the development and risk management of our Regional Development Leasing business.

- *Liquidity and capital support from CDB* – According to regulatory requirements and our Articles of Association, CDB is required to provide us with liquidity support and capital injection under certain circumstances as specified by the NAFR. CDB is also required to financially support the Company. In accordance with the Measures on Financial Leasing Companies (金融租賃公司管理辦法) released by the CBRC in March 2014, which requires promoters of a financial leasing company to agree, in the articles of association of the company, to provide liquidity support in case of payment difficulty and to replenish capital promptly, to the extent capital is reduced by accumulated operating loss. Subsequently, the Company also amended its Articles of Association to ensure sufficient liquidity support and capital injection from CDB in December 2015 and March 2019, respectively.

Nevertheless, the liability of CDB as the Company's shareholder shall be limited to its agreed obligation to contribute to the Company's registered capital. Neither CDB nor any other PRC governmental entity has any payment or other obligations in relation to the Notes.

Our unique business model focuses and differentiated strategy on high-quality, large- and medium-sized enterprises both in China and globally

In view of our brand image, operational excellence, managerial efficiency and manageable risks in the PRC and globally, we have built a customer base comprising many large and medium-sized enterprises and identified their demand for leasing services in collaboration with CDB in customer development and retention.

We have a large number of corporate customers with a leading market position in their respective industries. We have established an effective customer acquisition, services, management and retention mechanism that focuses on large and medium-sized enterprises. This business model has saved us the setup costs and high operating expenses associated with a large number of business outlets, and enhanced the efficiency of our business operations. We believe that we enjoy a significant advantage over other financial institutions in terms of cost-income ratio. Benefiting from this unique business and customer service model, we are able to achieve economies of scale and long-term and sustainable growth, ensure the quality of our assets and effectively reduce overall risks.

We have an industry leading, highly specialised Aircraft Leasing business with increasing profitability

Our aircraft fleet is one of the largest, in terms of net book value, under operating leases among the PRC leasing companies and one of the largest Aircraft Leasing businesses in the PRC with a global presence. As at 30 June 2023, we had 64 lessees in 37 jurisdictions including the PRC. We established a specialised aviation subsidiary, CDB Aviation Lease Finance Designated Activity Company ("**CDBALF**"), in 2017 with functions based in three geographic regions, namely, Ireland, Hong Kong SAR and the United States, to ensure proximity to the customer base.

We focus on building and maintaining a portfolio of young, modern and fuel-efficient commercial aircraft that will be attractive to our diverse customer base across multiple geographical regions and providing financial returns that meet hurdle rates. As at 30 June 2023, we had a portfolio of 385 aircraft, consisting of 283 owned aircraft and 102 committed aircraft.

Our owned and in-service fleet mainly includes narrow-body types such as Airbus A320ceo, A320neo family and Boeing 737 NG and 737 MAX family, and wide-body aircraft types such as the Airbus A330ceo, A330neo and A350, and Boeing 777-300ER and 787-9. Our orderbook contains next-generation, liquid, narrow-body types. As at 30 June 2023, weighted by net book value, the Group's aircraft fleet consists of 75% narrow-body aircraft, 21% wide-body aircraft and 4% regional and other aircraft, and the net book value of the Group's owned aircraft was U.S.$11,222.1 million. As at 30 June 2023, the weighted average age by aircraft value*(Note 1)* of our owned aircraft on operating lease was 5.0 years and the weighted average remaining lease term by aircraft value of the Group's owned aircraft held for operating lease was 7.5 years.

We have built up a highly professional team across all functions as well as a very experienced new leadership team to operate as a full-service international aircraft lessor. Our global team comes from a wide range of professional backgrounds, including airlines, aircraft manufacturers, aircraft maintenance service providers and other aircraft leasing companies. Our Aircraft Leasing business operation is supported by five pillars: establishment of personnel and team; corporate governance and structure; comprehensive risk management; systems and infrastructure construction; and policies and procedures construction. Risk management is one of the key focuses, with all transactions assessed on expected loss, calculated by a combination of probability of default and loss given default. Significant investment has also been made in IT systems to enhance efficiency and automation and to allow for the business to scale rapidly to a growing fleet.

Our leading aircraft leasing capabilities, extensive customer relationships and dedicated professionals had contributed to a 95.2% fleet utilisation of our owned portfolio under operating leases for the six months ended 30 June 2023, bringing us a stable and predictable source of income and profit. For the six months ended 30 June 2023, the annualised pre-tax return on assets*(Note 2)* of our Aircraft Leasing business was 0.1%, an increase of 0.4% from -0.3% for the same period in 2022. As at 30 June 2023, the weighted average remaining lease term by aircraft value of the Group's owned aircraft held for operating lease was 7.5 years. In addition, we adopt a prudent aircraft depreciation accounting policy, which helps lower the residual value risk of our aircraft.

We have strong capabilities in our Regional Development Leasing business

We have extensive experience in providing leasing services for regional development in response to the major regional strategies for coordinated regional development strategies. We have achieved a number of

Notes:

(1) For operating lease, aircraft value equals the sum of aircraft net book value and aircraft intangible value; for finance lease, aircraft value equals aircraft net book value.

(2) Annualised pre-tax return on assets is calculated by dividing profit before income tax by average balance of total assets at the beginning and the end of the year/reporting period (on an annualised basis).

industry "firsts" in terms of business structuring. We focused on major regional strategies such as the regional coordinated development of the Beijing-Tianjin-Hebei Area, the regional development of the Yangtze River Economic Belt and Guangdong-Hong Kong-Macao Greater Bay Area, and stepped up resource allocation and capital investment in response to these regional strategies. Our expertise in business structuring enables us to provide our customers with more customised leasing services to serve regional development in China. We operate our Regional Development Leasing business on a nationwide basis. As at 30 June 2023, the total assets of the regional development leasing segment of the Group amounted to RMB131,697.9 million. For the six months ended 30 June 2023, the revenue and other income of the Regional Development Leasing segment amounted to RMB3,221.8 million, representing a decrease of RMB315.8 million or 8.9% over that of the same period in 2022.

We also provide our customers with comprehensive consulting services, especially on overall financing arrangement for regional development project. In addition, in terms of customer acquisition, we are a well-recognised brand name and have established cooperative relationships with a number of state-owned enterprises.

We have effectively managed the risks associated with our Regional Development Leasing business, and maintained the sound asset quality of this business sector for the six months ended 30 June 2023. We believe our strong regional development leasing capabilities distinguish us from other leasing companies and financial institutions.

We have strong creditworthiness and balanced and diversified funding sources

We have "quasi-sovereign" level international credit ratings, namely, "A1" by Moody's, "A" by S&P and "A+" by Fitch, and are one of the PRC financial institutions with the highest international credit ratings as at the date of this Offering Circular. Our international credit ratings surpass those of any listed leasing company in the world. In addition, our specialised aviation subsidiary, CDBALF, has international credit ratings of "A2" by Moody's, "A" by S&P and "A+" by Fitch as at the date of this Offering Circular. Our superior creditworthiness has enabled us to lower our financing costs and further diversify our financing channels, ensuring our liquidity.

CDB is required as a legal obligation to provide liquidity and capital support to the Company, as stipulated in the articles of association of the Company, and this is also overseen by the NAFR. Accordingly, we can expect CDB to continue supporting the Company as a reliable source of funding. As at 30 June 2023, we had RMB247.3 billion of borrowings, RMB35.9 billion of bonds payable, RMB2.9 billion of notes payable and RMB11.9 billion of amounts due to banks and other financial institutions and financial assets sold under repurchase agreements. We have established cooperative relationships with most of the major banks in the PRC and many major international banks. As at 30 June 2023, we had business relationships with 175 banks, which provided a total of approximately RMB785.9 billion of credit facilities, approximately RMB507.9 billion of which was unutilised.

In addition to our financings, we have also achieved a number of industry "firsts" in the course of diversifying our financing channels. For example, we were the first CBRC-regulated leasing company to issue bonds in the international markets on the strength of our own credit ratings.

We have a global funding management system at the group level, where we centrally manage the financings of our global SPCs. We have two overseas funding platforms in Hong Kong and Ireland, which support our international operations.

Our strengths in credit ratings, sources of funding and liability management capabilities have enabled us to maintain adequate liquidity and gain access to funds at lower cost and with higher stability, which supports the continuous development of our business, enhances the competitiveness of our product offerings and improves our overall profitability.

We have a visionary, highly effective, market-oriented and experienced management team

Throughout nearly 40 years of development, our management team has adhered to market principles, cultivated our core competitiveness and strengthened our risk management. The visionary, holistic, systematic approach of our management has made us one of the largest financial leasing companies in the PRC which primarily engages in Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance, and Green Energy and High-end Equipment Leasing businesses, and has firmly established our position as a market pioneer and leader in the PRC leasing industry.

Led by Ms. Ma Hong (馬紅女士), our Chairman, our senior management team has a wealth of experience in banking, leasing and securities sectors, and covers front, middle and back office management functions. Our senior management team has on average over 20 years of experience in the financial industry. Ms. Ma has held important positions in key departments in CDB, which laid a solid foundation for the deepening of our comprehensive cooperation with CDB and the strengthening of our comprehensive resources advantages.

Our mid-level management team, which consists of the head of each of our business departments, has on average over 15 years of experience in financial and leasing sectors. These employees are well-grounded in economic and financial theories and regulatory policies and have strong management capabilities in areas such as industry research, business planning and development, financing, asset liability management, internal control and risk management and human resources. Our mid-level management team leads the formulation and optimisation of our business models and are instrumental in the sustainable development of our business and the improvement of our customer services.

BUSINESS STRATEGIES

Our vision is to become a leading international leasing company based in the PRC. Building on our competitive advantages accumulated from the leasing industry, we strive to strengthen our specialties and business development capabilities. Leveraging on the new opportunities arising from the transformation and upgrade of the Chinese economy and from the industries in which China enjoys leading positions in international markets, we plan to continually optimise our business mix, solidify our leading position in the PRC and enhance our presence in the international leasing markets, in order to achieve sustained growth and financial return. We plan to achieve this goal by pursuing the following strategic initiatives:

Seize opportunities in the golden age of the fast-developing PRC leasing market by leveraging our leading market position

The PRC leasing industry is in a stage of rapid development. In September 2015, the General Office of State Council of the PRC promulgated the Guidance on Promoting the Healthy Development of the Financial Leasing Industry (國務院辦公廳關於促進金融租賃行業健康發展的指導意見), which set out the national strategy to encourage the development of the leasing businesses in areas such as aircraft, shipping and construction machinery. We believe that both the PRC and the global aircraft leasing markets will maintain positive momentum, which will enable the continued growth of our aircraft leasing business. The PRC government has persisted in implementing major regional strategies and coordinated regional development plans, steadily promoting urban-rural integration and coordinated regional development, and establishing a contemporary development pattern and a modernised economic system centered on the objective of high-quality economic development. Key strategic regions have become important catalysts for economic growth in the PRC. We intend to seize favourable industry trends to strengthen our leading market position through the following initiatives:

- to focus on the placement of our aircraft and the completion of sales of our old aircraft. We continue to actively make efforts to collect overdue aircraft leasing rentals and prevent risks. We will also strengthen our professional capability to develop aircraft leasing;

- to strengthen our ability to serve regional development and social development in China by enhancing our leasing support for key industries in national key cities. We will primarily focus on the development of key strategic regions designated by the state, including the Yangtze River Economic Belt, Yangtze River Delta, Beijing-Tianjin-Hebei and Guangdong-Hong Kong-Macao Greater Bay Area;

- to increase our business investment to deepen the role of leasing as a financial service in the upstream and downstream of the vehicle industry chain by focusing on sub-segments such as passenger car retail business, passenger car operating leasing and city distribution logistics; and

- to proactively increase leasing support in “double carbon” and “specialised and new” enterprises and other advanced manufacturing sectors, and to increase business investment in integrated circuits, technological innovation and clean energy power plants with respect to our Green Energy and High-end Equipment Leasing business to expand our green energy business.

Expand our business scale through both organic growth and acquisitions, and continue to enhance our international operational capabilities

In our primary business areas such as aircraft, regional development and ship leasing, we plan to continually improve our expertise and capabilities, and grow our business organically. At the same time, we seek to identify and acquire undervalued assets or assets that hold the potential of generating superior risk-adjusted returns. In addition to continually strengthening our competitive advantage in the PRC market, we also intend to enhance our international operations. Specific strategies include:

- to continue to rely on organic growth. In our Aircraft Leasing business, we intend to expand our overseas teams and enhance our capabilities in lease extensions, re-leases and other aircraft transactions. In our Regional Development Leasing business, we intend to explore new transaction structures in line with government-promoted financing reform. In our Ship Leasing business, we intend to leverage the advantageous position of the shipbuilding industry in China and other Asian countries and expand our business through closer cooperative relationships with, among others, quality customers, preeminent cargo owners, traders, shipbuilders, ship owners and shipyards. In our Inclusive Finance business, we intend to strengthen the strategic cooperation with leading enterprises to promote business development and business scale, and initiate cooperation with insurance companies to improve credit enhancement measures; and

- in terms of asset acquisition, to prioritise and focus on asset types with high liquidity, especially aircraft and vessels. We intend to acquire aircraft and vessels that are in line with our business strategies, risk preferences and customer portfolio, in order to optimise the structure of our aircraft and vessel portfolios.

Further enhance our management of leased assets, particularly, leased asset trading capabilities, provide value-added services, and increase the proportion of revenue from intermediary businesses

We intend to improve our leased assets management capabilities and provide value-added services. With the effective management of our capital, we intend to generate revenue from intermediary services in our core business areas and increase our overall earning capacity. Specific initiatives include (without limitation):

- to engage in aircraft acquisition and sale in the PRC and globally, enhance the management of our aircraft portfolio, and generate revenue by providing value-added services; and

- to continue to optimise the structure of the operating lease fleet for our ship leasing business, improve our ship management service and strengthen our international first-class management of the operating lease fleet.

Continue to enhance the diversification of financing channels and balance financing costs

Considering the ongoing financing needs of our business, we will continuously enhance the diversification of our funding channels and balance our financing costs by leveraging our superior international credit ratings and utilising a wider range of financial instruments. Specific strategies include:

- to further expand financing channels through the issue of domestic financial institution bonds;

- to raise our profile in international capital markets and establish reliable overseas bond issue channels to support the international development of our business;

- to deepen our cooperation with a diverse range of PRC and global financial institutions and utilise more diversified financial derivatives and instruments, such as export credit agency financing, tax structured financing and asset securitisation; and

- to optimise the management of our financing costs by closely monitoring and forecasting domestic and global interest rate and exchange rate trends.

Continue to enhance our risk management and control capabilities

We will continually improve our risk management and control capabilities and place risk management at the centre of our business operations. We will continue to optimise our risk management system, regulate our internal control and compliance systems and increase our investment in information technologies related to risk management and internal control and compliance. Main measures include:

- to further enhance the management of risks associated with our leased assets, in particular, to conduct scientific classification, value analysis and professional management and accelerate the transfer of leased assets by combining operation strategies, market environment and features of leased assets, and mitigate credit risk;

- to improve the quantitative management of credit risk and ensure the efficacy of our medium- to long-term credit risk management by improving our risk-based pricing capabilities. Building on our current customer credit rating system, we plan to establish a quantitative, post-lease risk monitoring system, conduct regular stress tests on our main financial and business parameters, and adjust our business strategies and pricings according to the results of these stress tests;

- for market risk management, to continue to use derivative instruments such as interest rate, cross-currency swaps and currency forwards to hedge against the volatility in market rates; maintain relatively prudent accounting policies with respect to operating lease assets, monitor volatilities in the market value of operating lease assets and reduce residual value risks;

- for liquidity risk management, to proactively manage the maturity profile of the Group's assets and liabilities to match the duration and reduce liquidity risk exposures through new financing channels;

- to build up the overall contract system covering the agreements in relation to lease, guarantee and regulation to enhance efficiency of risk management; and

- to revise the connected transactions, handling of cases, anti-money laundering and other systems to further improve our internal control and compliance systems.

Establish a high-performing and professional team through an effective incentive mechanism

To build a first-tier team of professionals and ensure the sustainable development of our business, we will further optimise our human resource management by introducing a long-term, market-based incentive mechanism, which is more closely linked to performance, such as:

- to improve our appraisal and performance review, make our remuneration system more market-based, and gradually establish a long-term, performance-linked incentive mechanism;

- to improve our human resource management and continue to select, develop, motivate and retain a talented and professional workforce; and

- to build a professional and international team with a diverse range of professional and educational backgrounds, and in particular, recruit and retain talented professionals trained.

RECENT DEVELOPMENTS

Financial Lease Agreements

On 3 July 2023, the Company as lessor entered into a finance lease agreement with Guoyue Huizhou Power Co., Ltd. (國粵惠州電力有限公司) ("**Guoyue Huizhou Power**"), pursuant to which the Company purchased certain fixed assets under hydropower station and photovoltaic power station projects located in Guangdong Province from Guoyue Huizhou Power at a consideration of RMB800,000,000, and the Company agreed to lease such leased assets to Guoyue Huizhou Power for a lease period of 180 months.

On 19 July 2023, the Company as lessor entered into a finance lease arrangement with Shandong Aite Yunxiang Information Technology Co., Ltd. (山東愛特雲翔信息技術有限公司) ("**Shandong Aite**"), pursuant to which (i) the Company as purchaser entered into the transfer agreement with Shandong Aite and Aliyun Computing Co., Ltd. (阿里雲計算有限公司) ("**Aliyun Computing**") under which the Company purchased certain data center equipment located in Shandong Province, the PRC from Aliyun Computing at a consideration of RMB1,000,000,000, and (ii) the Company as lessor entered into the finance lease agreement with Shandong Aite, under which the Company agreed to lease such leased assets to Shandong Aite with a lease period of 60 months.

On 20 July 2023, the Company as lessor entered into the finance lease agreement with Quliang Electronic Co., Ltd. (渠梁電子有限公司) ("**Quliang Electronic**"), pursuant to which the Company purchased certain equipment for integrated circuit packaging and testing located in Fujian Province, the PRC from Quliang Electronic at a consideration of RMB410,000,000, and the Company agreed to lease such leased assets to Quliang Electronic with a lease period of 72 months.

On 21 July 2023, the Company as lessor entered into the finance lease agreement with Wuhan Chuxing Technology Co., Ltd. (武漢楚興技術有限公司) ("**Wuhan Chuxing Technology**"), pursuant to which the Company purchased certain integrated circuit manufacturing equipment located in Hubei Province, the PRC from Wuhan Chuxing Technology at a consideration of RMB2,800,000,000, and the Company agreed to lease such leased assets to Wuhan Chuxing Technology with a lease period of 72 months.

On 23 August 2023, the Company as lessor entered into a finance lease arrangement with Shenzhen Shenshan International AutoCity (Group) Co. Ltd. (深圳市深汕國際汽車城(集團)有限公司) ("**Shenshan International AutoCity**"), pursuant to which (i) the Company as the purchaser entered into the transfer agreement with Shenshan International AutoCity and BYD Auto Industry Co., Ltd. ("**BYD**"), under which the Company purchased the automobile production line equipment and other assets of the BYD Auto Industrial Park Phase II project, which is located in Guangdong Province of the PRC from BYD at a consideration of RMB2,020,000,000, and (ii) the Company as lessor entered into the finance lease agreement with Shenshan International AutoCity, under which the Company agreed to lease such assets to the Shenshan International AutoCity with a lease period of 120 months.

On 28 August 2023, the Company as lessor entered into a finance lease arrangement with Truly (Renshou) High-end Display Technology Limited (信利(仁壽)高端顯示科技有限公司) ("**Truly Technology**"), pursuant to which (i) the Company as lessor purchased the high-end display equipment and other assets located in Sichuan Province of the PRC from Truly Technology at a consideration of RMB900,000,000, and (ii) the Company as lessor agreed to lease such assets to Truly Technology with a lease period of 36 months.

On 26 October 2023, the Company as lessor entered into a finance lease agreement with Changde Deyuan Industrial Investment Co., Ltd. (常德市德源產業投資有限公司) ("**Deyuan Industrial Investment**"), pursuant to which the Company as lessor purchased the new energy vehicle production line of Changde CNR (常德中車) in Hunan Province of the PRC from Deyuan Industrial Investment at a consideration of RMB700,000,000, and the Company agreed to lease such leased assets to Deyuan Industrial Investment with a lease period of 60 months.

On 31 October 2023, the Company as lessor agreed on main terms of a finance lease arrangement with Quanyi Mask Optoelectronics Technology (Jinan) Co., Ltd. (泉意光罩光電科技(濟南)有限公司) ("**Quanyi Mask**"), pursuant to which the Company as lessor intended to (i) purchase the manufacturing equipment of electronic special materials located in Shandong Province of the PRC from Quanyi Mask at a consideration of RMB3,000,000,000, and (ii) agree to lease such leased assets to Quanyi Mask with a lease period of 72 months (the "**Transaction**"). The Transaction and such finance lease arrangement are subject to the shareholders' approval at the general meeting of the Company.

On 3 November 2023, the Company as lessor entered into a finance lease agreement with Hubei Hanshi Intercity Railway Co., Ltd. (湖北漢十城際鐵路有限責任公司) ("**Hubei Hanshi Railway**"), pursuant to which the Company as lessor agreed to purchase the auxiliary equipment assets of the Wuhan-Shiyan intercity railway located in Hubei Province of the PRC from Hubei Hanshi Railway at a consideration of RMB2,500,000,000, and the Company agreed to lease such leased assets to Hubei Hanshi Railway with a lease period of 120 months. The shareholders of the Company approved this finance lease transaction with Hubei Hanshi Railway at the general meeting of the Company held on 28 June 2023.

On 6 November 2023, the Company as lessor entered into a finance lease agreement with Qinzhou Xunneng New Energy Technology Co., Ltd. (欽州訊能新能源科技有限公司) ("**Qinzhou Xunneng**"), pursuant to which the Company as lessor purchased the solar photovoltaic power generation equipment located in Guangxi Zhuang Autonomous Region of the PRC from Qinzhou Xunneng at a consideration of RMB2,400,000,000, and the Company agreed to lease such leased assets to Qinzhou Xunneng with a lease period of 180 months.

Proposed Amendments to the Articles of Association

On 21 July 2023, the Company published an announcement on the Hong Kong Stock Exchange in relation to the proposed amendments (the "**Proposed Amendments**") to the Articles of Association, including (without limitation) the expansion of business scope, the amendments to certain rights and obligations of shareholders, changes in articles relating to party organisation, shareholders' general meetings, the Board, and labour system and social responsibility (on the basis of the proposed amendments to the Articles of Association as set out in its announcements dated 16 March 2020 and 24 June 2020 and its circular dated 3 June 2020 on the Hong Kong Stock Exchange and previously approved at the shareholders' general meeting (the "**Previous Proposed Amendments**")) in order to ensure compliance with the latest requirements imposed by relevant laws, regulations and other regulatory documents, combined with the regulatory opinions of the regulatory authorities and to address the latest practice of the Company. The Company considered and approved the resolution regarding the Proposed Amendments at the board of directors of the Company (the "**Board**") meeting held on 21 July 2023. On 7 September 2023, the Company published a circular on the Hong Kong Stock Exchange in relation to, among other things, the Proposed Amendments. The Proposed Amendments were approved by way of a special resolution at the shareholder's extraordinary general meeting held on 25 September 2023 (the "**EGM**"), and are still subject to the approval by the Shenzhen branch of the NAFR. The current Articles of Association will remain valid until the Previous Proposed Amendments and the Proposed Amendments are approved by the Shenzhen branch of the NAFR.

Appointment of President

On 31 August 2023, the Board approved that Mr. Jin Tao (靳濤) was appointed as the president of the Company. Mr. Jin's appointment is subject to the approval of the Shenzhen branch of the NAFR and the term of office shall end until dismissal or another appointment by the Board.

Mr. Jin Tao, aged 56, joined the Company in July 2023. Mr. Jin Tao joined CDB in May 1997 and successively held various positions including the officer, the deputy director and the director; from July 2006 to October 2010, he was the vice president of the Ningxia Branch of CDB; from October 2010 to April 2015, he was the deputy director of the international cooperation business bureau of CDB; from April 2015 to April 2017, he was the chief representative of the Cairo representative office of CDB; from April 2017 to August 2019, he was the director of the U.S.-Africa business department of the international cooperation business bureau of CDB; from August 2019 to March 2021, he successively served as the director and the general manager of the third bureau for international cooperation of the international finance department of CDB; from March 2021 to July 2023, he successively served as the deputy secretary of the party committee and the chairman of the board of supervisors of China-Africa Development Fund Co., Ltd. (中非發展基金有限公司).

Mr. Jin Tao graduated from Chengdu University of Science and Technology (成都科技大學) in July 1967 and obtained a bachelor's degree in engineering, majoring in water conservancy and hydropower engineering construction.

Appointments of Members of the Third Session of the Board and the Board of Supervisors

On 7 September 2023, the Company published a circular on the Hong Kong Stock Exchange in relation to, among other things, the election of members of the third session of the Board and the board of supervisors (the "**Board of Supervisors**") (the "**Election**"). According to the circular, (i) the Board has considered and approved at its meeting held on 10 August 2023 that Ms. Ma Hong was nominated as an executive Director candidate of the third session of the Board; each of Mr. Li Yingbao and Mr. Yang Guifang was nominated as a non-executive Director candidate of the third session of the Board; and each of Mr. Li Haijian and Mr. Liu Ming was nominated as an independent non-executive Director candidate of the third session of the Board, (ii) the Board approved at its meeting held on 31 August 2023 that Mr. Jin Tao was nominated as an executive Director candidate of the third session of the Board of Directors; and Mr. Wang Guiguo was nominated as an independent non-executive Director candidate of the third session of the Board; and (iii) the Board of Supervisors approved at its meeting that Mr. MA Yongyi was nominated as an external Supervisor candidate of the third session of the Board of Supervisors.

The Election was approved by way of a special resolution at the EGM. Accordingly, Ms. Ma Hong and Mr. Jin Tao have been appointed as executive Directors of the third session of the Board. Mr. Li Yingbao and Mr. Yang Guifang have been appointed as non-executive Directors of the third session of the Board. Mr. Li Haijian, Mr. Liu Ming and Mr. Wang Guiguo have been appointed as independent non-executive Directors of the third session of the Board. The third session of the Board also includes a non-executive Director (employee representative Director) elected at the second session of the employee representative meeting of the Company held on 30 June 2022, namely Mr. Zhang Xu. The term of Ms. Ma Hong, Mr. Li Yingbao, Mr. Yang Guifang, Mr. Li Haijian and Mr. Liu Ming will take effect from 25 September 2023; the term of Mr. Jin Tao, Mr. Wang Guiguo and Mr. Zhang Xu will take effect from the date of the approval from the Shenzhen branch of the NAFR until the date of expiry of the term of the third session of the Board of Directors. Prior to the approval of Director's qualifications of Mr. Jin Tao, Mr. Wang Guiguo and Mr. Zhang Xu by the Shenzhen branch of the NAFR, Mr. Huang Min and Mr. Xu Jin, the directors of the second session of the Board, will continue performing the duties as Directors prudently in accordance with the requirements of the laws, administrative regulations, normative documents and the Articles of Association.

Mr. MA Yongyi has been appointed as the external Supervisor of the third session of the Board of Supervisors. The third session of the Board of Supervisors also includes two employee representative Supervisors elected at the employee representative meeting of the Company on 29 August 2023, namely Mr. Wang Bin and Mr. Wang Yiyun. The term of Mr. Ma Yongyi, Mr. Wang Bin and Mr. Wang Yiyun will take effect from 25 September 2023.

Election of the Chairman and Vice Chairman of the third session of the Board

On 10 October 2023, the Company published an announcement on the Hong Kong Stock Exchange in relation to, among other things, the election of the chairman and vice chairman of the third session of the Board. Ms. Ma Hong was elected as the chairman of the third session of the Board, and her term of office will expire upon the expiration of the term of the third session of the Board. Mr. Jin Tao was elected as the vice chairman of the third session of the Board, and his term of office will take effect from the date of the approval from the Shenzhen branch of the NAFR until the date of expiry of the term of the third session of the Board.

Resignations of Non-Executive Directors and Nomination of Non-Executive Director Candidates

On 31 October 2023, the Company published an announcement on the Hong Kong Stock Exchange in relation to the resignations of non-executive directors and nomination of non-executive director candidates. According to the announcement, Mr. Li Yingbao (李英寶) resigned as a non-executive director of the Company, a member of the Strategic Decision Committee, a member of the Risk Management and Internal Control Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Board as he has reached the retirement age, and Mr. Yang Guifang (楊貴芳) resigned as a non-executive director of the Company, a member of the Related Party Transaction Control Committee and a member of the Risk Management and Internal Control Committee of the Board due to change of work arrangements. Pursuant to the requirements of the Articles of Association, the resignations of Mr. Li Yingbao and Mr. Yang Guifang became effective on 31 October 2023. Mr. Li Yingbao and Mr. Yang Guifang confirmed that they had no disagreement with the Board and there were not any other matters relating to their resignations that need to be brought to the attention of the shareholders of the Company.

In addition, according to the announcement, Mr. Zhang Kesheng (張克升) and Mr. Liu Xipu (劉希普) had been nominated as the non-executive director candidates of the Company. The appointment of Mr. Zhang Kesheng and Mr. Liu Xipu is subject to the approval at the general meeting of the Company and the approval of the Shenzhen branch of the NAFR. In order to ensure the normal operation of the Board, prior to the formal appointments of the newly elected directors, the original directors shall continue to conscientiously perform their duties in accordance with the requirements of the laws, administrative regulations, regulatory documents and the Articles of Association.

Mr. Zhang Kesheng (張克升), aged 51. Mr. Zhang Kesheng joined CDB in July 1998 and successively served as a cadre and a clerk of the account management division of the Finance and Accounting Bureau, and a clerk of the business department of Taiyuan Branch of CDB; successively served as a clerk and the deputy head of the fixed assets management division, the deputy head of the financial management division, the head of capital management division, and the head of financial planning division of the Finance and Accounting Bureau of CDB from June 2001 to December 2017; and successively served as a member of the Party Committee, the secretary to the Disciplinary Committee and vice president of Liaoning Branch of CDB from December 2017 to November 2022. He has been serving as the deputy general manager of the market and investment department of CDB since November 2022.

Mr. Zhang Kesheng graduated from China Coal Economic College (中國煤炭經濟學院) (currently known as Shandong Technology and Business University (山東工商學院)) in September 1995, majoring in statistics, and obtained a bachelor's degree in economics; and graduated from Central University of Finance and Economics (中央財經大學) in July 1988, majoring in accounting, and obtained a master's degree in economics.

Mr. Liu Xipu (劉希普), aged 52. Mr. Liu Xipu successively served as a securities financing assistant, business manager and business senior manager of the capital operation department of China Yangtze Power Co., Ltd. (中國長江電力股份有限公司) from July 2004 to August 2011; successively served as the deputy head and the head of the capital market division of the capital operation department of China Three Gorges Corporation (中國長江三峽集團公司) from August 2011 to June 2015; and successively served as the head of the treasury division of the assets and finance department, the head of the financing management department of the capital finance management center and the deputy director of the capital finance management center of China Three Gorges Corporation and the chief accountant of Shanghai Investigation, Design & Research Institute Co., Ltd. (上海勘測設計研究院有限公司) from June 2015 to March 2023. He has been serving as the chairman of Three Gorges Finance (HK) Limited (三峽財務(香港)有限公司) since March 2023.

Mr. Liu Xipu graduated from Ocean University of China (中國海洋大學) in July 1993 with a bachelor's degree in economics; graduated from the Research Institute for Fiscal Science of the Ministry of Finance (財政部財政科學研究所) (currently known as Chinese Academy of Fiscal Sciences (中國財政科學研究院)) in February 2001 with a master's degree in finance; and graduated from Tongji University (同濟大學) in July 2004 with a doctoral degree in management.

Completion of Capital Injection into CDBALF

On 9 November 2023, the Company published an announcement on the Hong Kong Stock Exchange in relation to its capital injection into CDBALF, a direct wholly-owned subsidiary of the Company (the "**Capital Injection**"). The Company has recently received the approval from the Shenzhen Office of the NAFR for the change in the registered capital of CDBALF, agreeing the Company to increase the registered capital of US$123,287,671 into CDBALF, and the filing notice of the capital injection project issued by the NDRC. As at 9 November 2023, all the conditions precedent for the Capital Injection had been fulfilled and the Company completed the Capital Injection of US$123,287,671 into CDBALF. Upon completion of the Capital Injection, CDBALF continues to be a wholly-owned subsidiary of the Company and its registered capital has been increased to US$173,287,671.

Acquisition of Four Aircraft

On 15 November 2023, certain wholly-owned subsidiaries of CDBALF, a wholly-owned subsidiary of the Company, entered into sale and purchase agreements with certain indirectly wholly-owned subsidiaries of Avolon Holdings Limited (the "**Sellers**"), pursuant to which such wholly-owned subsidiaries of CDBALF agreed to (i) acquire two A321-200N aircraft through the acquisition of the beneficial interest in each trust established over the aircraft from the Sellers or their nominees and (ii) acquire one A330-900N aircraft and one A320-200 aircraft from the Sellers or their nominees (collectively, the "**Transaction**"). CDBALF expects to take delivery of the four aircraft under the Transaction by the end of January 2024.

OUR BUSINESS

We provide a wide range of leasing services to our clients in the PRC and globally. In order to further respond to national strategic calls and regulatory policy directions, to more accurately and timely convey to investors our latest business status and development planning, and to enhance the quality and efficiency of information disclosure, we adjusted our business segment reporting in the preparation of the Company's 2023 Reviewed Consolidated Interim Financial Statements. Before the adjustment, our principal business segments included Aircraft Leasing, Infrastructure Leasing, Ship Leasing, Inclusive Finance and Others businesses. After the adjustment, our principal business segments currently are Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance, and Green Energy and High-end Equipment Leasing businesses. In the first half of 2023, we have actively promoted the transformation and development of traditional leasing business and steadily developed our Aircraft Leasing and Ship Leasing businesses, deepened the development of our Regional Development Leasing and Inclusive Finance businesses and actively expanded our Green Energy and High-end Equipment Leasing business, thereby further optimising our business structure.

The following tables set forth our segment revenue and other income, profit before income tax and profit margin before income tax for the periods indicated:

	As at and for the year ended 31 December								
	2020			2021			2022		
	Segment revenue and other income	Segment profit/(loss) before income tax	Segment profit margin before income tax[(1)]	Segment revenue and other income	Segment profit/(loss) before income tax	Segment profit margin before income tax[(1)]	Segment revenue and other income	Segment profit/(loss) before income tax	Segment profit margin before income tax[(1)]
	(RMB in millions, except percentages)								
Aircraft Leasing	8,250.9	(305.9)	(4.2%)	7,676.0	312.9	4.5%	7,828.0	(1,713.0)	(24.4%)
Infrastructure Leasing	6,682.2	2,555.1	39.2%	7,657.0	2,176.5	29.8%	7,716.7	3,090.3	41.8%
Ship Leasing	2,356.3	663.7	37.2%	5,868.3	2,895.4	56.5%	7,061.8	2,868.7	48.0%
Inclusive Finance	1,262.7	659.2	53.0%	1,493.5	(349.9)	(24.3%)	1,614.6	689.8	44.6%
Others	776.6	1,011.5	124.0%	621.0	500.6	85.3%	832.4	22.2	2.7%
Total	19,328.7	4,583.6	25.9%	23,315.8	5,535.5	25.9%	25,053.5	4,958.0	21.8%

Note:

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

	As at and for the six months ended 30 June					
	2022			2023		
	Segment revenue and other income	Segment profit/(loss) before income tax	Segment profit margin before income tax[(2)]	Segment revenue and other income	Segment profit/(loss) before income tax	Segment profit margin before income tax[(2)]
	(RMB in millions, except percentages)					
Aircraft Leasing	3,690.5	(124.2)	(3.5%)	3,979.0	33.9	0.9%
Regional Development Leasing[(1)]	3,537.6	557.3	16.3%	3,221.8	1,351.4	43.9%
Ship Leasing	3,670.3	1,578.6	49.8%	2,689.5	351.9	16.0%
Inclusive Finance	770.0	330.9	44.9%	944.0	360.4	40.0%
Green Energy and High-end Equipment Leasing[(1)]	766.3	325.6	44.0%	1,012.8	535.7	55.4%
Total	12,434.7	2,668.2	23.1%	11,847.1	2,633.2	24.4%

Notes:

(1) In preparing the Company's 2023 Reviewed Consolidated Interim Financial Statements, in order to further respond to national strategic calls and regulatory policy directions, to more accurately and timely convey to investors our business status and development planning, and to enhance the quality and efficiency of information disclosure, we adjusted our original business segments. Before the adjustment, our business segments included four leasing segments, i.e. aircraft leasing, infrastructure leasing, ship leasing and inclusive finance and others. Our adjusted business segments currently include aircraft leasing, regional development leasing, ship leasing, inclusive finance, green energy and high-end equipment leasing. See note 44 to the Company's 2023 Reviewed Consolidated Interim Financial Statements.

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

Finance Lease and Operating Lease

Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards incidental to ownership of leased assets to the lessee. Leases are classified as operating leases if substantially all the risks and rewards incidental to ownership of leased assets remain with the lessor.

We derive finance lease income from all of our business segments. Our finance leases are generally priced at an interest rate floating at a predetermined spread over a benchmark interest rate. The benchmark interest rate references the PBOC benchmark interest rates or LIBOR, and the predetermined spread is negotiated on a case-by-case basis with the specific customer based on its risk profile. Our finance lease contracts typically have monthly or quarterly payment periods. The floating interest rate is typically reset following a change in benchmark interest rates. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, our finance lease income was RMB9,199.8 million, RMB9,813.5 million, RMB10,288.6 million, RMB5,134.6 million and RMB5,296.8 million, respectively. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our total finance lease related assets[*(Note 1)*] were RMB166,040.6 million, RMB190,871.6 million, RMB195,955.2 million and RMB202,890.0 million, respectively.

We derive our operating lease income primarily from our Aircraft Leasing and Ship Leasing business. Under an operating lease, the lessee is responsible for the maintenance and servicing of the leased asset

Note:

(1) Finance lease related assets refer to leased assets under finance leases, consisting of finance lease receivable and accounts receivable (advances for finance lease projects).

during the lease term and the lessor receives the benefit, and assumes the risk, of the residual value of the leased asset at the end of the lease. We generally receive fixed lease payments under operating leases in aircraft leasing, and we set accounting policy for the recognition and depreciation of operating lease assets based on asset class. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, our operating lease income was RMB8,520.1 million, RMB11,550.3 million, RMB12,475.7 million, RMB6,425.3 million and RMB5,510.2 million, respectively. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our total operating lease assets[(Note 1)] were RMB77,339.1 million, RMB92,974.6 million, RMB106,841.0 million and RMB116,732.1 million, respectively.

In addition, finance leases and operating leases differ from each other with respect to the concept of average utilisation rate, which is typically defined as the total number of on-lease days as a percentage of available lease days. The average utilisation rate is generally only applicable to operating leases, where substantially all the risks and rewards incidental to ownership remain with the lessor, which assumes the residual value risk at the end of the lease and faces the uncertainties associated with the re-leasing of the asset. For the six months ended 30 June 2023, we maintained a 95.2% utilisation rate of our owned aircraft portfolio under operating leases. By contrast, for finance leases, a lessee is prerequisite to the formation of a finance lease and precedes the commencement of the lease term.

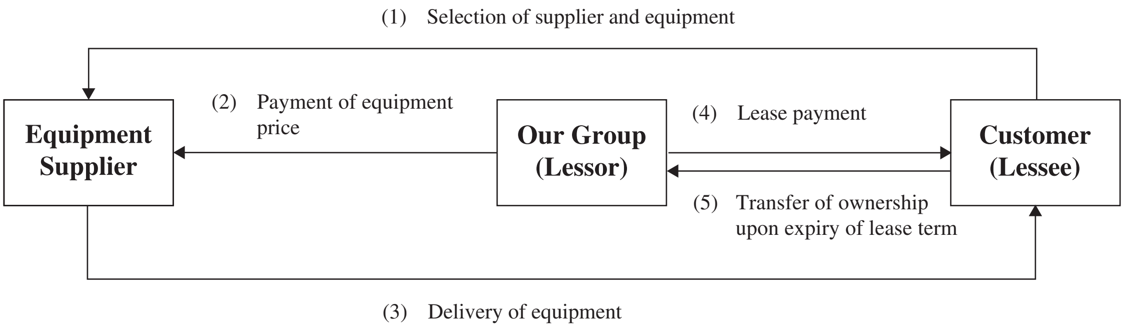
Direct Lease and Sale-and-Leaseback

We mainly offer two types of leasing services: (i) direct leases; and (ii) sale-and-leaseback. We plan to primarily focus on direct leases in the foreseeable future.

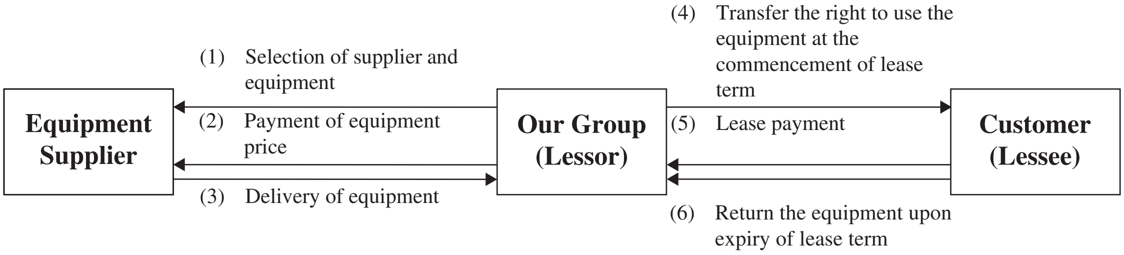
Direct lease

In a direct lease, we purchase an asset from an equipment supplier and then lease it to a customer for use in return for periodic lease payments. A typical direct leasing transaction is a tri-party arrangement that involves a lessor, a lessee and an equipment supplier. The following diagrams illustrate the relationship among the three parties:

Under finance leases:



Under operating leases:

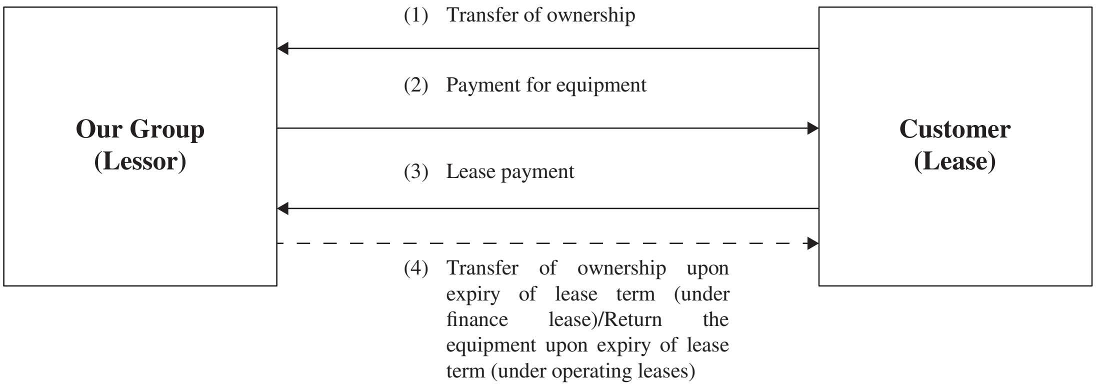


Note:

(1) Operating lease assets consists of (i) investment properties and (ii) property and equipment – equipment held for operating lease businesses.

Sale-and-leaseback

In a sale-and-leaseback transaction, our customer sells the relevant asset to us for a negotiated purchase price, and we then lease the asset back to our customer in return for periodic lease payments, so that our customer may cover its funding needs and continue to use the asset as a lessee. A typical sale-and-leaseback transaction involves a lessor and a lessee. The following diagram illustrates the relationship between the two parties:



Aircraft Leasing

Overview

We have a leading global Aircraft Leasing business focused on acquiring, leasing, managing and selling commercial aircraft. We focus on building and maintaining a portfolio of young, modern and fuel-efficient commercial aircraft, with a view to maximising long-term earnings growth and delivering superior risk-adjusted returns through the aviation industry cycle. Since inception, we have continually expanded our owned aircraft portfolio and grown our business scale, customer network and industry experience. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the segment assets of Aircraft Leasing were RMB94,673.5 million, RMB84,344.4 million, RMB93,375.0 million and RMB98,030.2 million, respectively.

As at 30 June 2023, we had a portfolio of 385 aircraft, consisting of 283 owned aircraft and 102 committed aircraft, with committed aircraft comprised of 90 direct orders with manufacturers, five sale-and-leaseback transactions and seven aircraft from portfolio acquisition. Our owned and in-service fleet mainly includes narrow-body types such as Airbus A320ceo and A320neo family and Boeing 737NG and 737MAX family aircraft, and widebody aircraft types such as the Airbus A330ceo, A330neo and A350, and the Boeing 777-300ER and 787-9. We select aircraft that we believe are liquid, attractive to our customers and that will retain a high residual value. As at 30 June 2023, the weighted average age by aircraft value of our owned aircraft on operating lease was 5.0 years.

We lease a majority of our aircraft to airlines under long-term operating leases, which provide a high level of predictability and stability to revenues. As at 30 June 2023, the weighted average remaining lease term by aircraft value of our owned aircraft held for operating leases was 7.5 years. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, the total revenue and other income generated from our Aircraft Leasing business was RMB8,250.9 million, RMB7,676.0 million, RMB7,828.0 million, RMB3,690.5 million and RMB3,979.0 million, respectively. Payments made by our customers under our lease contracts are predominantly in U.S. dollars, the same currency used in our aircraft acquisition and disposal transactions.

Our orderbook contains next-generation, liquid, narrow-body types. These aircraft are designed to decrease operating costs and allow airlines to efficiently replace ageing aircraft and grow their fleets to meet increasing demand for air transport.

Our Aircraft Leasing business commenced in 2002 and, in particular, our aircraft operating lease business in 2006. Since CDB became our controlling shareholder in 2008, our owned and managed portfolio has grown from 28 aircraft as at 31 December 2008 to 385 aircraft as at 30 June 2023. In order to further promote the development of internationalisation and professionalisation of the Aircraft Leasing business segment, we obtained CBRC approval for the establishment of CDBALF, our specialised aviation subsidiary, in Ireland in 2016 and built up a highly professional team across all functions as well as a very experienced new leadership team in 2017. The global footprint was significantly expanded, with the team now based in three geographic regions, namely, Ireland, Hong Kong SAR and the United States, to ensure proximity to the customer base. We aim to operate as a full-service international aircraft lessor. As at 30 June 2023, we had 64 lessees in 37 jurisdictions.

We believe that through our global reach and by applying our expertise through an integrated business model, we will be able to identify and execute on a broad range of market opportunities that may arise in the aircraft life cycle. We have the infrastructure, expertise and resources to execute diverse aircraft transactions under a variety of market conditions. We acquire aircraft through various channels, including direct orders from manufacturers, sale-and-leaseback transactions and portfolio acquisitions from other lessors, to grow our business. We maintain relationships with airlines, aircraft leasing companies and aircraft investors globally and seek to sell assets strategically to optimise our portfolio in response to market conditions. We have a team of professionals dedicated to our Aircraft Leasing business. The combination of a young and modern aircraft portfolio, diversified customer network, proven industry expertise, global marketing reach and robust risk management contributed to a 95.2% fleet utilisation of our owned aircraft under operating leases as at 30 June 2023.

Aircraft Portfolio

As at 30 June 2023, our aircraft portfolio consisted of 283 owned aircraft and 102 committed aircraft (as compared to 276 owned aircraft and 110 committed aircraft as at 31 December 2022). As at 30 June 2023, among the 283 owned aircraft, 280 were held for operating leases and three were under finance lease.

Aircraft on Order

Our aircraft on order mainly comprise aircraft ordered from Airbus and Boeing.

As at 30 June 2023, our committed direct orders from Airbus and Boeing consisted of 90 aircraft, comprising 55 aircraft from Airbus and 35 aircraft from Boeing. The delivery schedule (between 2023 and 2026) for these aircraft was determined based on careful analysis and forecasting of the aviation industry and aircraft demand, including through engagement of a third-party aviation expert commercial adviser. Furthermore, the Group also has contractual commitments to acquire a further five aircraft under sale-lease-back transactions and seven aircraft from portfolio acquisition as at 30 June 2023. In addition, we have 100 aircraft under non-binding entitlements with other aircraft manufacturers, including 20 ARJ21 aircraft and 50 C919 aircraft from The Commercial Aircraft Corporation of China, Ltd., and 30 MA700 aircraft from AVIC Aircraft Co., Ltd.

Financing Arrangements

As at 30 June 2023, we had 102 aircraft committed for purchase.

Our aircraft purchase commitments as at 30 June 2023 are expected to be financed through a diverse range of funding sources, including (i) profits generated from our aircraft operating lease business; (ii) proceeds from our debt capital markets issues; (iii) borrowings from domestic and overseas banks; and (iv) net proceeds from sales of our owned aircraft.

Aircraft Acquisitions

Acquiring attractive aircraft types at competitive terms is an important part of the business. We originate acquisitions through well-established relationships with aircraft manufacturers, airlines, other aircraft lessors, financial institutions, as well as other sources. We believe that sourcing such transactions globally and through multiple channels provides us with a broad range of opportunities.

Our portfolio consists of aircraft ordered directly from manufacturers, those acquired through sale-and-leaseback transactions and aircraft portfolios purchased from other lessors. Regardless of the channel through which aircraft are acquired, comprehensive market, aircraft, customer (where relevant), supply/demand, financial, risk and legal analysis are undertaken.

Direct Orders from Manufacturers

Our orderbook contains next-generation, liquid, narrow-body types. As at 30 June 2023, our committed direct orders from Airbus and Boeing consisted of 90 narrow-body aircraft, comprising 55 aircraft from Airbus and 35 aircraft from Boeing. These aircraft are scheduled to be delivered between 2023 and 2026. These orders are strategically important as they provide us access to highly sought after, latest technology and modern fuel-efficient aircraft, including relatively early delivery slots. Direct order acquisitions typically require significantly longer lead times than sale-and-leaseback transactions, generally about four to five years from the time of order to the scheduled delivery of the aircraft.

Sale-and-leaseback

As at 30 June 2023, the Group was committed to transactions covering five aircraft via sale-and-leaseback. In the first half of 2023, we acquired five aircraft on operating lease via sale-and-leaseback. In a typical sale-and-leaseback transaction, we commit to acquiring new aircraft that an airline has ordered directly from the manufacturer, and then to lease those aircraft back to the airline. The sale-and-leaseback transactions help us build customer relationships, achieve higher transaction certainty and minimise placement risk. This channel also provides us with flexibility to manage cyclical risk and be responsive to market opportunities and conditions. Sale-and-leaseback transactions are generally completed within two to 12 months from the contract signing date to the scheduled delivery of the aircraft, providing a shorter timeline to delivery and revenue generation.

Portfolio Acquisitions

As at 30 June 2023, the Group was committed to transactions covering seven aircraft via portfolio acquisition. In the first half of 2023, we acquired six aircraft on operating lease via direct orders from airline manufacturers and one aircraft on operating lease via portfolio acquisition. Portfolio acquisitions typically involve multiple aircraft and multiple airlines and, as such, the transactions are more diversified than sale-and-leaseback opportunities with a single airline. Moreover, because the aircraft are already on lease or committed for near-term delivery on lease, such transactions typically generate cash inflows more quickly than aircraft acquired through new sale-and-leaseback or direct order channels.

Due Diligence Prior to Transactions

Prior to entering into any aircraft leasing, financing or trading transaction, we perform a detailed due diligence and review of the prospective lessee, which generally includes reviewing financial statements, business plans, cash flow projections, maintenance records (if applicable), operational performance histories and relevant regulatory approvals and documentation. We also perform credit reviews for prospective lessees which typically include financial statement reviews, establishing a credit rating, onsite visits and extensive discussions with the prospective lessee's management before we enter into a new lease. Depending on the credit quality and financial condition of the lessee, we may require the lessee to obtain guarantees or other financial support from the lessee's shareholders or other guarantors.

Prior to entering into any purchase of aircraft portfolios, in addition to conducting due diligence on the prospective lessees, we also conduct due diligence on the aircraft and leasing contracts, including performing a review of the use and maintenance provisions by the lessee for the aircraft type and reviewing the aircraft leasing contracts. Prior to entering into the sale of any aircraft in our fleet, we conduct a similar process of due diligence, KYC, sanctions, trade control and anti-money laundering checks on the purchaser of the aircraft.

Aircraft Leases and Transactions

In addition to the pre-transaction due diligence, our risk management team also conducts periodic reviews of existing lessees, including where appropriate, making on-site customer visits. Formal credit reviews are conducted at least annually and more frequently depending on the lessee's credit risk profile.

Our airline customers are responsible for all maintenance and repairs during a lease. During the lease, our in-house technical team will regularly review the maintenance status of the aircraft. The lease requires that all maintenance is performed by an approved organisation in accordance with the approved maintenance programme and which meets or exceeds the aircraft and engine manufacturers' guidelines. All airline customers are required under the terms of our operating leases to pay for all aircraft maintenance and repairs, whether scheduled or otherwise. In all cases, our leases require the aircraft to be re-delivered upon lease expiry in compliance with detailed condition requirements set out in the lease.

Lease Extensions and Re-leases

As a lease reaches its maturity, we will either extend the lease with the existing customer or remarket the aircraft. Lease extensions have the benefit of avoiding transition costs and minimising potential resource requirements, though we will still evaluate extension terms against other market opportunities. The terms of the lease extensions are typically different from those in the original lease, to reflect the natural ageing of the aircraft and market conditions at the time when the lease extension is signed.

Where leases are not extended, we remarket the aircraft, take redelivery of the aircraft from the current customer, and re-lease it to a new lessee. Typically, we reach an agreement to re-lease or extend our leased aircraft well in advance of the expiration of the then-current lease and deliver the aircraft to a new lessee immediately following redelivery by the prior lessee, with the aim of minimising the time between leases. We are expecting four, seven and 22 lease expiries over 2023, 2024 and 2025, respectively.

The current customer typically performs routine inspections and maintenance necessary to put the aircraft in the required condition for re-delivery and, in some cases, makes modifications requested by us for the benefit of our next lessee. The aircraft can then be delivered without delay to the next lessee. It is also possible that we may accept the aircraft back from the current customer and carry out additional modifications and/or perform additional maintenance in order to put the aircraft into the condition required for delivery to the next lessee.

Aircraft Sales

We aim to develop and maintain an aircraft portfolio that will be attractive to our target customer base and to other financial investors, as well as to provide acceptable financial returns. We review our portfolio continually and will sell our aircraft where we believe such a sale is in our best interests. Such review involves reference to key objectives such as the optimisation of the composition of our aircraft portfolio, acceptable financial returns and/or management of risk in a particular jurisdiction or with respect to a particular customer.

Aircraft sales facilitate management of portfolio concentrations, provide ongoing liquidity, enable us to monetise the value in our aircraft, help us to maintain visibility and momentum with our customers and are a tool for effectively managing both asset residual value and re-lease risk. We have a dedicated team of experienced professionals focused on aircraft sales, which allows us to sell aircraft and to recycle and redeploy capital to fund further growth. The buyers of our aircraft include airlines, lessors, institutional investors and other aircraft leasing companies. For the six months ended 30 June 2023, we completed the sale of five aircraft. We aim to achieve the following objectives through aircraft sales: (1) maintaining a young average aircraft age across the fleet; (2) reducing aircraft, counterparty, geography and lease maturity concentration risk; (3) exiting from non-core or less popular aircraft types; (4) monetising the portfolio value and generating additional income or increase liquidity; (5) maintaining visibility and momentum with customers; (6) effectively managing asset residual value and re-lease risk; and/or (7) generating market data points on aircraft valuation and appetite.

Aircraft Management Services

In addition to our core Aircraft Leasing business, we deploy our in-house expertise in lease and technical management to offer lease management services in return for fees. Our lease management services are comprehensive and include invoicing and collections, monitoring of lease terms, insurance and letter of credit renewals, the tracking of aircraft utilisation, technical inspections and maintenance reserves and lease enforcement management. We are generally not required to source for subsequent lessees for third party managed aircraft, but we may choose to do so in return for fees depending on market conditions.

Our Lessees

We focus on high-quality airline customers, with flag carriers and leading budget airlines forming our core client base. We lease our aircraft to lessees in diverse regions around the globe. The following table sets forth a breakdown of our total aircraft lease revenue by region of lessees for the six months ended 30 June 2023:

Region	**Percentage of lease revenue for the six months ended 30 June 2023**
PRC	24.4%
Asia Pacific (excluding the PRC)	22.3%
Europe	18.4%
Americas	20.3%
Middle East	6.5%
Africa	8.1%
Total	100.0%

We have active long-term relationships with airlines globally, which help us place new aircraft, re-market end-of-lease aircraft and source transactions to grow our fleet through multiple acquisition channels.

Relationship with Airbus, Boeing and Other Manufacturers

We maintain cooperative relationships with aircraft manufacturers such as Airbus and Boeing, and engine manufacturers such as CFM International, International Aero Engines, General Electric, Pratt & Whitney and Rolls-Royce. These extensive manufacturer relationships and the scale of our business enable us to place large orders with competitive terms and conditions.

Organisational Structure

Consistent with industry practice, we often use SPCs to enter into aircraft leasing agreements with our customers. Each of our SPCs may own or lease one or multiple aircraft. The SPCs are useful in ringfencing the liabilities associated with ownership of aircraft, facilitating the financing and/or refinancing by enhancing bankruptcy remoteness, and enhancing the transferability of aircraft assets. We own our aircraft through multiple entities established primarily in Ireland and the PRC. Our PRC entities are direct subsidiaries of the Company, while all of the remaining entities are subsidiaries of CDBALF. Regardless of the domicile of the aircraft owner, we provide the management platform to service the Aircraft Leasing business.

Regional Development Leasing

Overview

In order to further respond to national strategic calls and regulatory policy directions, to more accurately and timely convey to investors our latest business status and development planning, and to enhance the quality and efficiency of information disclosure, we adjusted our business segment reporting in the preparation of the Company's 2023 Reviewed Consolidated Interim Financial Statements. Prior to the adjustment, our Infrastructure Leasing business mainly comprises leasing of transportation infrastructure, urban infrastructure and energy infrastructure. After the adjustment, under our Regional Development Leasing business, we primarily engage in the provision of leasing of urban and transportation facilities as well as key industrial equipment that service the national policy driven regional development, thereby improving the regional financial service capacity to better assist the high-quality development of the regional economy, in alignment with major regional development strategies of the state. As such, prior to 2023, revenues generated from our regional development leasing services are recorded under the segment of "Infrastructure Leasing".*(Note 1)* For the years ended 31 December 2020, 2021 and 2022, the revenue and other income generated from our Infrastructure Leasing business were RMB6,682.2 million, RMB7,657.0 million and RMB7,716.7 million, respectively. For the six months ended 30 June 2022 and 2023, the Group realised revenue and other income of RMB3,537.6 million and RMB3,221.8 million from Regional Development Leasing business segment, respectively. As at 30 June 2023, the total assets of the Group's Regional Development Leasing segment amounted to RMB131,697.9 million.

Over the years, we have established a relatively mature business model for our Regional Development Leasing business, accumulated extensive business experience and gradually enhanced our business scale and profitability. The majority of our Regional Development Leasing is conducted via finance leases. We generally require a leased asset or lessee to have stable cash flow sufficient to cover lease payments and other debt repayment obligations. The existing lease contracts for our Regional Development Leasing business are generally priced based on a floating interest rate, which is set at a predetermined spread over the Loan Prime Rate published by the PBOC of the same period.

In recent years, the central PRC government has proposed strategies such as accelerating the implementation of the regional coordinated development and supporting the construction of "new infrastructure, new urbanisation initiatives and major projects" and made important plans for "carbon peaking and neutrality" including those stipulated in the 14th Five-Year Plan for the National Municipal Infrastructure Construction ("十四五"全國城市市政基礎設施建設規劃), which provided guidance for our Infrastructure Leasing business. We proactively adapted to market changes and policy requirements, implemented the new development concept in response to the new development stage. Adhering to relevant national policies, we strengthened top-level planning for business development, incorporated the coordinated development of state-designated key regions, implemented the "carbon peak and carbon neutrality" strategy and the development of the real economy and manufacturing industry into our development strategy to continuously optimise our Infrastructure Leasing business structure.

Note:

(1) See note 44 to the Company's 2023 Reviewed Consolidated Interim Financial Statements.

We operated our Infrastructure Leasing business on a nationwide basis in the PRC and managed our Infrastructure Leasing business by geographical regions. Since CDB is the largest bank for infrastructure financing in the PRC and became our controlling shareholder in 2008, by leveraging our brand name, expertise and capabilities and CDB's extensive government client base and its infrastructure experience, we established good cooperative relationships with local governments, a broad and stable customer base and an effective business model. We actively collaborated with CDB's regional branches in our Infrastructure Leasing business and sought professional advice from CDB with regard to project approval, thereby benefiting from CDB's strong support in customer development, project information management, risk management and account monitoring.

As at 31 December 2022, the Group mainly provided infrastructure leasing services to 30 provinces, autonomous regions and direct-controlled municipalities. Our infrastructure leasing services have the following features: (i) we provide financing to our customers through the sale and leaseback of completed regional development assets; (ii) we generally provide greater flexibility on the use of the funds that we provide to our customers; (iii) our finance leases are long-term and generally range from three to 15 years; and (iv) a considerable portion of our leased assets are well developed and generate stable cash flow. As a result of the foregoing, our infrastructure leasing services were capable of meeting customer demand where commercial bank loans were not an ideal option for our customers. At the same time, our infrastructure leasing services provided us with a stable and predictable source of income. We effectively mitigated uncertainties associated with the Infrastructure Leasing business and managed the credit risks associated with the Infrastructure Leasing business, and as a result, maintained the sound quality asset of this business sector. Our collaboration with CDB in providing regional development leasing services also facilitates CDB's fulfilment of its promise of "comprehensive financial services" to its customers and enhances customer loyalty.

In the first half of 2023, the central PRC government insisted on the implementation of major regional strategies and coordinated regional development plans, steadily promoting urban-rural integration and coordinated regional development, establishing a contemporary development pattern and a modernised economic system centered on the objective of high-quality economic development. The key strategic regions have become important catalysts for economic growth in the PRC. In response to the national strategies and regulatory policy directions, since 2023, we began reporting revenue and other income from leasing of urban and transportation facilities as well as key industrial equipment that service regional development supported by national policies under "Regional Development Leasing".*(Note 1)* In 2023, we continued to enhance our ability to serve regional development in China. Leveraging our resource advantages in the field of infrastructure, we have focused on serving key strategic regions designated by the state. In the first half of 2023, we provided regional development leasing services to 28 provinces, autonomous regions and municipalities. We focused on major regional strategies such as the regional coordinated development of the Beijing-Tianjin-Hebei Area, the regional development of the Yangtze River Economic Belt and Guangdong-Hong Kong-Macao Greater Bay Area, and stepped up resource allocation and capital investment. Among our Regional Development Leasing segment, the Beijing-Tianjin-Hebei Area realised an investment in business of RMB1,180.0 million in the first half of 2023, with the asset balance of RMB9,735.8 million as at 30 June 2023; the Yangtze River Economic Belt realised an investment in business of RMB11,953.7 million in the first half of 2023, with the asset balance of RMB55,632.7 million as at 30 June 2023; and Guangdong-Hong Kong-Macao Greater Bay Area realised an investment in business of RMB1,717.0 million in the first half of 2023, with the asset balance of RMB6,424.8 million as at 30 June 2023. Our investments in the above three major areas accounted for approximately 66% of the segment's investments in the first half of 2023, and the balance of assets accounted for approximately 55% of the segment's assets as at 30 June 2023.

Note:

(1) See note 44 to the Company's 2023 Reviewed Consolidated Interim Financial Statements.

Ship Leasing

We conduct our Ship Leasing business in the PRC and other countries around the world. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, the revenue and other income generated from our Ship Leasing business were RMB2,356.3 million, RMB5,868.3 million and RMB7,061.8 million, RMB3,670.3 million and RMB2,689.5 million, respectively. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, the profit before income tax generated from our Ship Leasing business were RMB663.7 million, RMB2,895.4 million and RMB2,868.7 million, RMB1,578.6 million and RMB351.9 million, respectively. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the total assets of our Ship Leasing business were RMB34,183.2 million, RMB47,592.4 million, RMB49,684.6 million and RMB53,955.0 million, respectively.

We commenced our Ship Leasing business in 2008 and were one of the first leasing companies in the PRC to offer Ship Leasing services. We provide Ship Leasing services on a bareboat charter basis to ship operators under finance leases. As at 30 June 2023, we had 228 ships in operation, among which there were 199 ships under operating leasing, consisting of 157 bulk carriers, 36 product tankers, five LNG ships and one luxury cruise ship; there were 29 ships under finance lease, including eight bulk carriers, 18 container ships and three LNG ships. We strategically select vessels with strong market demand and profitability. In addition, we provide leasing services for shipping related assets, such as shipbuilding equipment and containers.

We lease vessels to customers both in the PRC and globally in Asia, Europe and Oceania. We have established SPCs in Hong Kong and the PRC to conduct our Ship Leasing business. Our leased vessels are mainly constructed by shipbuilders in the PRC, and to a lesser extent, by shipbuilders in South Korea and Japan.

Our Ship Leasing business mainly consists of operating leases. Our Ship Leasing business is also conducted through finance leases.

Our ship leasing terms generally range from three to 15 years, and the lessee makes lease payments on a semi-monthly, monthly or quarterly basis. We typically require the lessee to maintain a security deposit with us in an amount equivalent to one to three months' lease payment, and to provide additional security such as a guarantee provided by the actual controlling party, a joint and several liability guarantee provided by individuals, a fixed asset mortgage and a transfer of insurance interest.

Our strategies for the ship leasing business are informed by our research and judgment of the shipping market. As guided by a philosophy of prudent development, we aim to direct our focus on leasing mainstream, versatile vessels with great value preservation that are technology-advanced, energy-efficient, environmentally friendly, and in alignment with international standards. The foundation of our strategy lies in securing stable rental income, complemented by an active approach to capitalising on market opportunities to enhance asset value appreciation. Our target customer base is strategically chosen, focusing on large-scale domestic state-owned enterprises and their controlling subsidiaries, as well as top-tier international shipowners, cargo owners, or traders known for their strong operational competence, favourable financial conditions, and substantial overall strength. In terms of specific strategies, we continued to plan the deployment of various vessel types carefully based on the performance and market trends of various ship types in the shipping market. The three traditional main vessel types are bulk carriers, tankers and container ships. We partnered with preeminent cargo owners, traders, ship owners and shipyards in the domestic and overseas market, actively developed the ship operating lease business, created new growth drivers for business, effectively prevented risks, enhanced market competitiveness, and better served the real economy with the help of third parties platforms such as renowned ship management companies, ship classification societies, and ship research institutes.

Leveraging our expertise in the shipping industry and extensive relationships with reputable shipbuilders around the world, we provide customised ship financing services and reliable funding support for our Ship Leasing customers. Our specialised sales team is capable of providing comprehensive financing solutions and professional advisory services for our customers who require financing proposals at the time they purchase vessels. We believe that our provision of integrated and customised financial services to our Ship Leasing customers has enhanced our customers' trust and confidence in our services and enabled us to establish our brand name in the international ship leasing market.

Due to the international nature of the shipping industry, our shipbuilding contracts and leasing contracts are generally denominated in U.S. dollars. To mitigate foreign exchange risk, the corresponding loans or financings are also generally made in U.S. dollars. Also, we acquire new customers and originate new businesses through active marketing, as well as participation in major shipping industry conferences, referrals by shipbuilders and ship brokers, and other channels. In addition, we maintain a disciplined approach to portfolio and risk management, and adjust our business strategies and risk management policies in accordance with prevailing market conditions and industry cycles.

In order to better conduct our Ship Leasing business and adhere to the philosophy of "talent as the top resource", we have successfully engaged a group of professional talents with rich practical experience from different fields like shipping management, shipbuilding, ship operations, ship management and shipping finance. We have built a relatively mature Ship Leasing business operation and management team, further laying a solid foundation for the development of our Ship Leasing business, especially our operation leasing business. We will continue to pay close attention to the movement in the shipping market represented by the BDI index, strengthen the philosophy of risks, continue to cultivate the market segments, maintain a close relationship with related market entities, strive to timely and effectively capture business opportunities, expand the scale of our fleet, further consolidate our position in domestic and overseas ship leasing market, and gradually establish the brand of "CDB Ships (國銀船舶)".

In 2022, the Group dynamically adjusted asset structure and product structure, actively explored new business models for high threshold and high value-added vessels, and seized the market opportunity to vigorously develop LNG vessel chartering business. The Group pays close attention to the dynamic changes of the shipping market, conducts in-depth research on the development trend of market segments and actively lays out the operation and leasing business of LNG carriers with a high degree of specialisation. The Group's reasonable layout of different vessel types has enabled the shipping leasing segment to continue to maintain a high level of profitability, contributing to the sustainable, stable and healthy development of our business. The Group also launched the professional ship management system, and increased the efficiency of business decision making and asset management through digital empowerment.

In 2023, the Group will combine its specialisation advantages, pay close attention to the impact of external conditions and other factors on the shipbuilding industry, shipping industry and related fields. The Group will increase business innovation and dynamically adjust the asset structure. While grasping market opportunities, the Group will focus on key ship types and key customers to achieve balanced development and positive interaction between operating leasing and financial leasing business, and help optimise the structure and transformation and upgrade of China's shipping industry and shipbuilding industry.

Inclusive Finance

Overview

We conduct Inclusive Finance business in the PRC, which mainly comprises Vehicle Leasing and Construction Machinery Leasing. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, the revenue and other income generated from our Inclusive Finance business were RMB1,262.7 million, RMB1,493.5 million, RMB1,614.6 million, RMB770.0 million and RMB944.0 million, respectively. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the total assets of our Inclusive Finance business were RMB25,131.3 million, RMB34,103.1 million, RMB35,638.7 million and RMB32,695.3 million, respectively.

In recent years, there has been a heightened focus on inclusive financial services by the Party Central Committee and State Council of the PRC. We have actively responded to the national call for "financial services for the real economy" by leveraging the advantages of financing in financial leasing, to serve the real economy and support small and micro enterprises. Since the establishment of the Inclusive Finance Business Department in 2019, we have been promoting the development of construction machinery and vehicle leasing business in accordance with the spirit of the Central Committee of the Communist Party and the State Council of the PRC on the development of inclusive finance and in line with the national campaign of "finance serving the real economy". In early 2021, we established the Technology Leasing Business Department, to explore, innovate and accelerate the digital transformation driven by technology, improving the comprehensive ability to create higher value for customers via leasing, and we have steadily built an inclusive finance system with "diverse products, controllable risks, considerable scale, strong professionalism, prominent brand and excellent assets", so as to create stable and sustainable business sources for the Group and consolidate business growth drivers.

We were one of the first CBRC-regulated leasing companies in the PRC to provide customised finance leasing solutions to manufacturers and distributors of vehicles and construction machinery. We are one of the major players in the PRC vehicle and construction machinery leasing market, and our end-user customers include large engineering corporations, small and medium enterprises and individuals across China. We launched our inclusive finance leasing services in 2009. We have established long-term cooperative relationships with major vehicle and construction machinery manufacturers in the PRC, and the funds we provided enabled these manufacturers to allocate more resources to product research and development and other areas that are key to their businesses.

We have taken the lead in systematically launching the commercial vehicle and construction machinery leasing business for manufacturers in the domestic leasing industry. To cater to the characteristics of a diverse lessee base, relatively lower risk concentration, and high equipment versatility, we have developed a unique manufacturer leasing business model adopting standardised contracts, effectively integrating the market network and equipment processing advantages of manufacturers, the management expertise of third-party professional management agencies, and the financial strengths of leasing companies.

In a typical manufacturer leasing transaction for Inclusive Finance business, we provide a certain amount of credit line to a manufacturer/distributor based on its credit rating, and the manufacturer is then entitled to select end-user customers, or lessees, of the vehicles or equipment, within the credit line. The lessee chooses the specific type of vehicle or equipment, and we purchase such vehicle or equipment from the manufacturer/distributor and lease it back to the lessee. During the lease term, we retain ownership of the leased asset, while the lessee operates the leased asset and assumes responsibility for the maintenance and insurance of the leased asset. Upon expiry of the lease term, the lessee may acquire the ownership of the leased vehicle or equipment at a nominal price.

In our cooperation with selected manufacturers and distributors, we are assisted by two third-party professional management agencies, one for each of our vehicle leasing business and machinery leasing business, in various aspects of our wholesale leasing service, including marketing, selection of end-user customers, and lease management. The third-party professional management agencies are capable of processing transactions involving a large number of end-user customers through standardised operational modules, allowing our wholesale leasing service to achieve significant scale.

Our vehicle and construction machinery lease contracts are generally priced based on a floating interest rate, which is set at a predetermined spread over the PBOC benchmark interest rate. The leasing term is generally not more than five years, and the lessee makes lease payments on a monthly or quarterly basis.

In 2022, we responded to the national call on freight logistics to enhance traffic flow, and supported a total of over 4,200 freight logistics vehicles. We also actively helped the development of "agriculture, farmers and rural areas" with the launch of our agricultural equipment leasing business. Through deepening financial technology empowerment, we launched the consumer-end business of passenger vehicles in an orderly manner, effectively practicing the development concepts of benefiting people's livelihood and promoting consumption.

In the first half of 2023, we worked on the innovation, transformation and development of our Inclusive Finance business, enabling more people to obtain financial services more conveniently, economically and effectively. On the one hand, by strengthening industry analysis, we optimised existing small and micro business products and enhanced the competitiveness of products in the market, effectively promoting the sustained and steady development of our Inclusive Finance business; on the other hand, under our digital transformation and innovation development goals, we continued to deepen the integration of financial technology and business development, continuously optimised the digital leasing business development system, and vigorously developed digital inclusive finance in a holistic manner using the Internet, big data, cloud computing and other financial technology methods to extend our service reach, expand service coverage and reduce service thresholds and service costs, greatly improving the our service quality and service efficiency in serving the real economy.

Vehicle Leasing

Commercial vehicles are used for carrying goods or fare-paying passengers (with nine seats or more). We maintain a commitment to prudent operations in our Vehicle Leasing business, continually analyse market trends to explore innovative domains and systematically establish a comprehensive vehicle business ecosystem.

To promote our Vehicle Leasing business, we increasingly intensify the innovation of our vehicle leasing business model by actively introducing financial technology to lay the development foundation for technology finance, and we continue to promote the digital and intelligent development of our Vehicle Leasing business. At the same time, we pay close attention to the development trend of the vehicle market and strengthen cooperation with leasing platforms to promote the transformation and development of the passenger vehicle leasing business model and to realise informationalised and refined management of vehicle leasing business. We will continue to improve our capabilities of risk prevention and control and asset management and operation, and strive to alleviate the challenges faced by small and micro enterprises and individuals in obtaining financing, thereby extending the reach of our inclusive finance system.

We plan to focus our efforts on innovation through the integration of financial technology. Responding to market needs, we have adjusted our traditional vehicle business strategy to deepen our research and engagement in commercial vehicle segments. We have transitioned the passenger car leasing approach from a platform credit model to a dual-faceted model of business-to-business operational leasing and retail customer leasing. By evolving and iterating our big data risk control model, we have established a robust risk management framework for a viable retail leasing operation that is based on data-driven risk assessment and supported by enhanced credit channels. Furthermore, we focus on sustaining strong relationships with premier clients to facilitate leasing operations in short-term rentals and urban logistics distribution.

In 2021, the commercial vehicle market experienced great volatility, with the sales volume opening high and going low. Upholding the principle of steady operation, we continuously tracked and judged the development trend of the vehicle leasing market and exerted synergy with CDB to develop our Vehicle Leasing business steadily. In terms of commercial vehicle business, we focused on the sale and leaseback of vehicles, seizing opportunities to promote integrated financial services for the automobile and finance segments of manufacturer partners in due time, consolidating relations with strategic customers, and as a result achieving growth in the commercial vehicle business against headwinds. In terms of new energy bus business, we researched thoroughly on market demand, engaged extensively with customers to develop business, maintained good partnerships with a number of public transport companies, and continuously increased investment in the “green” economy. In terms of passenger car business, we promoted business growth through sale and leaseback of vehicles and retail leasing products. Externally, we carried out marketing activities and established a business development pattern in which multiple cooperation channels develop simultaneously; internally, we deployed an independent risk control model and built an intelligent and interconnected leasing business system. Riding on the successful development of the passenger car retail business, we promoted the transformation of our Inclusive Finance business from traditional services to digital services, bringing new ideas, new approaches and new directions for the digital development of our business.

In 2022, we adjusted the focus of our traditional vehicle business development and strengthened model research as well as studied and visited to the sub-segments of commercial vehicle to provide strong support for business transformation and innovation. We promoted the transformation and development of the passenger vehicles leasing business from a platform credit model to a C-end retail model. We drove the optimisation and iteration of the big data risk control model, and continued to build a comprehensive risk control system for sustainable retail leasing business with taking big data risk control as the core and channel credit enhancement as the supplement.

In 2023, we will continue to consolidate our existing vehicle business partnerships, continuously optimise our leasing products, accelerate its business transformation and continue to build an advanced and efficient risk control system.

Construction Machinery Leasing

The construction machinery leased by us includes lifting, earthwork, piling, concrete, road, transportation and agricultural machinery. As at 30 June 2023, the underlying assets related to our Construction Machinery Leasing business were RMB17,854.2 million, representing a decrease of RMB2,994.9 million or 14.4% from 31 December 2022 and accounting for 54.6% of the assets in our Inclusive Finance segment.

The construction machinery leasing business, as one of the business segment, gained popularity among numerous leasing companies and therefore competition in the leasing market was relatively fierce. In this regard, we adhered to the principle of "seeking excellence while ensuring stability", put emphasis on strengthening and enhancing cooperation with key manufacturers, formed a variety of business cooperation models and improved financial comprehensive service levels so as to greatly support the development of natural persons and small and micro enterprises.

We conducted strategic cooperation with leading manufacturers in the industry by implementing the customer-oriented development concept to comprehensively explore the leasing needs of key manufacturers, deepen the cooperative relationship with strategic cooperation customers, proactively market and actively adjust product solutions for meeting the multi-dimensional and multi-level funding needs of manufacturers, with whom we had strategic cooperation. We also proactively developed the market mechanisms of inclusive finance and strongly promoted targeted poverty alleviation policies by responding to the national policies of "inclusive finance" and "poverty alleviation" to provide high-quality and affordable inclusive finance services for private enterprises, small and micro enterprises and natural person customers to assist with poverty alleviation, which effectively provided solutions to the financing difficulties in small and medium-sized enterprises and natural persons in remote areas. At the same time, we actively built relationships with top mainstream manufacturers in the industry in order to expand our service scope in the construction machinery market and formed a business development system with large and medium-sized manufacturers and with multiple business models with the aim of further consolidating our first-mover advantages and market-leading position.

In 2021, we paid close attention to the cyclical problems of the construction machinery industry, made efforts to overcome difficulties, carried out multiple rounds of surveys on leading industry players and conducted research based on the financing needs of strategic customers. Firstly, we deepened and broadened business cooperation and consolidated the position of strategic customers as the main financial channel; secondly, we actively adapted to market changes, looking for opportunities amid the changes to increase the product diversity of our Construction Machinery Leasing business and the flexibility of our products to enhance product competitiveness.

In 2022, with the resumption to work and production in an orderly manner after the COVID-19 pandemic, the effect of stable economic policies of the PRC gradually emerged. Coupled with the growth of international market demand, the construction machinery industry achieved a stable development. We continued to pay attention to the cyclical issues of the industry, consolidated strategic partnerships with leading enterprises in the industry, continued to provide policy support for micro, small and medium users affected by the epidemic, and actively responded to the national policy call for supporting "agriculture, rural areas and farmers" and successfully launched the first agricultural machinery leasing business.

In the first half of 2023, our construction machinery business invested over RMB3 billion and placed more than 6,000 units of equipment, directly or indirectly benefiting more than 400 end consumers. We continued to enhance our digital management measures and capabilities to provide effective protection for business model innovation and product piloting in our construction machinery leasing business.

Green Energy and High-end Equipment Leasing

In 2023, we began reporting revenue and other income from leasing of energy infrastructure and high-end equipment and related activities under the "Green Energy and High-end Equipment Leasing".*(Note 1)* Our Green Energy and High-end Equipment Leasing business mainly comprise assets leasing in the fields of clean energy, energy storage, as well as high-end equipment. For the six months ended 30 June 2022 and 2023, the Group realised revenue and other income of RMB766.3 million and RMB1,012.8 million from Green Energy and High-end Equipment Leasing business segment, respectively. As at 30 June 2023, the segment assets of our Green Energy and High-end Equipment Leasing business were RMB45,587.7 million, among which 66.8% and 33.2% were relating our green energy leasing and high-end equipment leasing, respectively.

We have been actively implementing the "carbon peak" and "carbon neutral" initiatives of the PRC and vigorously expanding our green energy business. We have insisted on supporting green industries such as energy conservation and environmental protection and new energy as our important focus to facilitate the implementation of the "carbon peak" and "carbon neutral" initiatives. Further to consolidating our new energy centralised power station business, we continued to promote green energy leasing businesses such as distributed photovoltaic, energy storage, and small and medium-sized hydropower in the first half of 2023. As at 30 June 2023, the total installed capacity of our new energy power stations amounted to 5.91GW, including 2.74GW of wind power, 3.07GW of photovoltaic, 0.1GW of solar thermal. The installed capacity of new energy storage amounted to 20MW.h.

We focused on key areas and supported industrial transformation and upgrading. We grasped the advantages of the integration of leasing, industry and finance, implemented the requirements of deepening the structural reform of the supply side of finance, and increased the medium- and long-term capital support for advanced manufacturing sectors and strategic emerging industries. In the first half of 2023, we made new investments of more than RMB3.0 billion in the fields of integrated circuit industry chain, automobile manufacturing, battery production and shield machine, among others, and continuously enhanced the effectiveness of serving the development of the real economy.

CAPITAL MANAGEMENT

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

Over the years, we have continued to consolidate the foundation of capital management, and actively promoted the operating transformation of capital intensification. Firstly, we further optimised the system and mechanism of asset management by systematically implementing assessment procedures of internal capital adequacy ratio in compliance with the core regulatory requirements and features of the Company, completing the assessment report of the internal capital adequacy and the management plan report of capital adequacy ratio for the relevant years, and organising to promote the construction of the second pillar; secondly, we deepened the capital delicacy management concept, commenced in-depth organisation management of capital replenishment and capital utilisation by regarding capital planning, capital

Note:

(1) See note 44 to the Company's 2023 Reviewed Consolidated Interim Financial Statements.

adequacy ratio management plan and supervision of the capital flow as our core tenet, and improved the capital utilisation efficiency and capital return level; and thirdly, we enhanced internal and external capital replenishment capability, and a developed long-term mechanism for asset replenishment. Through maintaining sound profit growth and effective non-performing assets and provision management, we have formed a solid foundation for internal capital replenishment, while actively promoting external capital replenishment, constantly solidifying our capital strength, and strengthening the capability to serve the real economy. Throughout the year, all our capital indicators showed favourable results, and our capital adequacy ratio has been maintained at a sound and reasonable level. Our management system and management measures were further implemented.

On 7 June 2012, the CBRC issued the Capital Administrative Measures, which came into effect on 1 January 2013. In order to ensure the successful implementation of Capital Administrative Measures, the CBRC issued the Notice on Arranging Related Matters in the Transitional Period of Carrying out the Administrative Measures for the Capital of Commercial Banks (Provisional) (關於實施<商業銀行資本管理辦法>(試行)過渡期安排相關事項的通知) on 30 November 2012, which stipulates the requirement on annual capital adequacy ratio during the transitional period. On 18 February 2023, the CBIRC and the PBOC issued the draft for comment of the new Capital Administrative Measures (商業銀行資本管理辦法(徵求意見稿)). As at 30 June 2023, our core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 9.75%, 9.75% and 12.33%, respectively, which were all above the regulatory requirements.

	Regulatory Requirement	As at 31 December		As at 30 June	
		2020	**2021**	**2022**	**2023**
		RMB in millions, except percentages			
Net Capital:					
Net core tier-one capital	–	27,720.1	30,511.4	33,548.5	34,935.6
Net tier-one capital	–	27,720.1	30,511.4	33,548.5	34,935.6
Net capital	–	35,552.6	38,727.6	42,386.0	44,180.6
Capital Adequacy Ratio:					
Core tier-one capital adequacy ratio	≥7.5%	9.82%	9.40%	9.86%	9.75%
Tier-one capital adequacy ratio	≥8.5%	9.82%	9.40%	9.86%	9.75%
Capital adequacy ratio	≥10.5%	12.60%	11.93%	12.46%	12.33%

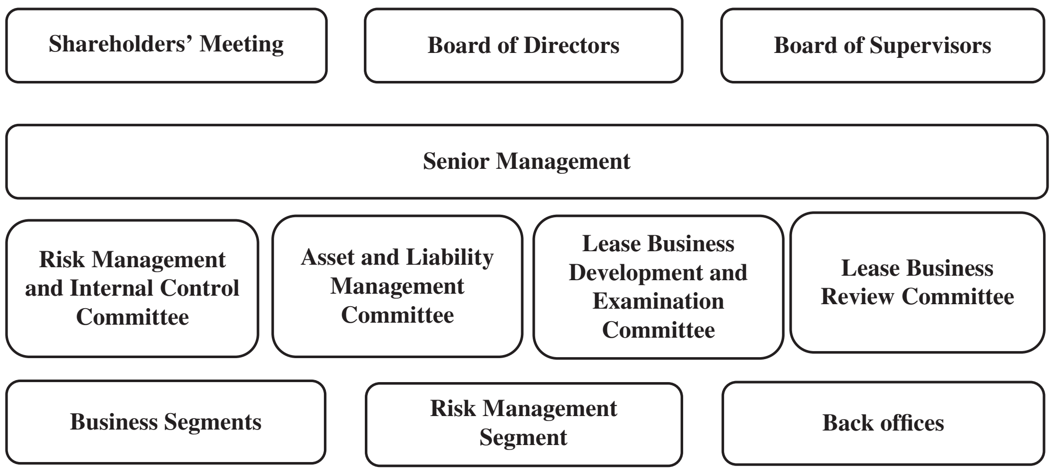
RISK MANAGEMENT

We are exposed to various risks in the ordinary course of business, including but not limited to credit risk, market risk, liquidity risk, operational risk, information technology risk and reputational risk. We carry out risk management with the strategic objectives of supporting sustainable development of the business and enhancing our values, and have 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". We have formed an impeccable risk management framework and system with a detail-defined division among all business segments, risk management departments and an internal audit department to constantly identify, evaluate and monitor the risks in our ordinary course of operation, so as to achieve an appropriate balance between risks and benefits while reducing the potential negative impact as much as possible on our financial performance. We have, with the help of relevant risk evaluation resources and credit experience of CDB, unleashed our potential in resources to improve the sense of activeness and forward-looking in risk management for safeguarding our business development.

We adopted a stable strategy in relation to risk preference. With regard to the selection of industries, we prefer industries and fields with mature business models that generate economies of scale and are equipped with excellent asset quality. In terms of customer selection, we prefer large enterprises, leading enterprises in the industry or listed companies with high quality. In terms of leased assets operation, we utilise 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.

Over the years, we have strengthened the establishment of a comprehensive risk management system, improved the management system for overall risk preference, continuously optimised 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 improved risk indicators, quota and alarm management system, strengthened our risk monitoring capability, and enhanced the forward-looking, comprehensive and proactive risk surveillance. We organised risk identification and assessment to further enhance risk control capability, and improved the management system of stress testing to strengthen the effectiveness of stress testing. We also continuously improved the overall risk management reporting system, kept pace with the recent trends, and revealed the risk situation in a timely, in-depth and objective manner. We strengthened business continuity management and monitoring, and continuously improved the business continuity management systems. Further, we positively guided the staff to develop the senses of risks and responsibilities by strictly implementing the accountability system and strengthening special training of risks.

The following diagram illustrates our risk management framework:



The Board fulfils risk management responsibility in compliance with the Articles of Association and relevant regulatory requirements. The Risk Management and Internal Control Committee under the Board is responsible for the formulation of risk strategy, risk appetite and limitation, continuous supervision of risk management and internal monitoring systems as well as regular assessment of our risk policies, management status and risk tolerance capacity. The Board of Supervisors undertakes the supervision responsibility of comprehensive risk management, and the supervision and evaluation of the duties and responsibility fulfilment of the Board and the senior management in respect of risk management and urges rectification. Our senior management undertakes the responsibility for organisation and implementation of comprehensive risk management and the execution of Board resolutions.

We adopt the hierarchical management based on the "three layers of defence":

- business lines, as the first layer in defence of comprehensive risk prevention, in which business departments are the first layer of defence in credit risk prevention, the Treasury Department is the first layer of defence in market and liquidity risk prevention, the Informative Management Department is the first layer of defence in information technology risk prevention, and assumes direct responsibilities for risk management;

- risk management lines, as the second layer of defence in comprehensive risk prevention, assume responsibilities for formulating policies and processes, daily monitoring and risk management; and

- the internal Audit Department, as the third layer of defence in comprehensive risks prevention, assumes responsibilities of auditing the performance of business lines and risk management lines.

Each department within 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 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 Compliance Department is responsible for the management of the compliance risk, operational risk, money laundering and sanctions compliance risk, related party transaction and internal control; and the Accounting Department is responsible for the management of financial risk.

Credit Risk

Credit risk refers to the risk of loss incurred by us due to the failure of fulfilment of contractual obligations by counterparties when due. The credit risk to which we are exposed primarily derives from leasing business. Credit risk is considered as one of the most significant risks in our business operation. We emphasise the operating philosophy of keeping balance among "scale, profitability and risks". Our management therefore carefully manages our exposure to credit risk adhering to prudent principles and mitigates the overall credit risk through portfolio management across different countries, regions and various industries. We attach great importance to the quantitative management technology of credit risks and the management application and establish a dual-dimensional rating system with credit rating and debt rating for all enterprise clients. We maintain appropriate diversification of our lease assets portfolio in different countries, regions, industries, clients and products in order to control the concentration risks within a reasonable level.

We select clients based on industries and regions and carry out credit risk management based on our own development strategy, market conditions and national policy. We have established a project management procedure, including pre-lease due diligence, project examination and approval, contract signing and provision of lease financing and post-lease inspection. We strengthen control and management of credit risk by conducting industrial research, implementing credit rating, monitoring lessees' business status and evaluation of the impact of changes in technology on leased assets.

We employ a range of policies and measures to mitigate credit risk. For Aircraft Leasing and Ship Leasing, as the second-hand market of leased items is relatively mature, and the market value is relatively stable, we normally do not require lessees to provide additional collateral when carrying out leasing business. For Ship Leasing businesses, we normally require the *de facto* controller of the lessees to provide guarantees to further mitigate credit risk. For aircraft operating leases, we manage our credit risk through rental fees received in advance. For Inclusive Finance, we adopt either the manufacturer or the distributor credit model under which manufacturer partners are required to provide a repurchase guarantee, or distributor partners are required to provide a joint and several liability guarantee for each lease. For Regional Development Leasing and Green Energy and High-end Equipment Leasing businesses, the most typical measures for us to control credit risk are the taking of collateral, margin deposits and guarantees by third parties. We provide guidelines on acceptable types of collateral, which mainly includes civil aircraft and engines, vessels, machinery and equipment. Over the years, we have improved our risk alert and limitation management and enhanced the risk monitoring of major clients and industries by paying close attention to the impact of the industry and market trends as well as regulatory policies on leasing risk. We attach great importance to the quantitative management technology of credit risk and the management application. We established a dual-dimensional rating system with credit rating and debt rating for all enterprise clients, and ensure the effectiveness of our medium-to-long term credit risk management 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 of risk within a reasonable level. We have also proactively carried out the on-site post-lease inspection for leasing projects which allows us to uncover and disclose risks in a timely manner and gradually normalise and improve the level of post-lease management. Regarding the elimination of non-performing and risk-bearing projects, we have stabilised the assets quality and safeguarded the bottom line against risk through various channels such as enhancing collection, collecting according to laws, bulk transfer and entrusting CDB's branches for management over the entire process.

Facing the complicated and changeable internal and external environment, the Group produced the plans according to the principle of "one enterprise and one policy" to effectively control the project risk, actively carried out risk investigation and strengthened the risk investigation and analysis of all major business lines of the Group.

Asset Quality

We evaluate our asset quality and adjust asset categories quarterly based on the asset risk degree, and adopt measures to mitigate risk for the projects with overdue rent and material risks in a timely manner. Our five-category asset quality classification system is based on the Measures for Classification of Financial Asset Risks of Commercial Banks (商業銀行金融資產風險分類辦法) issued by the CBIRC and the PBOC on 11 February 2023, effective from 1 July 2023. In addition, we have formulated our financial assets impairment policies in accordance with the statutory requirements relating to the asset quality classification of the China banking industry, and international accounting standards.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, our non-performing asset ratio remained below 1%, at 0.80%, 0.67%, 0.63% and 0.78%, respectively. We will constantly promote our assets' quality: for new businesses, we will follow the principle of the selection of industries and customers strictly; for existing businesses, we will take measures to mitigate risk at various stages of business including post-lease management and collateral management in order to strengthen credit risk management.

Concentration of Credit Risks

We proactively implemented the requirements of the regulatory authorities and timely monitored the financing concentration of a single client through project inspection. Besides, we have established a client's ledger to carry out quarterly monitoring over the financing concentration of our clients in order to prevent credit concentration risk.

As at 30 June 2023, the balance of finance lease transactions for the largest single client accounted for 12.96% of our net capital while the balance of finance lease transactions for the largest single group client accounted for 13.34% of the net capital. As at 30 June 2023, in terms of finance lease related assets before allowance for impairment losses, the total balance of finance lease related assets raised by the top ten single clients amounted to RMB29,752.9 million, accounting for 14.05% of finance lease related assets before allowance for impairment losses.

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 our industrial distribution of finance lease receivables is rather diversified, we believe that there is no significant risk from industrial concentration.

Market Risk

Interest Rate Risk

Interest rate risk refers to the risk of losses in our overall income and economic value resulting from adverse movements in interest rates, maturity structure and other factors. Our interest margins may be narrowed down as a result of the fluctuation in market interest rates. Therefore, we primarily manage the interest rate risk through balancing the repricing periods of the leasing assets and their corresponding liabilities.

We mainly receive fixed rental income under operating leases in foreign currencies while our bank borrowings bear floating rate interests. We reduced the liability exposure of overall floating interest rate denominated in U.S. dollars mainly through issuance of fixed-rate bonds, switching the borrowings with floating rate into fixed rate through interest rate swap contracts and hedging the cash flow volatility risk as a result of the liability interest rate fluctuation to effectively match the future fixed rental income and stabilise the interest rate margins while mitigating the effect of fluctuation in interest rates of U.S. dollars on our operating results and financial performance.

The majority of rental income from our RMB-denominated leasing business floats with the Loan Prime Rate published by the PBOC, while liabilities mainly bear a fixed interest rate. For this particular situation, we proactively match the duration of RMB-denominated assets with that of RMB-denominated liabilities to reduce interest rate risk.

Foreign Exchange Risk

Foreign exchange risk refers to the risk of losses in our overall income and economic value resulting from an adverse movement in foreign exchange rates. Our foreign exchange risk exposure primarily arises from the foreign currencies-denominated profits generated from subsidiaries, projects subsidiaries and SPCs, as well as the exchange of proceeds raised in listing into U.S. 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 our operating lease and finance lease business are purchased and denominated in U.S. dollars and the corresponding operating lease assets and finance lease receivables are denominated in U.S. dollars, while the major funding sources of which are onshore and offshore U.S. dollar-denominated bank borrowings and offshore U.S. dollar-denominated bonds. Apart from Aircraft Leasing and Ship Leasing businesses, our Green Energy and High-end Equipment Leasing businesses are substantially denominated in Renminbi and liabilities are financing denominated in Renminbi. Hence, there is no significant foreign exchange risk exposure.

As at 30 June 2023, we had no significant foreign exchange risk exposure in U.S. dollar-denominated against Renminbi-denominated that affected future profit or loss. The Group effectively managed the foreign exchange risk through exposure monitoring, settlement in statements and financial derivative hedging and other means, and recorded an exchange loss of RMB67.3 million for the six months ended 30 June 2023 through monitoring our exposure, hedging by derivatives instruments and other measures.

Liquidity Risk

Liquidity risk refers to the risk that we are unable to obtain funds at a reasonable cost to repay the liabilities or seize other investment opportunities. The target of our 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 based on the condition that liquidity risks have been well managed.

On the premise of meeting regulatory liquidity indicator compliance requirements, we have managed liquidity risk and balanced it with the interest rate spread by proactively managing the maturity portfolios of assets and liabilities and controlling any cash flow mismatch gap to reduce structured liquidity risk. In addition, on top of adequate bank credit line, we also utilised diverse funding sources, and improved the level of the money market transactions, in order to improve our capabilities in financing and daily liquidity management, and to preserve sufficient funds to repay debts and support our business development. We use quasi-cash assets from bank deposits and the money market bonds as our main liquidity reserve, and hold a certain portion of interest rate bonds and interbank certificates of deposit to ensure that liquidity reserves can fully mitigate liquidity risks.

As at 30 June 2023, we had an interbank borrowing and lending limit of RMB12,642.0 million. In addition, we strived to improve our trading capacity in the money market, especially our online financing capacity, and accumulated interbank borrowing (including bond collateral repo) amounted to RMB141,717.0 million. According to the market liquidity situation, the Group arranged financing plans in a reasonable and orderly manner, further optimised the liquidity management mechanism, and gradually optimised the liquidity reserve system to achieve sound liquidity situation and further improved the liquidity risk management capability.

Other Risks

Operational Risk

Operational risk refers to the risk of losses resulting from imperfect or problematic internal process, personnel and system or external events. We have a "prudent" risk appetite for operational risk in principle.

In 2022, we further enhanced our operational risk management and control. Firstly, we continuously strengthened the construction of operational risk management system and established an operational risk management network to ensure that there was no omission, no blind area and full coverage of operational risk prevention and control. Secondly, we constantly improved the internal control management system, actively traced the regulatory requirements, continuously promoted the cross inspection of the system and filled the system discrepancy. Thirdly, we improved the business management mechanism of the Group, enhanced various management processes and strengthened implementation management to prevent and reduce the occurrence of operational risk events. Fourthly, we further clarified the structure of business continuity management, and refined the daily management requirements of business continuity. Fifthly, we optimised our operational risk management methods and tools, regularly conducted operational risk identification and assessment, improved the key indicators monitoring of operational risk, continuously collected operational risk events, implemented the reporting mechanism, and timely revealed our operational risk status. No major operational risk events had been found in 2022.

In the first half of 2023, we attached great importance to operational risk management and continued to bring the effectiveness of our systems into play. Firstly, we strengthened the regular management of our systems by implementing the Group's "Management Enhancement Year" and continued to enhance the standardisation and long-term effectiveness of the Group's systems through the identification of system plans, continuous cross-checking, implementation of regulatory requirements and improvement of management methods. Secondly, our system spectrum was completed and a four-tier system of basic systems, management measures, working rules and sub-area operating rules was formed in accordance with 15 major business categories, including corporate governance, business development, risk management and internal control and compliance. Thirdly, we highlighted the risk control of cases in key areas and continuously strengthened the monitoring of integrity risk positions. We carried out special investigation of business risks in key areas and sorting to find out the integrity risk points of key positions, and formulated appropriate monitoring measures. Fourthly, we continued to strengthen the management of employees' daily behavior and effectively enhanced the awareness and ability of cadres and employees in preventing integrity risks. We arrange our staff to fill in the "Employee Behavior Checklist" on a quarterly basis, so that we can detect and effectively deal with abnormal behaviors of employee in a timely manner, and resolve and eliminate risks and potential dangers in advance. No major operational risk events of the Group had been identified in the first half of 2023.

Information Technology Risk

Information technology risk refers to 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. We have a "moderate" risk appetite for the information technology risk in principle.

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

In 2022, we further improved our information technology risk management. Firstly, we established and completed the information technology management mechanism and process, improved the information technology project management system, built the technical manpower outsourcing service management mechanism, optimised the service process including desktop service, digital service and application operation and maintenance, and co-constructed the information technology group synergy mechanism for subsidiaries. Secondly, we continued the construction of application systems and built the core leasing business system, risk warning and rating system, our new official website, the digital transformation project of our office buildings, and the regulatory reporting platform. We completed connecting new channels for the passenger car system, the optimisation of third-phase functions from the capital system and the upgrading of the comprehensive affairs system, and enhanced the integration of industry, finance, tax and capital in the field of finance. Thirdly, we developed the big data platform by iteration, upgraded functions of products from a big data platform, expanded the scope of source data collection, optimised the theme model layer, and supported the downstream system with data. Fourthly, we promoted information security system construction, implemented internal and external network separation construction programme, and launched the information security system construction, to ensure the security of information in the daily and important period. Fifthly, we strengthened the infrastructure security capacity to secure the safety and stability of our production and operation, promoted the "cloud project" of application systems, and carried out emergency drills for important business systems.

In the first half of 2023, we further strengthened information technology risk management. Firstly, we perfected IT management mechanisms and processes and established a digital operation system. Secondly, we continued to promote the construction of application systems to serve business development. We promoted the data verification of the core leasing system, the on-site development of the integrated group ledger project, the optimisation and upgrading of the passenger car system, the iterative development of the inclusive finance business system, and the optimization of the functions of the integrated business system. Thirdly, we improved the big data risk control platform and enhanced the digital management ability of leased assets. We launched the project of digital management of leased assets and carried out data connection and application of vehicle operating leasing business to help enrich the product line of the inclusive finance. Fourthly, we promoted the construction of information security, strengthened infrastructure protection capability, ensured the safety and stability of production and operation and carried out the construction of a unified intelligent operation and maintenance platform for some remote office areas. No major information technology risk events of the Group had been identified in the first half of 2023.

Reputational Risk

Reputational risk refers to the risk of negative evaluation of the Group by stakeholders, the public and the media as a result of the actions of the Group's organisation, the behaviour of its employees or external events, which may damage the Group's brand value, adversely affect the normal operation of the Group, or even affect market stability and social stability. Reputational risk is an important part of corporate governance and a comprehensive risk management system. We have a "prudent" risk appetite for the reputational risk in principle.

In 2022, we continued to strengthen our reputational risk management, and actively carried out our reputational risk prevention and control and brand image building in key links such as "close monitoring, active judgment and positive guidance". Firstly, we further improved our reputation risk management related regulations and operational procedures in accordance with regulatory requirements. Secondly, we conducted regular self-inspection, investigation and assessment of reputational risks in accordance with the regulatory and reputational risk management requirements of the Group. Thirdly, we 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, prevented in advance and made rectification timely. Fourthly, we carried out special response deployment for important nodes, carried out special monitoring on sensitive public opinions that we were concerned about, and formulated response plans in advance. Fifthly, we vigorously promoted our brand image building in the market and strengthened the communication with domestic and foreign mainstream media. In spreading the operating results to the market, we proactively engaged in providing financial assistance to enterprises, green leasing, national shipbuilding and shared mobility as well as demonstrated our social accountability by volunteering against the "epidemic" and providing financial relief to enterprises. During 2022, our reputational risk management level steadily improved, allowing us to maintain our reputation and establish a positive brand image.

In the first half of 2023, we continued to strengthen our reputational risk management, and actively carried out our reputational risk prevention and control and brand image building in "close monitoring, active judgment, positive guidance". Firstly, we conducted regular self-inspection and investigation of reputational risks and reputational risk assessment in accordance with regulatory requirements and reputational risk management requirements of the Group. Secondly, we carried out round-the-clock monitoring of public sentiment in major media through professional institutions, adjusted the scope of public sentiment monitoring in a dynamic manner as required, strengthened early warning, and took precautionary measures in advance, and corrected errors in a timely manner. Thirdly, we carried out specific response and deployment for important junctures and important issues by conducting special monitoring for sensitive public opinions concerned by the Group, and formulated response plans in advance. Fourthly, we vigorously promoted the brand image building of the Group in the market, strengthened the communication with domestic and foreign mainstream media and actively voiced. In spreading the operating situation to the market, we proactively demonstrated its beneficial acts such as focusing on main commitment and principal businesses, providing financial assistance to enterprises, green leasing, green financing, shared mobility and environmental, social, and governance (ESG) practices, thereby demonstrating the Group's good brand image. No major reputational risk events of the Group had been identified in the first half of 2023.

INFORMATION TECHNOLOGY

Our information technology (IT) systems are integral to many aspects of our business operations and perform a crucial function in creating and maintaining scalable, cost-effective and sustainable operating models for our business. We have built, and continue to enhance, our IT systems in order to create competitive advantages for our organisation, and to achieve and maintain optimum levels of operational efficiency as well as risk and financial management capabilities. The major functions of our IT systems include screening of potential projects and lessees, post-lease management, asset management, data management and risk and financial management.

We have the following principal IT systems and platforms for our business operations, risk controls and management purposes:

- *Full life cycle leasing business management system.* We began to develop this proprietary system in 2011 and have been continually developing new modules and enhancing its capabilities. The full life cycle system covers all of our leasing projects except for our Aircraft Leasing and Inclusive Finance businesses. The system helps us to efficiently manage the key information of our leasing business, including customers, leased assets, projects, contracts, counterparties, and lease payments, among others. In addition, the system standardises our business review and approval process.

- *Various systems for our aircraft leasing platform.* We use the Contracts Management System (CMS) LeasePoint (previously "ICMS") provided by AMT-Sybex to manage our lease contracts and it is integral to our customer invoicing and management of maintenance reserves. We also use other systems to enhance the operational effectiveness of our business. These include system implementations of (i) Treasury Management System (TMS) using an Azure cloud-based system; (ii) General Ledger system using Microsoft Dynamics Business Central hosted in Azure; (iii) Customer Relationship Management and deal process using Dynamics CRM (CRM), which is linked to our Microsoft 365 Tenancy; (iv) Human resources system using Dynamics Human Resources Management System (HRMS); and (v) Document Management System (DMS) using SharePoint which is linked not only to our Microsoft 365 Tenancy but also to CRM and HRMS.

- *Inclusive business management system.* This system allows us to record and manage the information of our customers, assets, projects, contracts and lease payments, among others, for our Inclusive Finance business. The system helps us to streamline our operations and digitise the review and approval process of our Inclusive Finance business.

Our advanced IT infrastructure is vital for us to properly manage all categories of risks based on an enterprise-wide approach. We monitor our various leasing activities in each business segment on a real-time basis, and monitor post-lease transactions and risk control indicators to manage our risks. For example, we have connected our IT system to the enterprise credit reporting system of the PBOC, which has substantially enhanced our risk management capabilities. In addition, we have developed an asset classification module for our full life cycle leasing business management system, which automates and enhances the efficiency of our asset classification.

We devote substantial resources each year to optimising and upgrading our IT systems, and in particular, the integration of our full life cycle leasing business management system, systems for our aircraft leasing platform and our vehicle and construction machinery leasing management systems, to provide secure and stable technology services and to support our growing business operations.

In addition to relying on regular full-time employees, our IT department also supplements its manpower needs from time to time by outsourcing certain services to external vendors to support the Group's technical development as well as operations and maintenance requirements.

MAJOR CUSTOMERS AND SUPPLIERS

We serve a diverse set of customers across a spectrum of sectors and compete favourably against other leasing companies. Our customer base mainly comprises commercial airlines, companies that operate transportation, urban and energy infrastructure and are owned, controlled or otherwise associated with PRC governments, ship operators, traders, cargo owners, manufacturers and dealers of vehicles and construction machinery and SMEs.

INSURANCE

Our aircraft lessees are required to carry overall insurance for our aircraft, including Hull all risk and Hull war risk in respect of loss or damage while flying and on the ground, and liability insurance covering third party legal liability, bodily injury and property damage and so on. Our lessees' insurances are usually carried by well-known international aviation brokers. In addition to the coverage maintained by our lessees, it is our practice to maintain contingent and possessed insurance for backup.

Lessees of our Ship Leasing business are required to carry insurance that is customary in the vessel transportation industry, including hull and machinery insurance, war risks insurance and protection and indemnity insurance.

For our finance leases, we generally maintain the insurance for leased assets to cover any loss or damage to such assets during the lease period, with the insured amount generally greater than the amount of financing. The insurance premiums are generally paid in accordance with the terms of the finance lease where our customers bear the insurance premium, with us or a third party designated by us, usually the finance provider, as the insurance beneficiary.

We believe that we have maintained such insurance coverage as we consider necessary and sufficient for our operations and customary for the industries in which we operate. Moreover, our policies are subject to standard deductibles, exclusions and limitations.

Our insurance policies are generally underwritten by reputable insurance providers and we review our insurance policies annually.

EMPLOYEES

We believe that our professional workforce is the foundation of our long-term growth. As at 30 June 2023, we had 547 full-time employees. We are committed to recruiting, training and retaining skilled and experienced employees throughout our operations. We intend to achieve this by offering competitive remuneration packages as well as by focusing on training and career development. In accordance with the relevant PRC laws and regulations, we contribute to social welfare insurance for our full-time employees in the PRC, including basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance.

Most of our employees are members of our labour union. Our labour union safeguards the rights and interests of the employees and coordinates closely with management with respect to human resources matters. Our operations have never been affected by any strike or significant labour dispute. We believe that our relationship with the labour union and the employees is good.

LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings, claims or disputes in the ordinary course of our business. As at the date of this Offering Circular, there is no litigation, arbitration or claim pending or threatened against us which could be expected to have a material adverse effect on our business, financial condition and results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The board of directors of the Company (the "**Board**") currently consists of seven directors, including two executive directors, two non-executive directors and three independent non-executive directors. The Board is the decision-maker of the Company and is responsible to the shareholders' general meeting.

The following table sets forth certain information with respect to the Board as at the date of this Offering Circular(1):

Name	Age	Position
Ms. Ma Hong (馬紅)	55	Chairman of the Board, Executive Director
Mr. Huang Min (黃敏)	39	Vice President, Executive Director
Mr. Li Yingbao (李英寶)	59	Non-executive Director
Mr. Yang Guifang (楊貴芳)	44	Non-executive Director
Mr. Xu Jin (徐進)	64	Independent Non-executive Director
Mr. Li Haijian (李海艦)	59	Independent Non-executive Director
Mr. Liu Ming (劉民)	53	Independent Non-executive Director

Executive Directors

Ms. Ma Hong (馬紅), aged 55, is a senior engineer and joined the Company in May 2021 and is currently the chairman and an executive director of the Company. Ms. Ma Hong joined CDB in March 1994 and successively served as a clerk, deputy division head and division head. She successively served as the deputy head of the planning bureau and vice president of the Beijing Branch of CDB from 2010 to 2017, and successively served as the president of the Shanxi Branch and president of the Beijing Branch of CDB from May 2017 to May 2021. She has served as the chairman and an executive director of the Company since November 2021.

Ms. Ma Hong graduated from the Department of Polymers of Beijing Institute of Chemical Technology (北京化工學院) (currently known as Beijing University of Chemical Technology (北京化工大學)) in July 1990, majoring in polymer chemicals, and obtained a bachelor's degree in engineering.

Mr. Huang Min (黃敏), aged 39, joined the Company in March 2015. He is currently an executive director and a vice president of the Company. He served as the head of the human resources department at Hainan Airlines Co., Ltd. (海南航空股份有限公司) from July 2004 to October 2005 and worked at the

(1) On the EGM held by the Company on 25 September 2023, Mr. Jin Tao have been appointed as an executive director of the third session of the Board, Mr. Wang Guiguo has been appointed as an independent non-executive director of the third session of the Board and Mr. Zhang Xu has been appointed as a non-executive director (employee representative director) of the third session of the Board. The term of Mr. Jin Tao, Mr. Wang Guiguo and Mr. Zhang Xu will take effect from the date of the approval from the Shenzhen branch of the NAFR until the date of expiry of the term of the third session of the Board of Directors. Prior to the approval of Director's qualifications of Mr. Jin Tao, Mr. Wang Guiguo and Mr. Zhang Xu by the Shenzhen branch of the NAFR, Mr. Huang Min and Mr. Xu Jin, the directors of the second session of the Board, will continue to perform the duties as Directors prudently in accordance with the requirements of the laws, administrative regulations, normative documents and the Articles of Association. See "*Description of the Group – Recent Developments – Appointments of Members of the Third Session of the Board and the Board of Supervisors*".

On 31 October 2023, Mr. Li Yingbao resigned as a non-executive director of the Company as he has reached the retirement age, and Mr. Yang Guifang resigned as a non-executive director of the Company due to change of work arrangements. Pursuant to the requirements of the Articles of Association, the resignations of Mr. Li Yingbao and Mr. Yang Guifang became effective on 31 October 2023. On the same date, Mr. Zhang Kesheng (張克升) and Mr. Liu Xipu (劉希普) were nominated by the Board as the non-executive director candidates of the Company. The appointment of Mr. Zhang Kesheng and Mr. Liu Xipu is subject to the approval at the general meeting of the Company and the approval of the Shenzhen branch of the NAFR. In order to ensure the normal operation of the Board, prior to the formal appointments of the newly elected directors, the original directors will continue to conscientiously perform their duties in accordance with the requirements of the laws, administrative regulations, regulatory documents and the Articles of Association. See "*Description of the Group – Recent Developments – Resignations of Non-Executive Directors and Nomination of Non-Executive Director Candidates*".

comprehensive management department of China Xinhua Airlines (新華航空) from October 2005 to April 2006. He served as the head of the comprehensive management department in Chang Jiang Leasing Co., Ltd. (長江租賃有限公司) from May 2006 to July 2009, and was the general manager of the comprehensive management department and the general manager of the fourth business department in Tianjin Bohai Leasing Co., Ltd. (天津渤海租賃股份有限公司) from July 2009 to December 2012. He held several positions in Wanjiang Financial Leasing Co., Ltd. (皖江金融租賃有限公司) successively from December 2012 to March 2015, including the secretary to the board of directors, the general manager of the strategy and innovation department and general aviation department, and an assistant to the president of the company. Mr. Huang Min has served as a vice president and an executive director of the Company since September 2015, the secretary to the Board of the Company from January 2016 to October 2019, and the chairman of the second labour union committee of the Company since February 2021.

Mr. Huang Min graduated from Renmin University of China (中國人民大學) in Beijing, the PRC, majoring in international politics, and obtained a bachelor's degree in laws in July 2004. He graduated from the School of Economics and Management of Tsinghua University (清華大學) in Beijing, the PRC, and obtained a master's degree in business administration in June 2016.

Non-executive Directors

Mr. Li Yingbao (李英寶), aged 59, joined the Company in September 2015. He is currently a non-executive director of the Company, as well as a senior expert of the first industry bureau of CDB. Mr. Li Yingbao served as an engineer of the transportation project department in China International Engineering Consulting Corporation from August 1991 to February 1998, and held several positions in CDB successively from February 1998 to March 2017, including a clerk at section level of the transportation environmental assessment bureau, a clerk at section level and the head of division of the second assessment bureau, and the deputy head, head of division and senior appraisal manager of the first assessment bureau. Mr. Li Yingbao has served as a senior expert of the first industry bureau of CDB since April 2017, and a non-executive director of the Company since September 2015.

Mr. Li Yingbao graduated from Xi'an College of Highway (西安公路學院) in Xi'an, Shaanxi Province, the PRC, majoring in highways and urban roads, and obtained a bachelor's degree in engineering in July 1985. He then graduated from Xi'an College of Highway in Xi'an, Shaanxi Province, the PRC, majoring in highways and urban roads, and obtained a master's degree in engineering in April 1991. Mr. Li Yingbao obtained the qualification of senior engineer issued by CDB in November 1998. In May 2004, the research on the "Evaluation Methods of the Civil Airport Construction Project" led and completed by Mr. Li Yingbao was awarded the second prize for Civil Aviation Science and Technology Progress in 2001 by the Civil Aviation Administration of China. In December 2009, the "Feasibility Study Report on the Acquisition of Light Rail Airport Line Project by Capital Airport Holding Company" led and completed by Mr. Li Yingbao was awarded the third prize for National Excellent Engineering Consulting Achievement in 2009 by the China National Association of Engineering Consultants.

Mr. Yang Guifang (楊貴芳), aged 44, has been a non-executive director of the Company since October 2021. Mr. Yang Guifang successively served as the chief accountant of general ledger and statements of China Yangtze Power Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600900)) and the deputy director of the accounting division of the assets and finance department of China Three Gorges Corporation from July 2004 to April 2017, the director of the accounting division of the assets and finance department of China Three Gorges Corporation from April 2017 to March 2020, and the deputy director of the assets and finance department of Three Gorges Corporation from March 2020 to September 2022. He has also concurrently served as the supervisor of Yangtze Ecology and Environment Co., Ltd. from May 2019 to September 2022, and the chief financial officer of Yangtze River Green Development Fund Management Co., Ltd. (長江綠色發展基金管理有限公司) from November 2019 to September 2022. He has served as the chairman of the supervisory board of Hubei Energy Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 000883)) from June 2020 to September 2022. He has served as a director of China State-owned Enterprise Mixed-Ownership Reform Fund Company Limited (中國國有企業混合所有制改革基金有限公司) since December 2020. He has served as a member of the party committee and chief accountant of China Three Gorges New Energy Co., Ltd. since September 2022.

Mr. Yang Guifang graduated from Central University of Finance and Economics (located in Beijing, the PRC) in June 2004, majoring in finance, and obtained a master's degree in economics. He is a senior accountant granted by China Three Gorges Corporation in December 2012.

Independent Non-executive Directors

Mr. Xu Jin (徐進), aged 64, has been an independent non-executive director of the Company since January 2016, and has been a professor of the School of Economics of Shenzhen University (深圳大學) since October 2001. He has been a member of the Academic Committee of the Finance Society of Shenzhen, the Budget and Accounting Research Society of Shenzhen, and the Accounting Society of Shenzhen since July 2013, as well as a specialist of the Advisory Committee for Policy Decision of Shenzhen since January 2016. Mr. Xu Jin was a tutor and lecturer in the finance department of Jilin Institute of Finance and Trade (吉林財貿學院, currently known as the finance department of Changchun Taxation College (長春稅務學院)) from July 1986 to August 1995, and served as an associate professor of the finance department of Changchun Taxation College (長春稅務學院, currently known as the Institute of Taxation of Jilin University of Finance and Economics (吉林財經大學稅務學院)) from July 1998 to October 2001. He has held several positions successively at Shenzhen University since October 2001, including as an associate professor and professor of the School of Economics, the dean of the finance department, the director of the Fiscal and Taxation Research Institute, the head of Taxation Research Centre and the head of Community Finance Research Centre of China Minsheng Bank Shenzhen Branch (民生銀行深圳分行小區金融研究中心). Meanwhile, Mr. Xu Jin served as a visiting professor majoring in finance in Tianjin College of Commerce (天津商學院) from November 2002 to July 2004, and as a standing director of the Shenzhen Certified Tax Agents Association from August 2003 to July 2011. He was a standing director of Shenzhen Local Taxation Research Academy (深圳地方稅收研究會) and Shenzhen International Taxation Research Academy (深圳國際稅收研究會) from November 2007 to September 2011, the vice-chairman of Shenzhen Taxation Institute (深圳稅務學會) since December 2016 and a consultant of Shenzhen Pingshan District Finance Bureau (深圳市坪山區財政局) since July 2018. Mr. Xu Jin served as an external director of Shenzhen Guangming New District Urban Construction & Investment Co., Ltd. (深圳光明新區城投公司) from January 2011 to November 2015, and an independent director of Guangdong Baolilai Investment Co., Ltd. (廣東寶利來投資股份有限公司), currently known as China High-Speed Railway Technology Co., Ltd. (神舟高鐵技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000008), from May 2013 to August 2015.

Mr. Xu Jin graduated from Jilin Institute of Economics and Trade (吉林經貿學院, currently known as Jilin University of Finance and Economics) in Changchun, Jilin Province, the PRC, majoring in finance and obtained a bachelor's degree in economics in July 1986, and graduated from the tutor course of the Central Institute of Finance and Economics (中央財政金融學院, currently known as the Central University of Finance and Economics) in Beijing, the PRC, majoring in finance, and completed his postgraduate course in July 1988. He graduated from Renmin University of China in Beijing, the PRC, majoring in finance, and obtained a doctoral degree in economics in July 1998. Mr. Xu Jin obtained the qualification of professor in December 2004 and was appointed as professor by Shenzhen University at the same time. He obtained the qualification of finance professor from the Personnel Department of Guangdong Province in March 2005.

Mr. Li Haijian (李海艦), aged 59, has been an independent non-executive director of the Company since August 2023. Mr. Li Haijian successively served as an assistant researcher, deputy researcher, researcher, committee member of the Communist Party, assistant to the director and deputy director of the Institute of Industrial Economics of Chinese Academy of Social Sciences (中國社會科學院工業經濟研究所) from June 1987 to January 2020; served as a deputy director of the editorial division, deputy editor-in-chief, vice president, president and executive deputy editor-in-chief of the magazine office of China Industrial Economics (中國工業經濟) from June 1994 to December 2016; served as the director of the Center for Management Sciences and Innovation and Development of Chinese Academy of Social Sciences (中國社會科學院管理科學與創新發展研究中心) from October 2016 to October 2021, the secretary to the Party Committee and deputy director of the Institute of Quantitative and Technological Economics of Chinese Academy of Social Sciences (中國社會科學院數量經濟與技術經濟研究所) since January 2020 till now and the deputy editor-in-chief of the Journal of Quantitative and Technical Economics (數量經濟技術經濟研究) since March 2020 till now. In addition, Mr. Li Haijian served as a senior visiting scholar in University of Illinois, the U.S., from January 1990 to January 1991, concurrently served as an assistant to the director of the management committee of Hebei Anping Economic Development Zone (河北安平經濟開發區) (currently known as Hebei Anping New and High-Tech Industrial Development Zone (河北安

平高新技術產業開發區)) from January 1994 to December 1994. He has concurrently served as a professor and doctoral tutor of the University of Chinese Academy of Social Sciences (Graduate School) (中國社會科學院大學(研究生院)) since June 2002 till now. Mr. Li Haijian concurrently served as the vice president and executive vice president of China Industrial Economics Society (中國工業經濟學會) in October 2015, a committee member of the Communist Party, assistant to the director and deputy director of the Institute of Industrial Economics of Chinese Academy of Social Sciences (中國社會科學院工業經濟研究所) from October 2005 to January 2020, concurrently served as an independent director of Boomsense Technology Co., Ltd. (邦訊技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300312, delisted) from September 2010 to December 2015, concurrently served as the vice president of China Digital Economic Association (中國數字經濟學會) from October 2010 to February 2022.

Mr. Li Haijian graduated from Shandong University (山東大學) and obtained a bachelor's degree in economics in August 1984, and graduated from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) and obtained a master's degree in economics in May 1987. He then graduated from the Graduate School of Chinese Academy of Social Sciences and obtained a doctoral degree in economics in May 1992.

Mr. Liu Ming (劉民), aged 53, has been an independent non-executive director of the Company since August 2023. Mr. Liu Ming served as an assistant professor at the Department of Systems Engineering and Engineering Management of the Chinese University of Hong Kong from August 1996 to August 1999, and a tenured professor at the department of finance of the Chinese University of Hong Kong since August 1999 till now. He served as an associate professor at the University of Missouri Columbia from August 2001 to August 2003, and served as an associate director of Shenzhen Finance Institute, CUHK (SZ) (深圳高等金融研究院(香港中文大學(深圳)高等金融研究院)) from January 2017 to June 2020. He served as an independent director of Sichuan Jinding (Group) Co., Ltd. (四川金頂(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600678) since June 2017 till now, an independent director of Shenzhen Ecobeauty Co., Ltd. (深圳美麗生態股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000010) from January 2019 to December 2021, and concurrently served as an independent director of CR Yuanta Fund Management Co., Ltd. (華潤元大基金管理有限公司) since March 2019.

Mr. Liu Ming obtained a bachelor's degree in engineering management from the University of Science and Technology of China (中國科技大學) in July 1989, a master's degree in statistics from Duke University, the U.S., in June 1995 and a doctoral degree in economics from Duke University, the U.S., in June 1996. Mr. Liu Ming obtained the qualification certificate as independent director from the Shanghai Stock Exchange in April 2017.

SUPERVISORS

The board of supervisors of the Company consists of three members, including an external supervisor and two employee representative supervisors. The board of supervisors is to monitor the performance of duties of the Board and senior management, financial activities, internal control, risk management and operating activities of the Company, express independent opinions to the aforesaid matters, and safeguard the interests of the Company and its shareholders and employees.

The following table sets forth certain information with respect to the Company's supervisors as at the date of this Offering Circular:

Name	Age	Position
Mr. Ma Yongyi (馬永義)	58	External Supervisor
Mr. Wang Yiyun (王一雲)	57	Employee Representative Supervisor
Mr. Wang Bin (王濱)	52	Employee Representative Supervisor

Mr. Ma Yongyi (馬永義), aged 58, has served as an external supervisor of the Company since February 2018. He has been working successively as the director of the distance education centre, the director of the academic department and the director of teacher management committee of Beijing National Accounting Institute (北京國家會計學院) since February 2004, and has been serving as a doctoral tutor of the Executive DBA programme with Paris Dauphine University at the Beijing National Accounting Institute since May 2018. Mr. Ma Yongyi was awarded the title of expert entitled to Government Special Allowance granted by the State Council of the PRC in January 2019. He has been an independent supervisor of Chanjet Information Technology Company Limited (暢捷通信息技術股份有限公司, a company listed on the Hong Kong Stock Exchange, stock code: 01588) since April 2014, and as an independent non-executive director of CIFI Ever Sunshine Services Group Limited (旭輝永升服務集團有限公司, a company listed on the Hong Kong Stock Exchange, stock code: 01995) since November 2018. Mr. Ma Yongyi is also an independent director of Piesat Information Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688066) and Glodon Company Limited (a company listed on the Shenzhen Stock Exchange, stock code: 002410).

Mr. Ma Yongyi obtained a doctorate degree in management from Central University of Finance and Economics in Beijing, the PRC in July 2003. Mr. Ma Yongyi has been recognised as a professor by the Ministry of Finance since October 2009. He has also been a director of the Accounting Society of China (中國會計學會) since March 2014.

Mr. Wang Yiyun (王一雲), aged 57, an economist, has joined the Company since September 1999. He currently serves as an employee representative supervisor and as the director of the discipline committee office of the Company. Mr. Wang Yiyun was a loan officer and the deputy section head of the Hengyang Branch of Agricultural Bank of China (中國農業銀行衡陽市分行) and a senior staff member of the Hengyang Centre Branch of People's Bank of China (中國人民銀行衡陽市中心支行) from July 1986 to September 1999. He served as the senior manager, deputy director, deputy general manager and director assistant of the office, operation and management department and discipline inspection and supervision office of the Company from September 1999 to August 2018. He has been serving as the director of the discipline inspection and supervision office (renamed as the discipline committee office in August 2019) of the Company since August 2018.

Mr. Wang Yiyun graduated from Hunan University of Finance and Economics (湖南財經學院) (currently known as Hunan University (湖南大學)), majoring in finance, and obtained a bachelor's degree in economics in July 1986.

Mr. Wang Bin (王濱), aged 52, a senior economist, has joined the Company since May 2017. He is currently the employee representative supervisor and vice chairman of the full-time union of the Company. From July 1993 to March 1994, Mr. Wang Bin served as a cadre of the capital and financial department of the National Transportation Investment Corporation; from March 1994 to April 2017, he worked in the Transportation Credit Bureau, Northeast Credit Bureau, Finance and Accounting Bureau, business department and Beijing Branch of CDB, where he served as a clerk, deputy head and head; from August 2001 to February 2002, Mr. Wang Bin also worked as an assistant to the general manager of Beijing Capital Highway Development Co., Ltd. (北京市首都公路發展有限責任公司). Mr. Wang Bin joined the Company in May 2017 and served as the general manager of the second business department and the new energy and equipment business department of the Company. He has served as the vice chairman of the full-time labour union of the Company since February 2021.

Mr. Wang Bin graduated from the accounting department of Beijing School of Economics (北京經濟學院) in July 1993, majoring in auditing, and obtained a bachelor's degree.

SENIOR MANAGEMENT

The responsibility of day-to-day management, administration and operation of the Company is delegated to the senior management.

The following table sets forth certain information with respect to the Company's senior management as at the date of this Offering Circular(1):

Name	Ages	Position
Mr. Li Jungang (李駿罡)	56	Vice President
Mr. Liao Yazhong (廖亞忠)	46	Vice President
Mr. Wu Bo (吳渤).	42	Vice President
Mr. Huang Min (黃敏)	39	Executive Director, Vice President
Mr. Shi Yongkun (時永坤).	51	Chief Risk Officer
Ms. Feng Qian (馮倩)	48	Chief Financial Officer
Mr. Liu Yi (劉毅)	47	Secretary to the Board

Mr. Li Jungang (李駿罡), aged 56, joined the Company in March 2015 and has been a vice president of the Company since September 2015. Mr. Li Jungang was a staff member of the Nantong Planning Committee from July 1990 to May 1993. He served as a deputy manager of the import and export department in Shenzhen Qingshuihe Industry Company Limited (深圳清水河實業公司) from May 1993 to January 1994. He served as a deputy general manager of Shenzhen Haoyang Import and Export Company (深圳市豪洋進出口公司) from January 1994 to October 1994. He served as a principal staff member of the investment business department in China Southern Securities Company Limited (中國南方證券有限公司) from November 1994 to October 1996. He served in several positions successively in Shenzhen City Commercial Bank (深圳市商業銀行) from October 1996 to November 2007, including the general manager of the credit and loan department and the general manager of the asset and risk management department of the head office, the president of Tianbei branch thereof, etc. From November 2007 to March 2015, he served as the head of client divisions of Shenzhen Branch of CDB.

Mr. Li Jungang graduated from Hefei University of Technology (合肥工業大學) in Hefei, Anhui Province, the PRC, with a bachelor's degree in engineering in July 1987. He then graduated from Jiangxi College of Finance and Economics in Nanchang, Jiangxi Province, the PRC, with a master's degree in economics in June 1990. He graduated from Xiamen University in Xiamen, Fujian Province, the PRC, with a doctoral degree in economics in June 2008.

Mr. Liao Yazhong (廖亞忠), aged 46, joined the Company in January 2021 and has been a vice president of the Company since May 2021. From July 2001 to January 2021, he worked successively in the legal affairs office, Hong Kong representative office, international finance office, investment business office and the market and investment office of CDB, and served as a staff member, deputy head and head.

Mr. Liao Yazhong graduated from China University of Political Science and Law in Beijing, China with a master's degree in law in July 2001, and from the City University of Hong Kong with a doctoral degree in law in February 2013. He is qualified as a senior economist.

Mr. Wu Bo (吳渤), aged 42, joined the Company in February 2015 and has been a vice president of the Company since September 2023. From July 2003 to February 2015, he worked successively in the Business Department and Human Resources Bureau of CDB, holding various positions including staff member, assistant manager, and deputy section chief. Since February 2015, he has been the general manager of the Human Resources Department and the general manager of the Operations Management Department of the Company. From February 2020 to January 2021, he also concurrently served as the general manager of the Information Management Department of the Company.

(1) On 31 August 2023, Mr. Jin Tao was approved by the Board to be appointed as the president of the Company. Mr. Jin's appointment is subject to the approval of the Shenzhen branch of the NAFR. See "*Description of the Group – Recent Developments – Appointment of President*".

Mr. Wu Bo graduated from the Capital University of Economics and Business (首都經濟貿易大學) in Beijing, the PRC, with a bachelor's degree in management in July 2003. He then graduated from the Capital University of Economics and Business, with a master's degree in economics in June 2011. Mr. Wu Bo is an economist.

Mr. Huang Min (黃敏) has been a vice president of the Company since September 2015. For details of Mr. Huang Min's biography, please refer to "*– Directors – Executive Directors*" above.

Mr. Shi Yongkun (時永坤), aged 51, joined Company in December 1999 and has been the chief risk officer of the Company since November 2018. Mr. Shi Yongkun successively served as an accountant and chief accountant of the financial department and head of the state-owned assets supervision and administration office of Shenzhen Nanfang Pharmaceutical Plant (深圳南方製藥廠) from July 1995 to July 1998; he participated in equity interest and debt restructuring of Shenzhen Leasing Co., Ltd. (深圳租賃有限公司) from July 1998 to December 1999; he successively served as the head of the financial office and the head of the lease and credit department, head of the risk management department, chief financial officer and head and deputy general manager of the risk control office of Shenzhen Leasing Co., Ltd. from December 1999 to January 2008; he served as the general manager of Shenzhen Yigong Industrial Development Co. Ltd. (深圳市益公實業發展有限公司) from January 2008 to May 2010; he has served as the general manager of the lease business third department, general manager of the asset management department, general manager of the asset management first department, general manager of the compliance management department, chief risk officer and general manager of the compliance management department of the Company since May 2010, respectively.

Mr. Shi Yongkun received a bachelor's degree in economics from Jiangxi Institute of Finance and Economics (江西財經學院) in Jiangxi Province, the PRC in July 1995, majoring in accounting, and received a master's degree in economics from Xiamen University (廈門大學) in Fujian Province, the PRC in July 2006, majoring in global management. Mr. Shi Yongkun possesses the qualification of accountant issued by the Ministry of Finance.

Ms. Feng Qian (馮倩), aged 48, joined the Company in July 2018 and has been the chief financial officer of the Company since November 2018. Ms. Feng Qian successively worked in the policy study department and the poverty alleviation department of the agricultural bureau of the Ministry of Finance, the general office of the financial bureau, the second department of foreign government loans and the fourth finance department from August 1997 to July 2007; she successively served as the head of the foreign debts office, head of the investment management office, head of the bond management office, and head of the customers and business office of CDB from July 2007 to July 2018.

Ms. Feng Qian received a bachelor's degree in economics from Central University of Finance and Economics in Beijing, the PRC in August 1997, majoring in monetary and banking, and received a master's degree in science in the University of Manchester (曼徹斯特大學) in the UK in September 2002, majoring in economics. Ms. Feng Qian possesses the qualification of economist issued by the Ministry of Human Resources and Social Security of the People's Republic of China and Certified Management Accountant (CMA) issued by the Institute of Management Accountants (IMA) of the United States.

Mr. Liu Yi (劉毅), aged 47, a senior engineer with a master's degree, joined the Company in July 2019 and has been the secretary to the Board of the Company since October 2019 and the joint secretary of the Company since August 2020. Mr. Liu Yi successively worked at AVIC Economics & Technology Research Establishment, AviChina Industry & Technology Company Limited and the general office of Aviation Industry Corporation of China, Ltd. and served as the engineer, senior manager and special-ranked manager from June 2000 to July 2010, the head of the investment management division of the strategy and capital department of Aviation Industry Corporation of China, Ltd. from August 2010 to July 2014, as well as the deputy general manager of AVIC International Capital Co., Ltd from July 2014 to June 2019.

Mr. Liu Yi received a master's degree from the school of economics of Minzu University of China in June 2000.

FORM OF PRICING SUPPLEMENT FOR THE NOTES

The Pricing Supplement in respect of a Tranche of the Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

[This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the **Professional Investors**) only.

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

Notice to Hong Kong investors: [The Issuer]/[Each of the Issuer, the Guarantor and the Keepwell Provider] confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, [the Issuer]/[each of the Issuer, the Guarantor and the Keepwell Provider] confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

This document (read together with the Offering Circular dated 21 November 2023 [and the supplemental Offering Circular dated [●]]) includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer[, the Guarantor and the Keepwell Provider] and the Group. The Issuer[, the Guarantor and the Keepwell Provider] accept[(s)] full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.][1]

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS –** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.][2]

[1] Include if the Notes are to be listed on the Hong Kong Stock Exchange.

[2] Include if Item 38 (Prohibition of Sales to EEA Retail Investors) is stated to be applicable.

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS –** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (**FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][3]

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][4]

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.][5]

[**UK MIFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][6]

---

3 Include if Item 39 (Prohibition of Sales to UK Retail Investors) is stated to be applicable.

4 Legend for issuances involving one or more MiFID II Firm manufacturers.

5 Legend for issuances where there is a sole manager that is a MiFID II Firm manufacturer (i.e. no syndicate) (and assuming that none of the Issuer, the Guarantor or the Keepwell Provider, as the case may be, is a MiFID II regulated entity).

6 Legend for issuances involving one or more UK MiFIR Firm manufacturers.

[**UK MIFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.][7]

[**Notification under Section 309B(1)(c) of the [Securities and Futures Act 2001 of Singapore (the SFA)**] – [To insert notice if classification of the Notes is not "prescribed capital markets products", pursuant to Section 309B of the SFA or Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)].][8]

Pricing Supplement dated [●]

[CDBL FUNDING 2]/[CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.
(國銀金融租賃股份有限公司)
(a joint stock limited company incorporated in the People's Republic of China)]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the Notes)

under the U.S.$10,000,000,000 Medium Term Note Programme (the Programme)

[unconditionally and irrevocably guaranteed by
CDB LEASING (INTERNATIONAL) COMPANY LIMITED
國銀租賃(國際)有限公司

with the benefit of a Keepwell and Asset Purchase Deed provided by
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.
(國銀金融租賃股份有限公司)
(a joint stock limited company incorporated in the People's Republic of China)]

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 21 November 2023 [and the Supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the [Issuer, the Guarantor, the Company]/[Company] and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement[, /and the Offering Circular [and the Supplemental Offering Circular].

7 Legend for issuances where there is a sole manager that is a UK MiFIR Firm manufacturer (i.e. no syndicate) (and assuming none of the Issuer, the Guarantor or the Keepwell Provider, as the case may be, is a UK MiFIR regulated entity).

8 Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA. If there is a change as to product classification for the relevant drawdown, from the upfront classification embedded in the programme documentation, then the legend is to be completed and used (if no change as to product classification, then the legend may be deleted in its entirety).

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

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

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

1.	Issuer:		[CDBL Funding 2]/[China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司)]
2.	[Guarantor:		[CDB LEASING (INTERNATIONAL) COMPANY LIMITED 國銀租賃(國際)有限公司]
3.	[Keepwell Provider:		China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) (a joint stock limited company incorporated in the People's Republic of China)]
4.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date/the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [28] below [which is expected to occur on or about [insert date]]].]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).		
5.	Specified Currency or Currencies:		[●]
6.	Aggregate Nominal Amount:		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
7.	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
	(ii)	[Net Proceeds:	[●] (*Required only for listed issues*)]

8.	(i)	Specified Denominations:[9, 10]	[●] [*N.B. Notes must have a minimum denomination of €100,000 (or equivalent)*]
	(ii)	Calculation Amount (in relation to calculation of interest in global form, see Conditions):	[●] *The applicable Calculation Amount will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Notes or (ii) if there are several Specified Denominations or the circumstances referred to in Footnote 16 below apply, the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations).*
9.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify/Issue Date/Not Applicable*]
10.	Maturity Date:		*[(for Fixed Rate Notes) Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*[11]
11.	Interest Basis:		[[●] per cent. Fixed Rate] [[Specify reference rate] +/– [●] per cent. Floating Rate] [Zero Coupon] [Index-Linked Interest] [Dual Currency Interest] [Other (Specify)] (further particulars specified below)

9 Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

10 If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000.

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

12.	Redemption/Payment Basis:	[Redemption at par] [Index-Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [*Other (Specify)*]
13.	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basi*s]
14.	Put/Call Options:	[Put Option] [Call Option] [(further particulars specified below)]
15.	(i) Status of the Notes:	[Senior]
	(ii) Date of [Board] approval for issuance of Notes obtained:	[●]
	(iii) Date of regulatory approval for issuance of Notes obtained:	[Pre-Issuance NDRC Registration Certificate dated [●]/name and date of the NDRC Quota Letter]
16.	Listing:	[The Stock Exchange of Hong Kong Limited/Other (specify)/None]
17.	Method of distribution:	[*Syndicated/Non-syndicated*]
18.	Private Bank Rebate/Commission:	[*To be included if a PB rebate is paid:* In addition, the Issuer agreed with the Joint Lead Managers that the Issuer will pay a commission to certain private banks in connection with the distribution of the Notes to their clients. This commission will be based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement.]/[Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

19.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Rate(s) of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]

(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of **Business Day**]/not adjusted]
(iii)	Fixed Coupon Amount(s):	[●] per Calculation Amount[12]
(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
(v)	Day Count Fraction:	[30/360 / Actual/Actual/ Actual/Actual-ICMA or Actual/365 (Fixed)[13] / Actual/365 (Sterling) / Actual/360 / 30E/360 / 30E/360 (ISDA) / other]
(vi)	[Determination Dates:	[●] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.)* *N.B. only relevant where Day Count Fraction is Actual/Actual-ICMA*]
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]

20. **Floating Rate Note Provisions** — [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(i)	Interest Period(s):	[●][[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(ii)	Specified Interest Payment Dates:	[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(iii)	Interest Period Date:	[Not Applicable] / [●] [in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]

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

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

(iv)	First Interest Payment Date:	[●]
(v)	Business Day Convention:	[Floating Rate Business Day Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention/other (give details)] [Not Applicable]
(vi)	Business Centre(s):	[●]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[●]
(ix)	Screen Rate Determination:	
	• Reference Rate:	[●]
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[●]
(x)	Screen Rate Determination (Condition 5(b)(iii)(B)):	
	• Reference Rate:	SOFR Benchmark – [Simple SOFR Average/Compounded SOFR Average/SOFR Compounded Index]
	• Compounded SOFR Average Method:	[Not Applicable/SOFR Observation Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout – *used for Compounded SOFR Average only*]
	• SOFR $Index_{Start}$:	Not Applicable]/[[●] U.S. Government Securities Business Days – *used for SOFR Compounded Index only*
	• SOFR $Index_{End}$:	Not Applicable]/[[●] U.S. Government Securities Business Days – *used for SOFR Compounded Index only*

	• Interest Determination Date(s):	[The [●] U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period – *only applicable in the case of Simple SOFR Average/SOFR Observation Lag/SOFR Observation Shift/SOFR Lockout/SOFR Compounded Index*] [The Interest Period Date at the end of each Interest Period, provided that the Interest Determination Date with respect to the final Interest Accrual Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date – *only applicable in the case of SOFR Payment Delay*]
	• Lookback Days:	[[●] U.S. Government Securities Business Days – *used for SOFR Lag only*]/[Not Applicable]
	• SOFR Observation Shift Days:	[[●] U.S. Government Securities Business Days – *used for the SOFR Observation Shift or SOFR Compounded Index only*]/[Not Applicable]
	• SOFR Rate Cut-Off Date:	[The date falling [●] Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the date fixed for redemption, as applicable – *used for only Simple SOFR Average (if applicable), Compounded SOFR Average – SOFR Payment Delay or SOFR Lockout only*]/[Not Applicable]
	• Interest Payment Delay Days:	[●] Business Days – *used for SOFR Payment Delay only*]/[Not Applicable]
	• SOFR Index Unavailable:	[Not Applicable/Compounded SOFR formula]
	• Observation Shift Days:	[[●] U.S. Government Securities Business Days – *used for SOFR Index Unavailable only*]/[Not Applicable]
(xi)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
	• ISDA Definitions:	[2000/2006/specify other]
(xii)	Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(xiii)	Margin(s):	[+/-][●] per cent. per annum
(xiv)	Minimum Rate of Interest:	[●] per cent. per annum
(xv)	Maximum Rate of Interest:	[●] per cent. per annum

(xvi)	[Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365] [*specify other*]]
(xvii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
21.	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(i)	Amortisation Yield:	[●] per cent. per annum
(ii)	Day Count Fraction:	[●]
(iii)	Any other formula/basis of determining amount payable:	[●]
22.	**Index-Linked Interest Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(i)	Index/Formula/other variable:	[give or annex details]
(ii)	Calculation Agent:	[●]
(iii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[●]
(iv)	Determination Date(s):	[●]
(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	[●]
(vi)	Interest Period(s):	[●]
(vii)	Specified Interest Payment Dates:	[●]
(viii)	Business Day Convention:	[Floating Rate Business Day Convention / Following Business Day Convention/Modified Following Business Day Convention / Preceding Business Day Convention/other (*give details*)]
(ix)	Business Centre(s):	[●]

	(x) Minimum Rate/Amount of Interest:	[●] per cent. per annum
	(xi) Maximum Rate/Amount of Interest:	[●] per cent. per annum
	(xii) Day Count Fraction:	[●]
23.	**Dual Currency Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Rate of Exchange/method of calculating Rate of Exchange:	*[give details]*
	(ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation Agent):	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

24.	**Call Option**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount] [*specify other*]
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount	[●] per Calculation Amount
	(iv) Notice period:	[●][14]

[14] If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent.

25.	**Put Option**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Notice period:	[●][15]
26.	**Final Redemption Amount of each Note**	[●] per Calculation Amount
27.	**Early Redemption Amount**	[●]/[Not Applicable]
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption (other than on redemption for Change of Control) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	

GENERAL PROVISIONS APPLICABLE TO THE NOTES

28.	**Form of Notes**	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice][16] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Registered Notes: Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]

15 If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent.

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

29.	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/give details. *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which subparagraphs 20(vi) and 22(x) relate*]
30.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]
31.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/give details]
32.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/give details]
33.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
34.	Consolidation provisions:	The provisions [in Condition 15 (*Further Issues*)] [annexed to this Pricing Supplement] apply]
35.	Other terms or special conditions:	[Not Applicable/give details]

DISTRIBUTION

36.	(i)	If syndicated, names of Managers:	[Not Applicable/give names]
	(ii)	If syndicated, date of the Subscription Agreement:	[●]
	(iii)	Stabilisation Manager(s) (if any):	[Not Applicable/give names]
	(iv)	If non-syndicated, name and address of Dealer:	[Not Applicable/give name and address]
37.		U.S. Selling Restrictions:	Reg. S Category [1/2]; *(In the case of Bearer Notes)* – [TEFRA C/TEFRA D/TEFRA Not Applicable] *(In the case of Registered Notes)* – TEFRA Not Applicable

38.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document (which is required by Regulation (EU) No 1286/2014 for offering or selling the Notes or otherwise making them available to retail investors in the EEA) will be prepared, "Applicable" should be specified.*)
39.	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*
40.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

41.	ISIN Code:	[●]
42.	Common Code:	[●]
43.	Legal Entity Identifier:	549300VM1W749R7UDT24 (in respect of CDBL Funding 2) / 3003001Y2JXAVQAIZ618 (in respect of China Development Bank Financial Leasing Co., Ltd.)
44.	Other relevant codes:	[CMU Instrument Number: [●] / [●]]
45.	Any clearing system(s) other than Euroclear, Clearstream and the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
46.	Delivery:	Delivery [against/free of] payment
47.	Additional Paying Agent(s) (if any):	[●]

GENERAL

48.	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/U.S.$[●]]
49.	Use of proceeds (if different from the use of proceeds set out in the Offering Circular):	[●]
50.	Ratings:	[Not Applicable / [●]]

51. Rebates	[A rebate of [●] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]
52. Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide]/[Not Applicable]
53. Marketing and Investor Targeting Strategy:	[If different from programme OC]

[STABILISATION

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

[**PURPOSE OF PRICING SUPPLEMENT**

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Notes described herein pursuant to the U.S.$10,000,000,000 Medium Term Note Programme.]

[**MATERIAL ADVERSE CHANGE STATEMENT**

[There has been no significant change in the financial or trading position of the [Issuer, the Guarantor, the Company]/[China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司)] or of the Group since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer, the Guarantor or of the Group since [*insert date of last published annual accounts*].]

RESPONSIBILITY

[The Issuer and the Guarantor]/[China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司)] accept[s] responsibility for the information contained in this Pricing Supplement.

[Signed on behalf of

CDBL FUNDING 2

By: ______________________________
Duly authorised

Signed on behalf of

CDB LEASING (INTERNATIONAL) COMPANY LIMITED 國銀租賃(國際)有限公司

By: ______________________________
Duly authorised]

OR

[Signed on behalf of

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD. (國銀金融租賃股份有限公司)

By: ______________________________
Duly authorised]

TERMS AND CONDITIONS OF THE NOTES

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

The Notes are either issued by CDBL Funding 2 (the "**KW Note Issuer**") (the "**KW Notes**") or issued by China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) (the "**Company**") (the "**Direct Issuance Notes**", the KW Notes or the Direct Issuance Notes, as the case may be, the "**Notes**"). The KW Notes are guaranteed (the "**Guarantee**") by CDB Leasing (International) Company Limited 國銀租賃(國際)有限公司 (the "**Guarantor**") and with the benefit of a keepwell and asset purchase deed dated on or about 19 July 2017 (as amended, restated or supplemented from time to time, the "**Keepwell and Asset Purchase Deed**") entered into by the KW Note Issuer, the Guarantor, the Company (in its capacity of assisting each of the KW Note Issuer and the Guarantor in meeting their obligations under the KW Notes, the Coupons in relation to the KW Notes, the Guarantee and the Trust Deed) and the Trustee (as defined below).

The Notes are constituted by an amended and restated trust deed dated 21 November 2023 (as further amended, restated or supplemented from time to time, the "**Trust Deed**") between the KW Note Issuer, the Guarantor, the Company and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). An amended and restated agency agreement dated 30 June 2022 (as further amended, restated or supplemented from time to time, the "**Agency Agreement**") has been entered into in relation to the Notes between the KW Note Issuer, the Guarantor, the Company, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as principal paying agent and as lodging agent for Notes to be held in the Central Moneymarkets Unit Service (the "**CMU**") operated by the Hong Kong Monetary Authority and the other parties named in it. The principal paying agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Principal Paying Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Principal Paying Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**" (collectively, the "**Agent(s)**"). For the purposes of these Conditions, all references to the Principal Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below.

Copies of the Trust Deed, the Agency Agreement and the Keepwell and Asset Purchase Deed are (i) available to Noteholders upon prior written request and satisfactory proof of holding between 9:00 a.m. and 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays) from the registered office for the time being of the Principal Paying Agent (presently at Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong) and at the specified offices of the other Paying Agents, or (ii) available to Noteholders electronically via email by the Trustee.

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

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which: (a) are expressed to be consolidated and form a single series; and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") as specified in the relevant Pricing Supplement in each case in the Specified Currency and in the Specified Denomination(s) specified in the relevant Pricing Supplement.

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

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

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

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

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

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

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

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

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

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

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

(f) **Closed Periods**: No Noteholder may require the transfer of a Registered Note to be registered: (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note; (ii) during the period of 15 days prior to any date on which Notes are being called for redemption in part by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) at its option pursuant to Condition 6(d); (iii) after any such Note has been called for redemption where not all the Notes are being called for redemption; or (iv) during the period of seven days ending on (and including) any Record Date.

3. STATUS AND GUARANTEE

(a) **Status of the Notes**: The Notes, the Receipts and the Coupons relating to them constitute direct, general, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) under the relevant Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes), present and future.

(b) **Guarantee**: The Guarantor has, in respect of a Tranche of KW Notes, pursuant to the Trust Deed unconditionally and irrevocably guaranteed (the "**Guarantee**") the due and punctual payment of all sums from time to time payable by the KW Note Issuer under the Trust Deed, the KW Notes, the Receipts and the Coupons. The Guarantee constitutes direct, general, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future (subject to Condition 4(a)) unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

4. NEGATIVE PLEDGE AND OTHER COVENANTS

(a) **Negative Pledge**:

So long as any of the Notes or the Coupons in respect thereof remain outstanding (as defined in the Trust Deed):

(i) in case of a Tranche of KW Notes or the Coupons in respect thereof, neither the KW Note Issuer, the Guarantor, nor the Company will, and the Company will ensure that none of its Principal Subsidiaries will; or

(ii) in case of a Tranche of Direct Issuance Notes or the Coupons in respect thereof, the Company will not, and the Company will ensure that none of its Principal Subsidiaries will,

create or permit to subsist any Security Interest on any of its present or future assets or revenues to secure the repayment of, or any guarantee or indemnity in respect of, any Public External Indebtedness unless the relevant Notes are secured by such Security Interest *pari passu* with such other Public External Indebtedness.

This provision, however, will not apply to any: (i) security interest on any property or asset existing at the time of acquisition of such property or asset or to secure the payment of all or any part of the purchase price or construction cost thereof or to secure any indebtedness incurred prior to, or at the time of, such acquisition or the completion of construction of such property or asset for the purpose of financing all or any part of the purchase price or construction cost thereof; (ii) lien arising by operation of law; (iii) any Limited Recourse Indebtedness; or (iv) any security interest on any property or asset of the Company, the Guarantor or any Principal Subsidiary of the Guarantor or the Company which is created pursuant to any securitisation, repackaging or like arrangement in accordance with normal market practice. Notwithstanding anything to the contrary, any amounts owed in relation to a National Export Credit Agency Guaranteed Capital Markets Instrument shall not be construed to be "**Public External Indebtedness**" notwithstanding that such amounts are guaranteed directly or indirectly by the KW Note Issuer, the Guarantor, the Company or a Principal Subsidiary.

(b) **Information Report and Continuing Obligations to NDRC**:

Where the Administrative Measures for Examination and Registration of Medium- and Long-term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC and effective as of 10 February 2023, as supplemented by the relevant document issued by the NDRC in relation to the foreign debt quota available to the Company (where applicable) and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time (the "**NDRC Administrative Measures**") apply, for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with these Conditions, the Company undertakes to:

(i) file or cause to be filed with the NDRC the requisite information and documents relating to the completion of an issue of the relevant Series or Tranche of Notes (the "**NDRC Post-issue Filing**") within 10 Registration Business Days after the relevant Issue Date in accordance with the NDRC Administrative Measures;

(ii) comply with other applicable requirements relating to the relevant Series or Tranche of Notes under the NDRC Administrative Measures (the "**Continuing Obligations**"); and

(iii) within ten Registration Business Days after the submission of such NDRC Post-issue Filing set out in Condition 4(b)(i) above, confirm in writing (including via electronic means) to the Trustee that it has filed or caused to be filed with NDRC the NDRC Post-issue Filing.

The Trustee and the Agents shall have no obligation to monitor and ensure the completion of the NDRC Post-issue Filing on or before the deadline referred to above or the compliance with the Continuing Obligations on or before the relevant deadline or to verify the accuracy, validity and/or genuineness of any certificate, confirmation, or other documents in relation to or in connection with the NDRC Post-issue Filing or the Continuing Obligations, or to give notice to the Noteholders confirming the completion of the NDRC Post-issue Filing or compliance with the Continuing Obligations, and shall not be liable to the Noteholders or any other person for not doing so.

(c) **Undertakings in relation to the Direct Issuance Notes**:

In respect of a Tranche of Direct Issuance Notes, the Company undertakes to use its best endeavours to complete the registration and filing on or before the Registration Deadline (as defined in Condition 6(g)) with SAFE or its local counterpart of the relevant Notes (the "**Foreign Debt Registration**") which application shall be made by the Company in accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) issued by SAFE and which came into effect on 13 May 2013 and any implementation rules, reports, certificates or guidelines as issued by SAFE from time to time and the Notice on Issues Relating to the Macro-prudential Management of Overall Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) promulgated by the People's Bank of China ("**PBOC**") on 11 January 2017 and any implementation rules, reports, certificates or guidelines as issued by the PBOC, which will be made by the Company within the prescribed time period in accordance therewith.

The Trustee shall have no obligation or duty to monitor or ensure the registration with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Foreign Debt Registration, and shall not be liable to the relevant Noteholders or any other person for not doing so.

(d) **Financial Reports**:

(i) The Company has undertaken to the Trustee in the Trust Deed that so long as any Note remains outstanding, it will furnish the Trustee with:

(A) a copy of the Company Audited Financial Reports within 10 days after the same are filed with The Stock Exchange of Hong Kong Limited for each Relevant Period prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("**IFRS**") (audited by an internationally recognised firm of independent accountants of the Company);

(B) a Compliance Certificate of the Company (on which the Trustee may rely as to such compliance) together with the Company Audited Financial Reports referred to in Condition 4(d)(i)(A) and within 14 days of receipt of a written request from the Trustee; and

(C) a copy of the Company Unaudited Financial Information within 10 days after the same are filed with The Stock Exchange of Hong Kong Limited for each Relevant Period prepared on a basis consistent with audited consolidated financial statements of the Company and its Subsidiaries.

(ii) So long as any KW Notes remains outstanding, the Guarantor shall furnish the Trustee with:

(A) a copy of the Guarantor Audited Financial Reports in the English language within 180 days of the end of each Relevant Period prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") (audited by an internationally recognised firm of independent accountants of the Guarantor); and

(B) a copy of the Guarantor Unaudited Financial Information in the English language within 60 days of the end of each Relevant Period prepared on a basis consistent with audited consolidated financial statements of the Guarantor and its Subsidiaries.

(e) **Issuer Activities**:

The KW Note Issuer (in respect of a Tranche of KW Notes) undertakes, *inter alia*, that so long as any KW Note remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed), it will not conduct any business or any activities other than the issue of notes and other debt securities and the lending of the proceeds thereof to any of the Company's Subsidiaries and affiliates located outside the PRC, and any other activities reasonably incidental thereto.

(f) **Obligation to Acquire Assets**:

In respect of a Tranche of KW Notes, in the event of a Triggering Event, the Company has agreed in the Keepwell and Asset Purchase Deed that it shall purchase (either by itself or through a Subsidiary of the Company as designated by it) certain Assets held by the Guarantor and/or any Subsidiary of the Guarantor and/or any other Subsidiary of the Company in the manner as set out in the Keepwell and Asset Purchase Deed in order to assist the KW Note Issuer and the Guarantor under their respective obligations under the KW Notes and the Guarantee.

5. INTEREST AND OTHER CALCULATIONS

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

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes**:

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

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

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

(A) ISDA Determination for Floating Rate Notes

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

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

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

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

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

(B) Screen Rate Determination for Floating Rate Notes (other than Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark)

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined where the Reference Rate is not SOFR Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (in the case of CNH HIBOR) or 9.30 a.m. (Beijing time) (in the case of SHIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

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

(y) if the Relevant Screen Page is not available or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall promptly inform the KW Note Issuer (in respect of each Tranche of KW Notes) or the Company (with respect to a Tranche of Direct Issuance Notes) and the KW Note Issuer (in respect of each Tranche of KW Notes) or the Company (with respect to a Tranche of Direct Issuance Notes) shall use its best endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, or, if the Reference Rate is SHIBOR, the principal Shanghai office of each of the Reference Banks, to provide the Independent Adviser and the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is SHIBOR, at approximately 9.30 a.m. (Beijing time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Independent Adviser and the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is SHIBOR, at approximately 9.30 a.m. (Beijing time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market or, if the Reference Rate is SHIBOR, the Shanghai inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is SHIBOR, at approximately 9.30 a.m. (Beijing time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market or, if the Reference Rate is SHIBOR, the Shanghai inter-bank market, as the case may be, **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(B):

"**Independent Adviser**" means an independent investment bank or financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the KW Note Issuer (in respect of each Tranche of KW Notes) or the Company (with respect to a Tranche of Direct Issuance Notes) at its own expense.

(C) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark

If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest applicable to the Floating Rate Notes for each Interest Accrual Period will, subject as provided below, be equal to the sum of the relevant SOFR Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Simple SOFR Average, Compounded SOFR Average or Compounded SOFR Index(as specified in the relevant Pricing Supplement), as follows (subject in each case to Condition 5(b)(vi) (*Benchmark Replacement (SOFR)*)):

(x) If Simple SOFR Average ("**Simple SOFR Average**") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be the arithmetic mean of the SOFR reference rates for each day during such Interest Accrual Period, as calculated by the Calculation Agent, and where, if applicable and as specified in the relevant Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-off Date shall be used for the days in the relevant Interest Accrual Period from (and including) the SOFR Rate Cut-off Date to (but excluding) the last day of that Interest Accrual Period.

(y) If Compounded SOFR Average ("**Compounded SOFR Average**") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Accrual Period (where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified in the relevant Pricing Supplement to determine Compounded SOFR Average) or SOFR Observation Period (where SOFR Observation Shift is specified as applicable in the relevant Pricing Supplement to determine Compounded SOFR Average).

Compounded SOFR Average shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified in the relevant Pricing Supplement:

(1) SOFR Observation Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-\times USBD}\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"$\mathbf{SOFR_{i\text{-}xUSBD}}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day(i);

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_o**" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(2) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**SOFR Observation Period**" means, in respect of each Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"**d_o**" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**" for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(3) SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards and where:

"**SOFR$_i$**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**Interest Payment Date**" shall be the number of Interest Payment Delay Days following each Interest Period Date; provided that the Interest Payment Date with respect to the final Interest Accrual Period will be the Maturity Date or the relevant date for redemption, as applicable;

"**Interest Payment Delay Days**" means the number of Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d$_o$**" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n$_i$**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded SOFR Average with respect to the final Interest Accrual Period where SOFR Payment Delay is specified in the relevant Pricing Supplement, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-off Date to (but excluding) the Maturity Date or the relevant date for redemption, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-off Date.

(4) SOFR Lockout:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i), except that the SOFR for any U.S. Government Securities Business Day(i) in respect of the period from (and including) the SOFR Rate Cut-off Date to (but excluding) the Interest Period Date for such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-off Date;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_o**" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(C)(x) and 5(b)(iii)(C)(y):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "USDSOFR=" or any successor page or service;

"**SOFR**" means, with respect to any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provisions:

(i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

(ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(vi) shall apply; and

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the day immediately following the relevant U.S. Government Securities Business Day.

(z) If Compounded SOFR Index ("**Compounded SOFR Index**") is specified as applicable in the relevant Pricing Supplement, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards and where:

"**SOFR Index**", with respect to any U.S. Government Securities Business Day, means:

(A) the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time, provided that in the event that the value originally published by the SOFR Administrator on or about 3:00 p.m. (New York time) on any U.S. Government Securities Business Day is subsequently corrected and such corrected value is published by the SOFR Administrator on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the SOFR Index value as of the SOFR Index Determination Time in relation to such U.S. Government Securities Business Day; and

(B) if a SOFR Index value does not appear as specified in (A) above of this definition, then:

(i) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "**Compounded SOFR Index**" shall be the rate determined pursuant to the "SOFR Index Unavailable" provisions in Condition 5(b)(iii)(D); or

(ii) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, then "**Compounded SOFR Index**" shall be the rate determined pursuant to the provisions set forth in Condition 5(b)(vi);

"**SOFR Index$_{\text{End}}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement preceding the Interest Period Date relating to such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

"**SOFR Index$_{\text{Start}}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement prior to the first day of the relevant Interest Accrual Period;

"**SOFR Index Determination Time**" means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period (and in respect of the first Interest Accrual Period, the date falling the number of SOFR Observation Shift Days prior to the Issue Date) to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement; and

"**d_c**" means the number of calendar days in the applicable SOFR Observation Period.

The following defined terms shall have the meanings set out below for the purpose of this Condition 5(b)(iii)(C):

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate;

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source;

"**SOFR Benchmark Replacement Date**" means the Benchmark Replacement Date (as defined in Condition 5(b)(vi)) with respect to the then-current SOFR Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event (as defined in Condition 5(b)(vi)) with respect to the then-current SOFR Benchmark;

"**SOFR Rate Cut-off Date**" has the meaning given in the relevant Pricing Supplement; and

"**U.S. Government Securities Business Day**" or "**USBD**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(D) SOFR Index Unavailable

If a SOFR Index value is not published on the relevant Interest Determination Date and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date has not occurred with respect to SOFR, then the SOFR Index shall be calculated in accordance with the Compounded SOFR formula and the related definitions as set out below in this Condition 5(b)(iii)(D):

"**Compounded SOFR**" means, for the applicable Interest Accrual Period for which the SOFR Index is not available, the rate of return on a daily compounded interest investment during the relevant Observation Period (with the daily SOFR reference rate as the reference rate for the calculation of interest) and calculated by the Calculation Agent in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 per cent. being rounded upwards:

$$\left(\prod_{i=1}\left(1+\frac{\mathrm{SOFR}_i \times \mathrm{n}_i}{360}\right)-1\right)\times\left(\frac{360}{d_c}\right)$$

where:

"$\mathbf{d_c}$" means the number of calendar days in the relevant Observation Period.

"$\mathbf{d_o}$" means the number of U.S. Government Securities Business Days in the relevant Observation Period.

"**i**" means a series of whole numbers from one to d_o, each representing the relevant U.S. Government Securities Business Days in chronological order from (and including) the number of U.S. Government Securities Business Day as specified in the relevant Pricing Supplement in the relevant Observation Period (each a "**U.S. Government Securities Business Day(i)**").

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i) in the relevant Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day(i).

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day(i) in the relevant Observation Period, is equal to SOFR in respect of that U.S. Government Securities Business Day(i).

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "**SOFRRATE**" or any successor page or service.

"**Observation Period**" means, in respect of each Interest Accrual Period, the period from (and including) the date falling a number of U.S. Government Securities Business Days equal to the Observation Shift Days preceding the first date in such Interest Accrual Period to (but excluding) the date falling a number of U.S. Government Securities Business Days equal to the number of Observation Shift Days preceding the Interest Period Date for such Interest Accrual Period.

"**Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement.

"**Reuters Page USDSOFR=**" means the Reuters page designated "**USDSOFR=**" or any successor page or service.

"**SOFR**" means, with respect to any U.S. Government Securities Business Day:

(a) the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Bloomberg Screen SOFRRATE Page, the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Reuters Page USDSOFR=, or the Secured Overnight Financing Rate that appears at the SOFR Determination Time on the SOFR Administrator's Website; or

(b) if the rate specified in (a) above does not appear, the SOFR published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website.

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate.

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source.

"**SOFR Determination Time**" means on or about 3:00 p.m. (New York City time) on the SOFR Administrator's Website on the immediately following U.S. Government Securities Business Day.

"**U.S. Government Securities Business Day**" means any day other than a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iv) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(v) *Benchmark Replacement for Floating Rate Notes (other than Floating Rate Notes where Reference Rate is specified as being SOFR Benchmark)*

In addition, notwithstanding the provisions above in this Condition 5(b), if the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) determines that a Benchmark Event (as defined below) has occurred in relation to the relevant Reference Rate specified in the relevant Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(A) the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined below) to determine, no later than five business days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "**IA Determination Cut-off Date**"), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the relevant Tranche of the Notes;

(B) if the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (having used reasonable endeavours) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (in each case acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(C) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(v)); **provided, however, that** if sub-paragraph (B) applies and the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (in each case acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the relevant Tranche of the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin (as defined below) that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (C) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(v);

(D) if the Independent Adviser, the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser, the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (in each case acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the relevant Tranche of the Notes, and the method for determining the fallback rate in relation to the relevant Tranche of the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as defined below) (as applicable). If the Independent Adviser (in consultation with the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes)), the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (in each case acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser, the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (in each case acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Trustee and the Principal Paying Agent shall, at the direction and expense of the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes), effect such consequential amendments to the Trust Deed, Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(b)(v), provided that the Principal Paying Agent and/or the Trustee shall not be bound by or be obliged to give effect to any such changes required to give effect to this Condition 5(b)(v), if in the opinion of the Principal Paying Agent and/or Trustee, the same would not be operable or would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or the Agency Agreement and/or the Trust Deed and/or any documents in respect to the Notes to which it is a party in any way. Consent from Noteholders of the relevant Tranche of the Notes shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Trustee or the Principal Paying Agent (if required); and

(E) the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Trustee, the Principal Paying Agent and the relevant Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions,

provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the relevant Tranche of the Notes, shall be made in accordance with applicable law.

For the avoidance of doubt, the Principal Paying Agent and/or Trustee shall not be responsible or liable for any determinations, decisions or elections made by the KW Note Issuer (in respect of a Tranche of KW Notes) or its designee or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) or its designee, with respect to any Successor Rate or Alternative Reference Rate (as applicable) or any other changes and shall be entitled to rely conclusively on any notices and/or certifications provided to it in this regard.

For the purposes of this Condition 5(b)(v):

"**Adjustment Spread**" means a spread (which may be positive, or negative or zero) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes)), the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (in each case acting in a reasonable manner) (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes)), the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (in each case acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) In the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes)), the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (in each case acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be); or

(iv) if no such customary market usage or industry standard for over-the-counter derivative transactions is recognised or acknowledged, the Independent Adviser (in consultation with the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes)), the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) in its discretion (as applicable), determines (in each case acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-clause (iv), only of reducing or eliminating any economic prejudice or benefit (as the case may be) to Noteholders;

"**Alternative Reference Rate**" means the rate that the Independent Adviser, the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser, the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (as applicable) determines that there is no such rate, such other rate as the Independent Adviser, the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) (as applicable) determines in its discretion (in each case acting in a reasonable manner) is most comparable to the relevant Reference Rate;

"**Benchmark Event**" means, in respect of a Reference Rate (other than Notes where the Reference Rate is specified as being SOFR Benchmark):

(i) such Reference Rate ceasing be published for a period of at least five Business Days or ceasing to exist;

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

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

(iv) a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or

(v) it has become unlawful for any Paying Agent, Calculation Agent, the KW Note Issuer (in respect of a Tranche of KW Notes), the Company (in respect of a Tranche of Direct Issuance Notes) or other party to calculate any payments due to be made to any Noteholder of a relevant Tranche of the Notes using such Reference Rate;

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) at its own expense;

"**Margin**" has the meaning given in the relevant Pricing Supplement;

"**Reference Rate**" has the meaning given in the relevant Pricing Supplement;

"**Relevant Nominating Body**" means, in respect of a reference rate:

(i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of: (a) the central bank for the currency to which the reference rate relates; (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; (c) a group of the aforementioned central banks or other supervisory authorities; or (d) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means the rate that the Independent Adviser, the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(vi) *Benchmark Replacement (SOFR)*

The following provisions shall apply if Benchmark Event (SOFR) is specified as applicable in the relevant Pricing Supplement:

(A) Benchmark Replacement

If the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(B) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes), effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(b)(vi), provided that the Agents and/or the Trustee shall not be bound by or be obliged to give effect to any such changes required to give effect to this Condition 5(b)(vi), if in the opinion of the Agents and/or Trustee, the same would not be operable or would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or the Agency Agreement and/or the Trust Deed and/or any documents in respect to the Notes to which it is a party in any way. Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Agents shall be responsible or liable for any determinations, decisions or elections made by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(C) Decisions and Determinations

Any determination, decision or election that may be made by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee pursuant to this Condition 5(b)(vi), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection: (i) will be conclusive and binding absent manifest error; (ii) will be made in the sole discretion of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee, as applicable; and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

The following defined terms shall have the meanings set out below for the purpose of Conditions 5(b)(iii)(C) and 5(b)(vi):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the relevant Pricing Supplement; provided that if the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee as of the Benchmark Replacement Date:

(i) the sum of:

(1) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(2) the Benchmark Replacement Adjustment;

(ii) the sum of:

(1) the ISDA Fallback Rate; and

(2) the Benchmark Replacement Adjustment; or

(iii) the sum of:

(1) the alternate reference rate that has been selected by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

(2) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) in the case of sub-paragraphs (i) or (ii) of the definition of "Benchmark Event", the later of:

    (1) the date of the public statement or publication of information referenced therein; and

    (2) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
    (ii)

in the case of sub-paragraph (iii) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) in writing;

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means: (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded SOFR Average is specified in the relevant Pricing Supplement) or SOFR Index Determination Time (where Compounded SOFR Index is specified in the relevant Pricing Supplement); or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

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

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

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

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

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

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

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

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

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

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the KW

Note Issuer and the Company, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

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

"**Business Day**" means:

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

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

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

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

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

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

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

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

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

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

$$\text{Day Count Fraction} = \frac{360 \times (Y_2 - Y_1) + 30 \times (M_2 - M_1) + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

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

$$\text{Day Count Fraction} = \frac{360 \times (Y_2 - Y_1) + 30 \times (M_2 - M_1) + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

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

$$\text{Day Count Fraction} = \frac{360 \times (Y_2 - Y_1) + 30 \times (M_2 - M_1) + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless: (i) that day is the last day of February but not the Maturity Date; or (ii) such number would be 31, in which case D2 will be 30;

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

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

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

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

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

where:

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

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

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

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

"**Interest Amount**" means:

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

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

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

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

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

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

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

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

"**Reference Banks**" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market and, in the case of a determination of SHIBOR, the principal Shanghai office of four major banks in the Shanghai inter-bank market, in each case selected by the Calculation Agent or as specified hereon;

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

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service);

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

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as T2) System or any successor or replacement for that system.

(k) **Calculation Agent**: The KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall (with prior written notification to the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. In respect of any interest determination provisions referencing ISDA Definitions, in the event the Notes, the Conditions, the Agency Agreement and/or the ISDA Definitions require the Calculation Agent to exercise discretion and/or make calculations and/or determinations which in the opinion of the Calculation Agent (acting in good faith and following consultation, to the extent practicable, with the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes)), it is not able to exercise and/or make and/or determine operationally, the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) will exercise such discretion and/or make such calculations and/or determinations, through any party appointed by it or otherwise, by providing instructions to the Calculation Agent.

6. REDEMPTION, PURCHASE AND OPTIONS

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

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

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within Condition 6(a)(i) above, its final Instalment Amount.

(b) **Early Redemption**:

(i) *Zero Coupon Notes*:

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

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

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

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

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

(c) **Redemption for Taxation Reasons**: The Notes may be redeemed at the option of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice (in accordance with Condition 16) to the Noteholders (which notice shall be irrevocable), to the Trustee and the Principal Paying Agent at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) satisfies the Trustee that:

(i) (A) the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (B) such obligation cannot be avoided by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) taking reasonable measures available to it; or

(ii) (A) the Guarantor (in respect of a Tranche of KW Notes) has or (if a demand was made under the Guarantee) would become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 or the Guarantee, as the case may be, as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (B) such obligation cannot be avoided by the Guarantor (in respect of a Tranche of KW Notes) taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the KW Note Issuer (or the Guarantor, as the case may be, in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) would be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall deliver or procure that there is delivered to the Trustee:

(A) a certificate signed by any authorised signatory of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by any authorised signatory of the Guarantor (in respect of a Tranche of KW Notes) stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers or an accounting firm of recognised standing to the effect that the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) or (as the case may be) the Guarantor (in respect of a Tranche of KW Notes) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled, without being liable to any Noteholders, Couponholders or Receiptholders or any other Person, to conclusively rely on such certificate and opinion without investigation and to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the case may be) (ii)(A) and (ii)(B) above, in which event they shall be conclusive and binding on the Noteholders, Couponholders and Receiptholders.

Upon the expiry of any such notice period as is referred to in this Condition 6(c), the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall be bound to redeem the Notes in accordance with this Condition 6(c).

(d) **Redemption at the Option of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes)**: If a Call Option is specified hereon, the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon), redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

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

In the case of a partial redemption the notice to the Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

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

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes).

(f) **Redemption for Change of Control**: Following the occurrence of a Change of Control (as defined below), the holder of each KW Note or, as the case may be, the holder of each Direct Issuance Note (in case of Condition 6(f)(i)) will have the right, at such holder's option, to require the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) to redeem all, or some only, of that holder's relevant Notes on the Change of Control Redemption Date (as defined below) at 101 per cent. of their principal amount together with unpaid interest accrued to the date fixed for redemption. To exercise such right, the holder of the relevant Note must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Change of Control Redemption Notice**") together with the Note (together with all unmatured Receipts and Coupons and unexchanged Talons) (in the case of Bearer Notes) or the Certificate (in the case of Registered Notes) evidencing the Notes to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to the Noteholders by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) in accordance with Condition 16. The "**Change of Control Redemption Date**" will be the 14th day after the expiry of such period of 30 days after the later of a Change of Control or the date upon which notice of a Change of Control is given to the Noteholders by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) in accordance with Condition 16 as referred to above.

A Change of Control Redemption Notice, once delivered, will be irrevocable and the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) will redeem the relevant Notes that are the subject of Change of Control Redemption Notices delivered as aforesaid on the Change of Control Redemption Date. The KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) will give notice to the Noteholders and the Trustee in accordance with Condition 16 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice will specify the procedure for exercise by holders of their rights to require redemption of the relevant Notes pursuant to this Condition and will give brief details of the Change of Control. For the avoidance of doubt, the Trustee will not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred.

For the purposes of this Condition 6(f):

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

(i) China Development Bank ceases to directly or indirectly Control the Company;

(ii) (in the case of a Tranche of KW Notes only) the Company ceases to directly or indirectly Control the Guarantor; or

(iii) (in the case of a Tranche of KW Notes only) the KW Note Issuer ceases to be a directly or indirectly wholly-owned Subsidiary of the Guarantor.

"**Control**" means: (i) the ownership (whether legal or beneficial), acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of a person; or (ii) the ability to appoint and/or remove all or the majority of the members of a person's board of directors or other governing body; or (iii) possessing the ability or power to direct the management policies of a person, and the terms "**Controlling**" and "**Controlled**" have meanings correlative to the foregoing and for the avoidance of doubt, a person "**Controls**" another person so long as it satisfies any of (i), (ii) or (iii) above in relation to the other person.

(g) **Redemption for No Registration Event:**

At any time following the occurrence of a No Registration Event (as defined below), the Company (in respect of a Tranche of Direct Issuance Notes) shall, at the option of the holder of any Direct Issuance Note redeem all but not some only of the Direct Issuance Notes of the relevant Tranche held by such holder on the No Registration Put Settlement Date at a price equal to their principal amount (together with interest accrued to the date fixed for redemption). Following the occurrence of a No Registration Event, the Company (in respect of a Tranche of Direct Issuance Notes) shall give notice to the Noteholders in accordance with Condition 16, by not later than seven days following the first day on which it becomes aware of the occurrence of a No Registration Event, which notice shall specify the procedure for exercise by the Noteholders of their rights to require redemption of the Direct Issuance Notes pursuant to this Condition 6(f).

In order to exercise such option, the holder of a Direct Issuance Note must, within 30 days following: (i) a No Registration Event; or (ii) (if later) the day upon which the Company (in respect of a Tranche of Direct Issuance Notes) gives such relevant notice to Noteholders in accordance with Condition 16, deposit the Note or Certificate relating to such Direct Issuance Note with the Principal Paying Agent together with a duly completed and signed notice of redemption (a "**No Registration Put Exercise Notice**") in the form obtainable from the specified office of the Principal Paying Agent. The "**No Registration Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above. No Note or Certificate, once deposited with a duly completed No Registration Put Exercise Notice in accordance with this Condition 6(f), may be withdrawn; **provided, however, that** if, prior to the No Registration Put Settlement Date, the Direct Issuance Notes so deposited or Direct Issuance Notes evidenced by any Certificate so deposited become immediately due and payable or, upon due presentation of any Note or Certificate on the No Registration Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Direct Issuance Note or Certificate shall, without prejudice to the exercise of such option, be returned to the holder by uninsured first class mail (airmail if overseas) at the address specified by such holder in the relevant No Registration Put Exercise Notice.

For the purposes of these Conditions:

a "**No Registration Event**" occurs when the Release Condition is not satisfied on or before the Registration Deadline;

"**Registration Deadline**" means the day falling 90 Registration Deadline Business Days after the date of, in respect of a Tranche of Direct Issuance Notes, the relevant Issue Date;

"**Registration Deadline Business Day**" for the purposes of this condition means a day other than a Saturday or Sunday on which banks are open for business and settlement in the PRC;

"**Release Condition**" means, in respect of a Tranche of Direct Issuance Notes, the delivery to the Trustee of:

(a) a certificate in substantially the form set forth in the Trust Deed signed by any authorised signatory of the Company confirming (x) the completion of the Foreign Debt Registration; and (y) that no Event of Default is outstanding; and

(b) a true copy of the relevant SAFE registration certificate.

(h) **Purchases**: Each of the KW Note Issuer, the Guarantor, the Company and their respective Subsidiaries may at any time purchase the Notes (**provided that** all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Such Notes may be held, resold or, at the option of the KW Note Issuer, the Guarantor or the Company, surrendered to the Principal Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the KW Note Issuer, the Guarantor, the Company or their respective Subsidiaries, shall not entitle such holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 10 and Condition 11.

(i) **Cancellation**: All Notes purchased by or on behalf of the KW Note Issuer, the Guarantor, the Company or any of their respective Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Principal Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the KW Note Issuer, the Guarantor or the Company, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the KW Note Issuer, the Guarantor and/or the Company (as applicable) in respect of any such Notes shall be discharged.

7. PAYMENTS AND TALONS

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

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

(ii) in the case of Renminbi, by transfer from the Paying Agent's office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

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

Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the CMU for their distribution to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the obligations of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) in respect of that payment.

(b) **Registered Notes**:

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

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the 15th day before the due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(A) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank; and

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

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

*So long as any Global Note or Global Certificate is held on behalf of Euroclear/Clearstream, Luxembourg or any other clearing system, each payment in respect of such Global Note or Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules at the relevant time and payment made in accordance thereof shall discharge the obligations of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) in respect of that payment.

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

(d) **Payments subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to: (i) the provisions of Condition 8; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders, Couponholders or Receiptholders in respect of such payments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. TAXATION

All payments of principal, premium (if any) and interest in respect of the Notes, the Receipts, the Coupons, the Trust Deed and under the Guarantee by or on behalf of the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. Where such withholding or deduction is required by law and is made by: (i) the KW Note Issuer (in respect of a Tranche of KW Notes) or the Guarantor (in respect of a Tranche of KW Notes) as a result of the KW Note Issuer or the Guarantor, as the case may be, being deemed to be a PRC tax resident at the rate of up to (and including) the aggregate rate applicable on the date on which agreement is reached to issue the first Tranche of the KW Notes (the "**Applicable Rate**" in respect of a Tranche of KW Notes); or (ii) the Company (in respect of a Tranche of Direct Issuance Notes), by or on behalf of the PRC or any political subdivision or authority therein or thereof having power to tax at a rate of up to (and including) the aggregate rate applicable on the date on which agreement is reached to issue the first Tranche of the Direct Issuance Note (the "**Applicable Rate**" in respect of a Tranche of Direct Issuance Notes), the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) will pay such additional amounts as will result in receipt by the Noteholders, Couponholders and Receiptholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) is required to make a deduction or withholding: (i) by or on behalf of the PRC or any political subdivision or authority therein or thereof having power to tax in excess of the Applicable Rate in respect of a Tranche of KW Notes or the Applicable Rate in respect of a Tranche of Direct Issuance Notes, as the case may be; or (ii) by or within any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax except the PRC, the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW

Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) shall pay such additional amounts (the "**Additional Tax Amounts**") as may be necessary in order that the net amounts received by the Noteholders, Couponholders and Receiptholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes, the Coupons or the Receipts, as the case may be, in the absence of the withholding or deduction, except that no Additional Tax Amounts shall be payable in relation to any payment in respect of any Note, Coupon or Receipt:

(a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of such Note, Coupon or Receipt by reason of his having some connection with the Cayman Islands, Ireland or the PRC other than the mere holding of the Note, Coupon or Receipt; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to such Additional Tax Amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a business day (as defined Condition 7(h)); or

(c) to, or to a third party on behalf of, a Noteholder, Couponholder or Receiptholder who would not be otherwise liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been duly requested to make such a declaration or claim, such Noteholder, Couponholder or Receiptholders fails to do so within any applicable period prescribed by such relevant tax authority.

In these Conditions,

"**Relevant Date**" in respect of any Note, Receipt or Coupon means whichever is the later of: (1) the date on which payment in respect thereof first becomes due; and (2) if the full amount payable has not been received by the Principal Paying Agent in accordance with the terms of the Agency Agreement on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders. References in these Conditions to: (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it; (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it; and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed; and

"**Relevant Jurisdiction**" means, in respect of a Tranche of KW Notes, the Cayman Islands, Hong Kong, the PRC, any jurisdiction in which the KW Note Issuer, the Guarantor and the Company respectively is incorporated, any jurisdiction of residence for tax purposes of the KW Note Issuer, the Guarantor and the Company respectively or any political subdivision or any authority thereof or therein having power to tax and, in respect of a Tranche of Direct Issuance Notes, the PRC, any jurisdiction in which the Company is incorporated, any jurisdiction of residence for tax purposes of the Company or any political subdivision or any authority thereof or therein having power to tax.

Neither the Trustee nor any Agent shall be responsible for paying any Tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the KW Note Issuer, the Guarantor, the Company, any Noteholder or any third party to pay such Tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any Tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. PRESCRIPTION

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

10. EVENTS OF DEFAULT

In respect of a Tranche of Notes, if any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in nominal amount of the relevant Series of Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject to it in any such case being indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) and/or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) declaring that such Tranche of Notes are, and they shall immediately become, due and payable at (in the case of Zero Coupon Notes) their Early Redemption Amount or (in the case of Notes other than Zero Coupon Notes) their nominal amount, in each case, together (if applicable) with accrued interest:

(a) there has been a failure to pay: (i) any amount of principal in respect of any of the Notes when due; or (ii) any interest on any of the Notes within 21 days after the due date for such payment; or

(b) (i) in respect of a Tranche of KW Notes, default by KW Note Issuer, the Guarantor and/or the Company in the performance or observance of any of its other obligations under or in respect of the KW Notes, the Trust Deed, the Agency Agreement, and/or the Keepwell and Asset Purchase Deed and such default remains unremedied for 30 days following receipt by the KW Note Issuer, the Guarantor and/or the Company of written notice thereof by the Trustee, **provided that** the occurrence of a Change of Control shall not constitute an event of default under this Condition 10(b)(i), but only trigger a redemption pursuant to Condition 6(f); or (ii) in respect of a Tranche of Direct Issuance Notes, default by the Company in the performance or observance of any of its other obligations under or in respect of the Direct Issuance Notes, the Trust Deed and/or the Agency Agreement and such default remains unremedied for 30 days following receipt by the Company of written notice thereof by the Trustee, **provided that** the occurrence of a Change of Control shall not constitute an event of default under this Condition 10(b) (ii), but only trigger a redemption pursuant to Condition 6(f) and the failure to complete the Foreign Debt Registration before the Registration Deadline shall not constitute an event of default under this Condition 10(b) (ii), but only trigger a redemption pursuant to Condition 6(g); or

(c) (i) in respect of a Tranche of KW Notes, failure by the KW Note Issuer, the Guarantor, the Company or a Principal Subsidiary to make any payment when due of principal or interest in excess of US$50,000,000 or its equivalent in any other currency or currencies (whether upon maturity, acceleration or otherwise) on or in connection with Indebtedness for Borrowed Money (other than that represented by the KW Notes) or guarantees given by the KW Note Issuer, the Guarantor, the Company or a Principal Subsidiary in respect of Indebtedness for Borrowed Money of others, and such failure by the KW Note Issuer, the Guarantor, the Company or such Principal Subsidiary to make payment or to validly reschedule the payment (with the consent of the persons to which such Indebtedness for Borrowed Money is owed) of such Indebtedness for Borrowed Money continues for 30 days or more after the expiry of any applicable grace period following the date on which such payment became due; or (ii) in respect of a Tranche of Direct Issuance Notes, failure by the Company or a Principal Subsidiary to make any payment when due of principal or interest in excess of US$50,000,000 or its equivalent in any other currency or currencies (whether upon maturity, acceleration or otherwise) on or in connection with Indebtedness for Borrowed Money (other than that represented by the Direct Issuance Notes) or guarantees given by the Company or a Principal Subsidiary in respect of Indebtedness for Borrowed Money of others, and such failure by the Company or such Principal Subsidiary to make payment or to validly reschedule the payment (with the consent of the persons to which such Indebtedness for Borrowed Money is owed) of such Indebtedness for Borrowed Money continues for 30 days or more after the expiry of any applicable grace period following the date on which such payment became due; or

(d) (i) in respect of a Tranche of KW Notes, any of the KW Note Issuer, the Guarantor, the Company or a Principal Subsidiary is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of such entity; or (ii) in respect of a Tranche of Direct Issuance Notes, the Company or a Principal Subsidiary is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of such entity; or

(e) (i) in respect of a Tranche of KW Notes, an order is made or an effective resolution passed for the winding-up or dissolution or administration of any of the KW Note Issuer, the Guarantor, the Company or a Principal Subsidiary or any of the KW Note Issuer, the Guarantor, the Company or a Principal Subsidiary ceases to carry on all or substantially all of its business or operations except (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution, or (B) in the case of any Subsidiary (other than the KW Note Issuer), for the purposes of a disposal, reconstruction, amalgamation, reorganisation, merger or consolidation of such entity effected under the direction or authority of, any national, regional or local PRC government (including the National Administration of Financial Regulation or its successor), provided that all of the business, undertaking and assets resulting from such exercise are transferred to or otherwise vested in the Company or any of its other Subsidiaries, or (C) a solvent winding-up of any Principal Subsidiary; or (ii) in respect of a Tranche of Direct Issuance Notes, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Company or a Principal Subsidiary or the Company or a Principal Subsidiary ceases to carry on all or substantially all of its business or operations except (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution, or (B) in the case of any Subsidiary (other than the KW Note Issuer), for the purposes of a disposal, reconstruction, amalgamation, reorganisation, merger or consolidation of such entity effected under the direction or authority of, any national, regional or local PRC government (including the National Administration of Financial Regulation or its successor), provided that all of the business, undertaking and assets resulting from such exercise are transferred to or otherwise vested in the Company or any of its other Subsidiaries, or (C) a solvent winding-up of any Principal Subsidiary; or

(f) (i) in respect of a Tranche of KW Notes, it is or will become unlawful for the KW Note Issuer, the Guarantor or the Company to perform or comply with any one or more of their respective obligations under any of the KW Notes, the Trust Deed, the Agency Agreement or the Keepwell and Asset Purchase Deed; or (ii) in respect of a Tranche of Direct Issuance Notes, it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Direct Issuance Notes, the Trust Deed or the Agency Agreement; or

(g) in respect of a Tranche of KW Notes, the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(h) in respect of a Tranche of KW Notes, the Keepwell and Asset Purchase Deed is not (or is claimed by the Guarantor or the Company not to be) in full force and effect, or the Keepwell and Asset Purchase Deed is modified, amended or terminated other than strictly in accordance with its respective terms or these Conditions; or

(i) any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in paragraphs (e) to (h) of this Condition 10.

The Trustee shall not be obliged to take any steps to ascertain whether a Change of Control, Potential Event of Default (as defined in the Trust Deed) or Event of Default has occurred or to monitor the occurrence of any Change of Control, Potential Event of Default or Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.

11. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Trust Deed contains provisions for convening meetings (including by way of teleconference or video conference call) of, in respect of a Tranche of Notes, the relevant Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons, the Agency Agreement, the Guarantee, the Keepwell and Asset Purchase Deed or any of the provisions of the Trust Deed. Such a meeting may be convened by the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes), the Company or the Trustee and shall be convened by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) if required in writing by the Noteholders holding more than 15 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons, the Agency Agreement, the Trust Deed, the Keepwell and Asset Purchase Deed or the Guarantee (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that: (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution; (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding; or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution. An Extraordinary Resolution passed by the Noteholders will be binding on all the holders of the relevant Series of Notes, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all the Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Guarantee, the Keepwell and Asset Purchase Deed, the Agency Agreement or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 16 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the KW Note Issuer, the Guarantor, the Company, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

12. ENFORCEMENT

The Trustee may at any time, at its discretion and without notice, take such proceedings against the KW Note Issuer, the Guarantor and/or the Company as it may think fit to enforce the provisions of the Trust Deed, the Guarantee, the Keepwell and Asset Purchase Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Keepwell and Asset Purchase Deed, the Notes, the Receipts, the Coupons or the relevant Guarantee unless: (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least 25 per cent. in nominal amount of the Notes then outstanding; and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the KW Note Issuer, the Guarantor (if applicable) or the Company unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

13. TRUSTEE AND AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified and/or pre-funded and/or secured to its satisfaction and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders, the Couponholders or Receiptholders. In addition, the Trustee, its directors and officers are entitled to enter into business transactions with any of the KW Note Issuer, the Guarantor, the Company and any entity relating to any of the KW Note Issuer, the Guarantor, the Company or any other Person without being accountable for the same (including any profit therefrom) to the Noteholders, the Couponholders, the Receiptholders or any Person. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled: (i) to evaluate its risk in any given circumstance by considering the worst-case scenario; and (ii) to require that any indemnity or security given to it by the Noteholders, the Couponholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trustee may act on the advice, opinion or report of or any information obtained from any lawyer, valuer, accountant, auditor, surveyor, banker, broker, auctioneer, or other expert (whether obtained by the KW Note Issuer, the Guarantor, the Company, the Trustee or otherwise, whether or not addressed to the Trustee, and whether or not the advice, opinion, report or information, or any engagement letter or other related document, contains a monetary or other limit on liability or limits the scope and/or basis of such advice, opinion, report or information). The Trustee will not be responsible to anyone for any liability occasioned by so acting.

In acting under the Agency Agreement and in connection with the Notes, the Receipts and the Coupons, the Agents act solely as agents of the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes), the Company (in respect of a Tranche of Direct Issuance Notes) and (to the extent provided therein) the Trustee and do not assume any obligations or responsibilities towards or relationship of agency or trust for or with any of the holders or any third parties.

The initial Agents and their initial specified offices are listed below. The KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) and the Company (in respect of a Tranche of Direct Issuance Notes) reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor Principal Paying Agent and additional or successor paying agents and transfer agents; **provided, however, that** the KW Note Issuer (in respect of a Tranche of KW Notes) and the Company (in respect of a Tranche of Direct Issuance Notes) shall at all times maintain: (a) a Principal Paying Agent and a registrar; and (b) a paying agent and a transfer agent.

Notice of any change in any of the Agents or in their specified offices shall promptly be given to the Noteholders.

Neither the Trustee nor the Agents shall be required to monitor or supervise compliance with the provisions of the Trust Deed or these Conditions (including Conditions 6 and 10), and shall not be liable to the KW Note Issuer, the Guarantor, the Company, the Noteholders, the Couponholders, the Receiptholders or any other Person for not doing so.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the KW Note Issuer, the Guarantor and the Company and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

14. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and requirements of stock exchange or other relevant authority, at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. FURTHER ISSUES

Subject to compliance with Conditions 4(b) and 4(c), the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall be at liberty from time to time without the consent of the relevant Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon, the date from which interest starts to accrue and the timing for completing the NDRC Post-issue Filing and the Foreign Debt Registration (if applicable), and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in Asia. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes).

So long as any Global Note or Global Certificate is held in its entirely on behalf of Euroclear/Clearstream, Luxembourg or CMU, any notice to the Noteholders shall be validly given by the delivery of the relevant notice to Euroclear/Clearstream, Luxembourg and/or CMU, as the case maybe, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17. CURRENCY INDEMNITY

In respect of a Tranche of Notes, if any sum due from the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) in respect of the relevant Tranche of the Notes, the Receipts, the Coupons, the Guarantee, the Trust Deed or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of: (a) making or filing a claim or proof against the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes); (b) obtaining an order or judgment in any court or other tribunal; or (c) enforcing any order or judgment given or made in relation to the relevant Tranche of the Notes, the Receipts, the Coupons, the Guarantee or the Trust Deed, the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall indemnify the Trustee and each relevant Noteholder, Couponholder and Receiptholders, on the written demand of the Trustee or such Noteholder, Couponholder or Receiptholder addressed to the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) and delivered to the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes), against any loss suffered as a result of any discrepancy between: (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency; and (ii) the rate or rates of exchange at which the Trustee or such Noteholder, Couponholder or Receiptholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of each of the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) and shall give rise to a separate and independent cause of action.

18. GOVERNING LAW AND JURISDICTION

(a) *Governing law*: The Notes, the Receipts, the Coupons, the Talons, the Keepwell and Asset Purchase Deed, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes, the Receipts, the Coupons, the Keepwell and Asset Purchase Deed, the Agency Agreement and the Trust Deed are governed by, and will be construed in accordance with, English law.

(b) *Jurisdiction*: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes, claims, difference or controversy, that may arise out of or in connection with the Notes, the Receipts, the Coupons, the Talons, the Keepwell and Asset Purchase Deed, the Agency Agreement and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Receipts, the Coupons, the Talons, the Keepwell and Asset Purchase Deed, the Agency Agreement and the Trust Deed ("**Proceedings**") may be brought in such courts. Each of the KW Note Issuer, the Guarantor and the Company irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum.

(c) *Service of Process*: Each of the KW Note Issuer and the Company hereby irrevocably appoints the Guarantor to accept service of process in Hong Kong in respect of any Proceedings at 21st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong. Each of the KW Note Issuer, the Guarantor and the Company undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose. Nothing in this clause shall affect the right to serve process in any other manner permitted by law.

(d) *Immunity*: To the extent that each of the KW Note Issuer, the Guarantor and the Company may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the KW Note Issuer, the Guarantor and the Company, as the case may be, or their respective assets or revenues, each of the KW Note Issuer, the Guarantor and the Company agrees not to claim and irrevocably waive such immunity to the full extent permitted by the laws of such jurisdiction.

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes.

20. DEFINITIONS

In these Conditions:

"**Assets**" means the airplanes, ships, equipment and/or other assets held by a Relevant Transferor (as defined in the Keepwell and Asset Purchase Deed) which is subject to the Purchase pursuant to the Keepwell and Asset Purchase Deed;

"**Company Audited Financial Reports**" means the annual audited consolidated income statement, balance sheet and cashflow statements of the Group together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with the IFRS, if and to the extent such statements, reports and the notes are prepared by the Company;

"**Company Unaudited Financial Information**" means, for a Relevant Period, the unaudited consolidated income statement and balance sheet of the Group prepared in accordance with the IFRS together with any statements, reports (including any directors' and auditors' reports, if any) and notes attached to or intended to be read with any of them, if and to the extent such statements, reports and the notes are prepared by the Company;

"**Compliance Certificate**" means a certificate of the Company signed by any one of its directors or authorised signatories that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Company as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(a) no Event of Default or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it;

(b) in the case of any KW Note, each of the KW Note Issuer, the Guarantor and the Company has complied with all their respective obligations under the Trust Deed, the Keepwell and Asset Purchase Deed, the Guarantee and the KW Notes; and

(c) in the case of any Direct Issuance Notes, the Company has complied with all its obligations under the Trust Deed and the Direct Issuance Notes;

"**Group**" means the Company and its consolidated subsidiaries taken as a whole;

"**Guarantor Audited Financial Reports**" means the annual audited consolidated profit and loss, balance sheet and cashflow statements of the Guarantor together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with HKFRS;

"**Guarantor Unaudited Financial Information**" means, for a Relevant Period, the unaudited consolidated profit and loss and balance sheet statements of the Guarantor prepared in accordance with HKFRS;

"**Indebtedness for Borrowed Money**" means that, with respect to any person, includes, without limitation, all obligations of such person for the payment of repayment of money, whether present or future, actual or contingent including, without limitation, such indebtedness in respect of:

(a) moneys borrowed;

(b) indebtedness under any hedging instrument (including, without limitation, interest rate swap, currency swap, cap, collar, floor, forward or option);

(c) amounts raised by acceptance under any acceptance credit facility;

(d) amounts raised through the issue of any bond, note or other debt security whether or not convertible into equity;

(e) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting standards applicable to the KW Note Issuer, the Guarantor or the Company (as the case may be), be treated as finance or capital leases;

(f) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days;

(g) the amount of any guarantee, indemnity, suretyship or other arrangement under which the relevant person is or may be liable for or assure the repayment of the indebtedness of any other person; and

(h) amounts raised under any other transaction which would, in accordance with generally accepted accounting standards applicable to the KW Note Issuer, the Guarantor or the Company (as the case may be), be treated as a borrowing;

"**Issue Date**" means the date of issue of the relevant Tranche of Notes;

"**Limited Recourse Indebtedness**" means any Public External Indebtedness if: (i) by the terms of such financing it is expressly **provided that** the holders of the resulting indebtedness look to the properties or assets of the issuer or the borrower and the revenues to be generated by the operation of, or loss of or damage to, such properties or assets for repayment of the moneys advanced and payment of interest thereon; and (ii) such financing is not guaranteed by the KW Note Issuer, the Guarantor, the Company or any Principal Subsidiary;

"**National Export Credit Agency**" means any of Export-Import Bank of the United States or Export Credit Guarantee Department of the UK or Euler Hermes of Germany or COFACE of France or any other agency of the government of any country or quasi-government agency that provides guarantees to support the financing of equipment (including aircraft or parts thereof) exported from that country;

"**National Export Credit Agency Guaranteed Capital Markets Instrument**" means any Public External Indebtedness issued by an entity (not being the KW Note Issuer, the Guarantor or a Principal Subsidiary) that is guaranteed by any National Export Credit Agency;

"**Net Assets**" means total assets less total liabilities;

"**NDRC**" means the National Development and Reform Commission of the PRC or its relevant competent local counterparts;

"**person**" or "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Potential Event of Default**" means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10 become an Event of Default;

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

"**Principal Subsidiary**" means any Subsidiary of the Company whose Net Assets, as shown by the accounts of such subsidiary, based upon which the latest audited consolidated accounts of the Group have been prepared, are at least 10.0 per cent. of the Net Assets of the Group as shown by such audited consolidated accounts, **provided that** if any such subsidiary (the "**Transferor**") shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another subsidiary or the Company (the "**Transferee**") then: (1) if the whole of the business, undertaking and assets of the Transferor shall be so transferred, the Transferor shall thereupon cease to be a Principal Subsidiary and the Transferee (unless it is the Company) shall thereupon become a Principal Subsidiary; and (2) if a substantial part only of the business, undertaking and assets of the Transferor shall be so transferred, the Transferor shall remain a Principal Subsidiary and the Transferee (unless it is the Company) shall thereupon become a Principal Subsidiary. Any Subsidiary which becomes a Principal Subsidiary by virtue of (1) above or which remains or becomes a Principal Subsidiary by virtue of (2) above shall continue to be a Principal Subsidiary until the earlier of the date of issue of: (A) the first audited consolidated accounts of the Group prepared as at a date later than the date of the relevant transfer which show the Net Assets as shown by the accounts of such Subsidiary, based upon which such audited consolidated accounts of the Group have been prepared, to be less than 10.0 per cent. of the Net Assets of the Group, as shown by such audited consolidated accounts; or (B) a report by the Group's auditors as described below dated on or after the date of the relevant transfer which shows the Net Assets of such Subsidiary to be less than 10.0 per cent. of the Net Assets of the Group. A certificate by the Company that a Subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"**Public External Indebtedness**" means any indebtedness of the KW Note Issuer, the Guarantor, the Company or a Principal Subsidiary (as the case may be) for money borrowed represented by bonds, notes, debentures or other similar instruments or any guarantee or indemnity by the KW Note Issuer, the Guarantor, the Company or a Principal Subsidiary (as the case may be) of such indebtedness for money borrowed which, in either case: (i) has an original maturity in excess of one year; and (ii) is, or is capable of being, quoted, listed or traded on any stock exchange or over-the-counter or other similar securities market outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements);

"**Redemption Amount**" means the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, all as defined above;

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

"**Relevant Period**" means: (i) in relation to each of the Company Audited Financial Reports and the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of their respective financial year (being 31 December of that financial year); and (ii) in relation to each of the Company Unaudited Financial Information and the Guarantor Unaudited Financial Information, each period of six months ending on the last day of their respective first half financial year (being 30 June of that financial year);

"**SAFE**" means the State Administration of Foreign Exchange of the PRC or its local counterpart;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**") whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; and

"**Triggering Event**" means any of the following events:

(a) an Event of Default; or

(b) the Company fails to provide the Trustee with a liquidity notice on or prior to the Liquidity Notice Date (as defined in the Keepwell and Asset Purchase Deed) in accordance with the Keepwell and Asset Purchase Deed.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Terms used in this section that are not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes".

INITIAL ISSUE OF NOTES

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

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

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

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

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

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the KW Note Issuer or the Company will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the KW Note Issuer or the Company in respect of such Global Note or Global Certificate.

EXCHANGE

Temporary Global Notes

Bearer Notes issued in accordance with TEFRA D must be initially represented by a temporary Global Note. Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

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

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

Bearer Notes with a term of more than 365 days (taking into account any unilateral rights to rollover or extend the term) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the KW Note Issuer or the Company to comply with the certification requirements under TEFRA D.

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

The holder of a temporary Global Note issued pursuant to TEFRA D will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreements, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. The payments in respect of a Note issued under TEFRA D pursuant to Condition 6(e) may not be collected without certificate as to non-U.S. beneficial ownership.

Further Issues

In respect of a Bearer Note issued under TEFRA D, a further issue of Notes by the KW Note Issuer or the Company pursuant to Condition 15 may be consolidated with outstanding Notes only after certification of non-U.S. beneficial ownership has been received in accordance with TEFRA D and the temporary Global Note has been exchanged for a permanent Global Note or Definitive Note.

Permanent Global Notes

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

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

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfer of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

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

Delivery of Notes

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

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

Exchange Date

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

Amendment to Conditions

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

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Principal Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(f)(vi) and Condition 8(c) will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of "business day" set out in Condition 7(h).

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

In respect of a Global Note or Global Certificate representing Notes held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "**Clearing System Business Day**" means a day on which the CMU is operating and open for business.

Prescription

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

Meetings

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

Cancellation

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

Purchase

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

Option of the KW Note Issuer or the Company

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

Noteholders' Options

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

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note; or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holders of Notes, and any such notice shall be deemed to have been given to the holders of Notes on the day on which such notice is delivered to the CMU.

Partly Paid Notes

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

DESCRIPTION OF THE KEEPWELL AND ASSET PURCHASE DEED

The following contains summaries of certain key provisions of the Keepwell and Asset Purchase Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell and Asset Purchase Deed. Capitalised terms used in this section shall have the meanings given to them in the Keepwell and Asset Purchase Deed.

CONTROL OF THE GUARANTOR; OWNERSHIP OF THE KW NOTE ISSUER AND PRIMARY OVERSEAS PLATFORM

At all times during the term of the Keepwell and Asset Purchase Deed, the Company undertakes with the Guarantor and the Trustee that it shall directly or indirectly Control the Guarantor and shall maintain the Guarantor as a primary overseas platform of the Company for its offshore leasing business.

At all times during the term of the Keepwell and Asset Purchase Deed, the Company undertakes with the Trustee that it shall procure that the Guarantor shall directly or indirectly own and hold all the legal and beneficial title to the outstanding shares of the KW Note Issuer.

MAINTENANCE OF CONSOLIDATED NET WORTH AND LIQUIDITY

Pursuant to the Keepwell and Asset Purchase Deed, the Company undertakes to procure:

(i) each of the KW Note Issuer and the Guarantor to have a Consolidated Net Worth of at least U.S.$1.00 and U.S.$10,000,000, respectively, at all times;

(ii) each of the KW Note Issuer and the Guarantor to have sufficient liquidity to ensure timely payment by the KW Note Issuer or the Guarantor of any amounts payable under or in respect of the KW Notes, the Coupons, or the Guarantee in accordance with the terms and conditions of the KW Notes and the Trust Deed and otherwise under the Trust Deed and the Agency Agreement; and

(iii) each of the KW Note Issuer and the Guarantor to remain solvent and a going concern at all times under the laws of its jurisdiction of incorporation or applicable accounting standards.

PUBLIC EXTERNAL INDEBTEDNESS

So long as any of the KW Notes or Coupon remains outstanding, the Company undertakes to the Trustee that it shall comply with the negative pledge set forth in Condition 4(a) of the Conditions as applicable to it as if the relevant undertaking were set out in full in the Keepwell and Asset Purchase Deed.

OBLIGATION TO ACQUIRE ASSETS

In the event that a Triggering Event has occurred, the Company shall give a notice in writing (the "**Triggering Event Notice**") to the Trustee upon becoming aware of the occurrence of a Triggering Event in accordance with the Trust Deed and agrees that it shall purchase (either by itself or through a Subsidiary of the Company as designated by it (the "**Designated Purchaser**")) (the "**Purchaser**") and the Guarantor agrees that it shall sell to the Company:

(i) the Assets held by the Guarantor and/or any Subsidiary of the Guarantor and/or any Subsidiary of the Company, as designated by the Guarantor and notified in writing to the Trustee within seven Business Days after the date of the Triggering Event Notice; or

(ii) in the absence of a designation and notification within seven Business Days after the date of the Triggering Event Notice, all the Assets held by the Guarantor and its Subsidiaries,

(each such designated entity, a "**Relevant Transferor**") in either such case at the Purchase Price on the relevant Purchase Closing Date on the terms set out in the Keepwell and Asset Purchase Deed.

The obligations set out in the Keepwell and Asset Purchase Deed shall be suspended if any of the following events has occurred (each a "**Suspension Event**"):

(i) (a) all of the payment obligations of the KW Note Issuer in respect of any principal, premium and interest under the KW Notes have been satisfied in full; and (b) all amounts due and payable to the Trustee under the Trust Deed have been satisfied in full; or

(ii) in the event of a Liquidity Notice Failure Event, (a) the payment obligations of the KW Note Issuer in respect of any principal, premium and interest under the KW Notes due on the Interest Payment Date immediately following the relevant Liquidity Notice Date together with any default interest then due have been satisfied in full; and (b) all amounts due and payable to the Trustee under the Trust Deed as at the date of the relevant Liquidity Notice Date have been satisfied in full; or

(iii) in the event of an Event of Default where a Triggering Event Notice has been given, such Event of Default has been waived by the Trustee acting on the instructions of the Noteholders by Extraordinary Resolution.

DETERMINATION OF PURCHASE PRICE

Within seven Business Days after the date of the Triggering Event Notice, the Company shall determine in accordance with any applicable PRC laws and regulations effective at the time of determination (i) the purchase price of the Relevant Asset(s) in U.S. dollars (the "**Price**"); and (ii) the other applicable terms relating to the Purchase which shall not conflict with the Company's obligations in the Keepwell and Asset Purchase Deed, provided that the Purchase Price shall be no less than the Relevant Amount.

CLOSING

The Company undertakes to the Trustee that within 30 days after the date of the Triggering Event Notice:

(i) it shall (or shall procure the Designated Purchaser to), and shall procure each Relevant Transferor to, execute, an Asset Sale Agreement;

(ii) it shall procure the transfer of the Relevant Assets to it or the Designated Purchaser, and

(iii) it shall make payment (or procure the payment by the Designated Purchaser) to or to the order of each Relevant Transferor the Purchase Price payable in immediately available funds in U.S. dollars to such account as may be designated by such Relevant Transferor and notified in writing to the Trustee,

provided that if the Trustee receives an opinion of a PRC counsel of recognised international standing in form and substance satisfactory to the Trustee stating that under applicable PRC law as at the date of the opinion, approvals, consents, clearances or other authorisations of a PRC government authority are required for the purchase of any Relevant Asset under the Keepwell and Asset Purchase Deed, the Company undertakes to use its reasonable endeavours to obtain such approval, clearance or other authorisation and complete the completion of the Purchase within six months from the date of the Trigger Notice.

PRC counsels to the Joint Lead Managers and the KW Note Issuer have confirmed that (i) if the assets to be purchased under the Keepwell and Asset Purchase Deed would be imported into the PRC, the relevant PRC governmental approvals or permits from PRC approval authorities, including but not limited to the NDRC, Civil Aviation Administration of China, MOFCOM and the General Administration of Customs of the PRC (中華人民共和國海關總署), are required and (ii) if the purchased assets under the Keepwell and Asset Purchase Deed would not be imported into the PRC, and those assets would be leased by the Company after the purchase (falling within the ambit of the finance leasing laws in the PRC), the Company should register such lease at the local foreign exchange authority within 15 working days upon an external claim, and there are no other Regulatory Approvals (as defined in the Keepwell and Asset Purchase Deed) required under the PRC laws.

OTHER UNDERTAKINGS

For so long as the KW Notes are outstanding, the Company hereby undertakes:

(i) to procure that the articles of association of the KW Note Issuer or the Guarantor shall not be amended in a manner that is, directly or indirectly, materially adverse to holders of the KW Notes;

(ii) to cause the KW Note Issuer and the Guarantor to remain in full compliance with the terms and conditions of the KW Notes, the Trust Deed and all applicable rules and regulations;

(iii) to take any and all reasonable action necessary to comply with its obligations under the Keepwell and Asset Purchase Deed; and

(iv) to cause the KW Note Issuer and the Guarantor to take all reasonable action necessary to comply with its obligations under the Keepwell and Asset Purchase Deed.

The Keepwell and Asset Purchase Deed is not, and nothing herein contained and nothing done pursuant hereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by or any legal binding obligation of the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of the KW Note Issuer or the Guarantor under the laws of any jurisdiction, including the PRC.

The parties hereto acknowledge that in order for each of the KW Note Issuer, the Guarantor and the Company to comply with their respective obligations under the Keepwell and Asset Purchase Deed, the KW Note Issuer, the Guarantor and/or the Company may require Regulatory Approvals. The Company undertakes to use all reasonable efforts to obtain such Regulatory Approvals within the time stipulated by the relevant Approval Authorities, if applicable.

A certificate signed by a director or authorised signatory of the Company as to the fact, stating that the Company has used reasonable efforts to fulfil its obligations under the Keepwell and Asset Purchase Deed, but having used such endeavours, it has not been able to fulfil its obligations under the Keepwell and Asset Purchase Deed and setting forth a statement of facts showing such endeavours, together with any evidence or records of communication, filings and/or submissions supporting such endeavours, and an opinion of a PRC counsel of recognised international standing, in form and substance satisfactory to the Trustee, stating the applicable Regulatory Approvals under the Keepwell and Asset Purchase Deed and, where applicable, setting out the legal analysis as to why these cannot be obtained or are not reasonably achievable under the applicable PRC laws and regulations, shall be prima facie evidence of that fact.

The Keepwell and Asset Purchase Deed, as to which time shall be of the essence, and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

CAYMAN ISLANDS

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to the KW Note Issuer or any holder of Notes.

Accordingly, payment of principal of (including any premium) and interest on, and any transfer of, the Notes will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of the Notes and gains derived from the sale of the Notes will not be subject to Cayman Islands capital gains tax.

No stamp duty is payable under the laws of the Cayman Islands in respect of the execution and issue of the Notes. However, an instrument of transfer in respect of the Notes is stampable if executed in or brought into the Cayman Islands.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of the PRC for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Income Tax in relation to the Direct Issuance Notes

Pursuant to the EIT Law which took effect from 1 January 2008 and was amended on 24 February 2017 and 29 December 2018 respectively, and its implementation regulations and Individual Income Tax Law of the PRC, which was amended on 30 June 2011 and took effect on 1 September 2011 and was amended on 31 August 2018, and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Noteholders, including non-PRC resident enterprises and non-PRC resident individuals. The current rates of such income tax are 10 per cent. for non-PRC resident enterprises and 20 per cent. for non-PRC resident individuals.

Such income tax shall be withheld by the PRC enterprise that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Noteholders. The tax so charged on interests paid on the Direct Issuance Notes to non-PRC

Noteholders of the Direct Issuance Notes who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined in the *Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income* (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) which was promulgated on 21 August 2006 (the "**Arrangement**") will be 7 per cent. of the gross amount of the interest pursuant to the Arrangement and relevant interpretation of the Arrangement formulated by the State Administration of Taxation of China ("**SAT**"). To enjoy this preferential tax rate of 7 per cent., the Company could apply, on behalf of the Noteholders of the Direct Issuance Notes, to the SAT for the application of the tax rate of 7 per cent. in accordance with the Arrangement on the interest payable in respect of the Direct Issuance Notes.

Value-add Tax ("VAT") in relation to the Direct Issuance Notes

On 23 March 2016, the Ministry of Finance and the SAT issued the *Circular of Full Implementation of Business Tax to VAT Reform* (關於全面推開營業稅改徵增值稅試點的通知(Caishui [2016] No. 36)) ("**Circular 36**") which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Direct Issuance Notes is likely to be treated as the holders of the Direct Issuance Notes providing loans to the Company, which thus shall be regarded as financial services subject to VAT. Further, given that the Company is located in the PRC, the holders of the Direct Issuance Notes would be regarded as providing the financial services within China and consequently, the holders of the Direct Issuance Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the Direct Issuance Notes. Given that the Company pays interest income to Noteholders of the Direct Issuance Notes who are located outside of the PRC, the Company, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT from the payment of interest income to Noteholders of the Direct Issuance Notes who are located outside of the PRC. Where a holder of the Direct Issuance Notes who is an entity or individual located outside of the PRC resells the Direct Issuance Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Company does not have the obligation to withhold the VAT. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of the Direct Issuance Notes is located inside the PRC. On 20 March 2019, the Ministry of Finance, SAT and General Administration of Customs issued *Announcement on Relevant Policies for Deepening the Value-Added Tax Refor*m (關於深化增值稅改革有關政策的公告) ("**Announcement 39**") which came into force on 1 April 2019. Announcement 39 further deepened the VAT reform by way of adjusting tax rate and calculating method and so on. However, how the reforms will be implemented remains uncertain. The above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36 and Announcement 39.

Pursuant to the EIT Law and the VAT reform detailed above, the Company shall withhold EIT (should such tax apply) from the payments of interest in respect of the Direct Issuance Notes for any non-PRC-resident Noteholder of the Direct Issuance Notes and the Company shall withhold business tax or VAT (should such tax apply) from the payments of interest in respect of the Direct Issuance Notes for any Noteholders of the Direct Issuance Notes located outside of the PRC. However, in the event that the Company is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Company has agreed to pay such additional amounts as will result in receipt by the Noteholders of the Direct Issuance Notes of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see the "*Terms and Conditions of the Notes – Condition 8 (Taxation)*".

Enterprise Income Tax in relation to the KW Notes

Pursuant to the EIT Law, and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside the PRC. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the KW Note Issuer or the Guarantor is within the territory of the PRC, the KW Note Issuer or the Guarantor may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25% for its income sourced from both within and outside PRC. As confirmed by the KW Note Issuer and the Guarantor, as at the date of this Offering Circular, neither the KW Note Issuer nor the Guarantor has been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, Noteholders of the KW Notes will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of or transfer of the KW Notes or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the KW Note Issuer or the Guarantor will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10% on the income sourced inside the PRC, and pursuant to the Individual Income Tax Law of the PRC and its implementation regulations, any non-resident individual shall pay individual income tax at the rate of 20% on the income sourced inside the PRC, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established and the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the KW Note Issuer or the Guarantor is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the KW Note Issuer or the Guarantor shall withhold income tax from the payments of interest in respect of the KW Notes for any non-PRC enterprise Noteholder of the KW Notes. However, despite the potential withholding of PRC tax by the KW Note Issuer or the Guarantor, the KW Note Issuer and the Guarantor have agreed to pay additional amounts to Noteholders so that Noteholders of the KW Notes would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions.

Non-PRC Noteholders of the KW Notes will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside the PRC between non-PRC Noteholders of the KW Notes, except however, if the KW Notes Issuer or the Guarantor is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non-PRC enterprise Noteholders of the KW Notes from the transfer of the KW Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10% of PRC withholding tax unless decreased or exempted by an applicable tax treaty. Further, under Individual Income Tax Law and its implementation regulations, non-PRC individual Noteholders of the KW Notes may be subject to individual income tax at the rate of 20% on the capital gains, which may be decreased or exempted by an applicable tax treaty. For more information, see the "*Terms and Conditions of the Notes – Condition 8 (Taxation)*".

Stamp Duty in relation to the Notes

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Direct Issuance Note or a KW Note.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Notes) or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Cap. 112) of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Notes accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is to be regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when they are received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(a) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Chapter 117) of Hong Kong (the "**Stamp Duty Ordinance**")).

If stamp duty is payable by the KW Note Issuer in respect of the KW Notes or the Company in respect of the Direct Issuance Notes on the issue of Bearer Notes, it is payable at a rate of 3% of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(a) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

THE PROPOSED FINANCIAL TRANSACTIONS TAX (THE "FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The KW Note Issuer and/or the Company may be a foreign financial institution for these purposes. A number of jurisdictions (including the British Virgin Islands and Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

NDRC REGISTRATION

On 14 September 2015, the NDRC published the Circular 2044, which came into effect on the same date. On 5 January 2023, the NDRC published the NDRC Administrative Measures, which came into effect on 10 February 2023 and repealed the Circular 2044 on the same date. The NDRC Administrative Measures apply to medium and long-term foreign debts with a maturity of more than one year that are borrowed from overseas by enterprises within the territory of the PRC and by overseas enterprises or branches controlled by aforementioned PRC enterprises, denominated in local or foreign currency, and of which principal is repaid with payment of interest as agreed. For the purpose of the NDRC Administrative Measures, the forms of foreign debts include but are not limited to senior bonds, perpetual bonds, capital bonds, medium-term notes, convertible bonds, exchangeable bonds, financial leasing, and commercial loans.

Before borrowing any foreign debt, a Certificate of Examination and Registration of Foreign Debts Borrowed by Enterprises (企業借用外債審核登記證明) ("**Examination and Registration Certificate**") shall be obtained from the NDRC, and such certificate shall be valid for one year from the date of issuance and be automatically invalidated upon expiry. Apart from the foregoing pre-issuance requirement, the NDRC Administrative Measures stipulate post-issuance filing requirements as following: (i) filing with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance and the expiration of the Examination and Registration Certificate with respect to the relevant Notes in accordance with the NDRC Administrative Measures, (ii) filing with the NDRC the requisite information and documents within five PRC business days before the end of January and the end of July each year, and (iii) filing the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations. With respect to conducts in violation of the NDRC Administrative Measures, legal liabilities and consequences to enterprises borrowing foreign debts have been stipulated in the NDRC Administrative Measures. If any enterprise borrows foreign debts in violation of the NDRC Administrative Measures, the NDRC will take disciplinary actions such as holding an interview and giving a public warning against the relevant enterprise and its principal liable person. If any application documents to apply for foreign debt approval submitted by enterprises contain concealing, false record, misleading statement, or material omission, the NDRC will give a warning to relevant enterprise and its principal liable person. If the approval is obtained by concealment, deception, bribery, or any other improper means, such approval will be revoked. For any enterprise failing to comply with filing and reporting requirements under the NDRC Administrative Measures, the NDRC will order such enterprise to take rectification actions within a prescribed time limit; and if the circumstances are severe or the enterprise fails to take rectification action within the prescribed time limit, give a warning to the relevant enterprise and its principal liable person. Furthermore, conducts in violation of the NDRC Administrative Measures committed by enterprises will be publicised on, among others, the Credit China (信用中國) website and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

Based on Q&As published by the NDRC on its official website, filings and registrations certificate of issuance by enterprises of foreign debt (企業借用外債備案登記證明) obtained by any enterprise under the Circular 2044 shall be valid within its validity period after the NDRC Administrative Measures take effect, and such enterprise shall comply with regulations regarding risk management and interim and ex-post supervision of the NDRC Administrative Measures.

As new regulation, the NDRC Administrative Measures will be subject to interpretation and application by the relevant PRC authorities, and it remains unclear what impact non-compliance will have on the legality, enforceability and validity of the Notes. Where the NDRC Administrative Measures apply to a Tranche of Notes issued under the Programme, the Company undertakes to comply with all applicable requirements under the NDRC Administrative Measures in respect of such Notes.

PRC CURRENCY CONTROLS

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

CURRENT ACCOUNT ITEMS

Under the PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has adopted the *Measures for the Administration of Pilot RMB Settlement in Cross-border Trade* (跨境貿易人民幣結算試點管理辦法、中國人民銀行、財政部、商務部、海關總署、國家稅務總局、中國銀行業監督管理委員會公告([2009]第10號)), and commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. In June 2010, July 2011 and February 2012 respectively, the PRC government promulgated the *Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades* (關於擴大跨境貿易人民幣結算試點有關問題的通知,銀發[2010]186號), the *Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement* (關於擴大跨境貿易人民幣結算地區的通知,銀發[2011]203號), the *Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods* (關於出口貨物貿易人民幣結算企業管理有關問題的通知,銀發[2012]23號), and Circulars with regard to the expansion of designated cities and offshore jurisdictions implementing the pilot Renminbi settlement scheme for cross-border trades. Pursuant to these circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible; (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC; (iii) the restriction on designated offshore districts has been lifted; and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, provided that the relevant provincial government has submitted to the PBOC and five other PRC authorities (the "**Six Authorities**") a list of key enterprises subject to supervision and the Six Authorities have reviewed and approved such list (the "**Supervision List**").

Accordingly, offshore enterprises are entitled to use Renminbi to settle imports of goods and services and other current account items. Renminbi remittance for exports of goods from the PRC may only be effected by (a) enterprises with the foreign trading right and incorporated in a province which has already submitted the Supervision List (for the avoidance of doubt, that PRC enterprise does not necessarily need to be included in the Supervision List); or (b) enterprises that have been approved as a pilot enterprise for using Renminbi for exports before the Six Authorities reviewed and approved the Supervision List submitted by relevant province.

On 5 July 2013, the PBOC promulgated the *Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures* (關於簡化跨境人民幣業務流程和完善有關政策的通知)(銀發[2013]168號), which, in particular, simplifies the procedures for cross-border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for the PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow the PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross-border remittance).

On 23 October 2019, the SAFE promulgated *Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts* (國家外匯管理局關於精簡外匯帳戶的通知,匯發[2019]29號) which became effective on 1 February 2020. SAFE has decided to review and integrate certain foreign exchange accounts and further reduce the types of accounts in order to further intensify the reform of foreign exchange administration, simplifying the relevant business operating procedures, and facilitate true and compliant foreign exchange transactions by banks, enterprises and other market participants, for example, "Current accounts – foreign currency cash account" and "current accounts – foreign exchange account under current accounts of overseas institutions" are included in "current accounts – foreign exchange settlement account".

On the same day, the SAFE issued *Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment* (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知,匯發[2019]28號), based on which, for the revenue obtained by an enterprise from trade in goods, the enterprise may, on its own, decide whether to open a to-be-inspected account for export revenue ("**to-be-inspected account**"). If an enterprise has not opened a to-be-inspected account, the examined revenue from trade in goods by the bank in accordance with the existing provisions may be directly deposited into the foreign exchange account under current accounts or used for foreign exchange settlement.

The foregoing measures and circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these circulars and impose conditions for settlement of current account items.

CAPITAL ACCOUNT ITEMS

Under the applicable PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

On 7 April 2011, the SAFE issued the *Notice on Relevant Issues regarding Streamlining the Business Operation of Cross-border RMB Capital Account Items* (國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知), which clarifies that the borrowing by an onshore entity (including a financial institution) of Renminbi loans from an offshore creditor shall in principle follow the current regulations on borrowing foreign debts and the provision by an onshore entity (including a financial institution) of external guarantees in Renminbi shall in principle follow the current regulations on the provision of external guarantees in foreign currencies.

On 13 October 2011, the PBOC issued the *Measures for the Administration on RMB Settlement in Foreign Direct Investment* (外商直接投資人民幣結算職業管理辦法), which has been amended on 29 May 2015, setting out operating procedures for PRC banks to handle RMB settlement relating to RMB Foreign Direct Investment ("**FDI**") and borrowing by foreign invested enterprises of offshore RMB loans. According to the Measures, foreign invested enterprises, whether established or acquired by foreign investors, shall complete the corporate information registration after the completion of relevant RMB FDI transactions, and shall make post-event registration or filing with the PBOC of increases or decreases in registered capital, equity transfers or swaps, merger or acquisition or other changes to registered information.

On 3 December 2013, MOFCOM promulgated the *Notice of the Ministry of Commerce on Issues concerning Cross-border Direct Investment in RMB* (關於跨境人民幣直接投資有關問題的公告). The Notice also requires that the proceeds of cross-border direct investment in RMB may not be directly or indirectly used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in the PRC domestic listed companies through private placements or share transfers by agreement.

On 30 March 2015, SAFE promulgated the *Notices of Reformation on Administration of Settlement of Capital Foreign Exchange of Foreign-invested Enterprises* (關於改革外商投資外匯資本金結匯管理方式的通知(匯發[2015]19號)), which became effective on 1 June 2015. In order to further deepen the reform of the foreign exchange administration system, better satisfy and facilitate the needs of foreign-invested enterprises for business and capital operation, the SAFE has decided to reform the management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises nationwide on the basis of summarising the pilot experience of certain regions in the early days. The key points of this notice set out as the following:

- the foreign exchange capital of foreign-invested enterprises shall be subject to the discretional foreign exchange settlement;
- the capital in Renminbi obtained by foreign-invested enterprises from the discretionary settlement of foreign exchange capital shall be managed under the account pending for foreign exchange settlement payment;
- the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises;
- facilitating foreign-invested enterprises in carrying out domestic equity investment with the capital obtained from foreign exchange settlement;
- further standardising the administration of payment by the capital obtained by foreign exchange settlement;
- administration of the settlement and use of the capital in other foreign exchange accounts under direct investment; and
- further strengthening the ex-post regulation as well as investigation on and punishment against violations by the foreign exchange bureaus.

Previously, Renminbi may only be converted for capital account expenses once the prior approval of the SAFE had been obtained. However, according to the *Circular of the SAFE on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment* (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知(匯發[2015]13號)) issued on 28 February 2015, the SAFE authorised some qualified local banks in the PRC to carry out foreign exchange procedures in relation to inbound and outbound investment from 1 June 2015.

On 26 January 2017, the SAFE issued the *Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance* (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核政策的通知(匯發[2017]3號)) to further advance the reform of foreign exchange administration, such as:

- settlement of domestic foreign exchange loans is allowed for export trade in goods. A domestic institution shall repay loans with the foreign exchange funds received from export trade in goods, rather than, in principle, purchased foreign exchange;
- a debtor may directly or indirectly repatriate the funds under guarantee and use them domestically by, among others, granting loans and making equity investment domestically. Where a bank performs its guarantee obligation under overseas loans with domestic guarantee, relevant foreign exchange settlement and sale shall be managed as the bank's own foreign exchange settlement and sale;
- the deposits absorbed by a domestic bank through its principal international foreign exchange account and allowed to be used domestically are no more than 100 per cent. of the average daily deposit balance in the previous six months as opposed to the former 50 per cent.; and the funds used domestically are not included in the bank's outstanding short-term external debt quota;

- allowing foreign exchange settlement in the domestic foreign exchange accounts of overseas institutions within pilot free trade zones: where funds are repatriated and used domestically after settlement, a domestic bank shall, under the relevant provisions on cross-border transactions, handle such funds by examining the valid commercial documents and vouchers of domestic institutions and domestic individuals; and

- where a domestic institution grants overseas loans, the total of the balance of overseas loans granted in domestic currency and the balance of overseas loans granted in foreign currency shall not exceed 30 per cent. of owner's equity in the audited financial statements of the previous year.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. The PBOC has relaxed the quota control for RQFII, initiated a bond market mutual access scheme between mainland and Hong Kong to allow eligible investors to invest in CIBM and has also expanded the list of foreign investors eligible to directly invest in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In 2018, the China Foreign Exchange Trade System further relaxed qualifications, application materials and the procedures for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

On 23 October 2019, the SAFE promulgated *Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts* (國家外匯管理局關於精簡外匯帳戶的通知,匯發[2019]29號) which became effective on 1 February 2020, according to which, several measures were taken to intensify, for example, "Capital accounts – special account for domestic reinvestment" is included in "capital accounts – foreign exchange capital account".

On the same day, the SAFE issued *Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment* (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知,匯發[2019]28號) in order to further promote the reform of "simplification of administrative procedures and decentralisation of powers, combination of decentralisation and appropriate control, and optimisation of services". It cancelled restrictions on the use of funds in domestic asset realisation accounts for foreign exchange settlement and restrictions on the number of opened foreign exchange accounts under capital accounts.

On 11 November 2022, the PBOC, the SAFE and six other PRC authorities jointly issued *the Notice on the General Plan for the Construction of Science and Technology Innovation and Financial Reform Pilot Zones in Shanghai, Nanjing, Hangzhou, Hefei and Jiaxing* (上海市、南京市、杭州市、合肥市、嘉興市建設科創金融改革試驗區總體方案的通知), which further promotes the innovation on cross-border investment and financing activities in those cities and stresses the macro-prudential management on the monitoring of cross-border capital flows.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated dealer agreement dated 21 November 2023 (the "**Dealer Agreement**"), agreed with the KW Note Issuer, the Guarantor and the Company a basis on which they or any of them may from time to time agree to subscribe the Notes. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Notes*". Under the terms of the Dealer Agreement, in respect of a Tranche of KW Notes, the KW Note Issuer, failing which the Guarantor or, in respect of a Tranche of Direct Issuance Notes, the Company, agrees to pay the relevant Dealer a commission to be agreed between the KW Note Issuer, the Guarantor (in respect of a Tranche of KW Notes), the Company and the relevant Dealer in respect of the Notes subscribed by it. The KW Note Issuer (failing which, the Guarantor) and the Company have agreed to reimburse the Dealers for certain of their expenses incurred in connection with the establishment of the Programme and any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

In addition, a commission may be paid to certain private banks based on the principal amount of the Notes purchased by the clients of such private banks.

The KW Note Issuer, the Guarantor and the Company have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe the Notes in certain circumstances prior to payment for such Notes being made to the KW Note Issuer or the Company.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. The Dealers and certain of their affiliates may have performed (or may in the future perform) certain investment banking and advisory services for the KW Note Issuer, the Guarantor, the Company and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the KW Note Issuer, the Guarantor, the Company and/or their respective affiliates in the ordinary course of their business.

In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the KW Note Issuer, the Guarantor or the Company or their respective subsidiaries, jointly controlled entities or associated companies. In connection with a Tranche of the Notes issued under the Programme, the Dealers or certain of their affiliates may purchase the Notes and allocate the Notes for asset management and/or proprietary purposes but not with a view to distribution. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. Further, the Dealers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the KW Note Issuer, the Guarantor, the Company or their respective subsidiaries or affiliates at the same time as the offer and sale of a Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

Each Dealer has agreed to obtain any consent, approval or permission required by it for the acquisition, offer, sale or delivery by it of Notes under the laws, regulations and directives in force in any jurisdiction to which it is subject or in or from which it makes such acquisition, offer, sale or delivery and none of the KW Note Issuer, the Guarantor, the Company, the Trustee and any other Dealer shall have any responsibility therefor.

IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the KW Note Issuer, the Company, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the KW Note Issuer, the Company, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the KW Note Issuer, the Company, the Guarantor or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the KW Note Issuer, the Company, the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Managers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the KW Note Issuer, the Company, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

SELLING RESTRICTIONS

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including the United States, the European Economic Area, the United Kingdom, the Cayman Islands, the PRC, Hong Kong, Macau, Taiwan, Singapore and Japan, to persons connected therewith. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the KW Note Issuer, the Guarantor and the Company in such jurisdiction.

United States of America

In the case of a Regulation S Category 1 offering, the Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer represents and agrees that it has not offered or sold or, in the case of Bearer Notes, delivered, and shall not offer or sell or, in the case of Bearer Notes, deliver, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes.

In the case of a Regulation S Category 2 offering, the Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer represents and agrees that it has not offered and sold or, in the case of Bearer Notes, delivered, and shall not offer and sell or, in the case of Bearer Notes, deliver, Notes of any Series (i) as part of their distribution at any time; and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer who has subscribed for Notes of a Tranche (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant lead manager) shall determine and certify to the Principal Paying Agent the completion of the distribution of the Notes of such Tranche. Each Dealer and its affiliates also agree that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer(s), in the case of a non-syndicated issue, or the lead manager, in the case of syndicated issue, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

Terms used in the paragraphs above have the meanings given to them by Regulation S.

In addition, unless the Pricing Supplement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "TEFRA C" or "not applicable", each Dealer represents and agrees in relation to a Tranche of Bearer Notes:

(A) except to the extent permitted under rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "Code") (the "**TEFRA D**"):

  (i) it has not offered or sold, and during a 40-day restricted period shall not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person; and

  (ii) it has not delivered and shall not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;

(B) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Bearer Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by TEFRA D;

(C) if it is a United States person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it shall only do so in accordance with the requirements of rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) for purposes of Section 4701 of the Code; and

(D) with respect to each affiliate that acquires from it Bearer Notes for the purpose of offering or selling such Bearer Notes during the restricted period, it either (a) repeats and confirms the representations contained in (A) through (C) above on behalf of such affiliate; or (b) agrees that it shall obtain from such affiliate for the benefit of the KW Note Issuer and the Company the representations contained in (A) through (C) above.

Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA D.

Notes issued pursuant to TEFRA D and any Receipts or Coupons appertaining thereto will bear the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code"

In addition, to the extent that the Pricing Supplement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "TEFRA C", under rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the Code (the "**TEFRA C**"), Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer represents and agrees that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Bearer Notes within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of Notes in bearer form, each Dealer represents and agrees that it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Bearer Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA C.

Each issuance of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the Relevant Dealer(s) shall agree with the KW Note Issuer or the Company as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

EUROPEAN ECONOMIC AREA

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "***EUROPEAN ECONOMIC AREA Prohibition of Sales to EEA Retail Investors***" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Pricing Supplement in respect of any Notes specifies "***EUROPEAN ECONOMIC AREA Prohibition of Sales to EEA Retail Investors***" as "Not Applicable", in relation to each Member State of the European Economic Area (each a "**Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the EU Prospectus Regulation in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, **provided that** any such prospectus has subsequently been completed by the pricing supplement contemplating such Non-exempt Offer, in accordance with the EU Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable, and the issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the KW Note Issuer, the Guarantor and the Company or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

UNITED KINGDOM

Prohibition of sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "*Prohibition of sales to UK Retail Investors*" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

If the Pricing Supplement in respect of any Notes specifies the "*Prohibition of sales to UK Retail Investors*" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the Financial Conduct Authority, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the KW Note Issuer, the Guarantor and the Company or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other UK Regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the KW Note Issuer or the Company;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the KW Note Issuer or the Company; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

CAYMAN ISLANDS

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not made and will not make any invitation, whether directly or indirectly, to the public in the Cayman Islands to offer or sell the Notes.

PRC

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the offer of the Notes is not an offer of securities within the meaning of the Securities Law or other pertinent laws and regulations of the PRC and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

HONG KONG

In relation to a Tranche of Notes to be issued by the KW Note Issuer or the Company under the Programme, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement,

invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

MACAU

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Notes have not been and will not be promoted, distributed, sold or delivered in Macau, or any document relating to the Notes be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act, as approved by Decree Law no. 32/93/M dated 5 July 1993 (the "**FSA**"), and Circulars no. 033/B/2010-DSB/AMCM, no. 009/B/2019-DSB/AMCM and no. 008/B/2021-DSB/AMCM (together, the "**AMCM Guidelines**") and any other laws and regulations in Macau that may apply to the offer and sale of the Notes in Macau. The Notes are registered for offer and sale to professional investors in Macau under the FSA and the AMCM Guidelines, thus may only be offered or sold in Macau, by Macau licensed entities according to the FSA and AMCM Guidelines and upon their communication to the Monetary Authority of Macao ("**AMCM**") and Chongwa (Macao) Financial Asset Exchange Co., Ltd. ("**MOX**") (when applicable), in observation of the guidelines and recommendations issued by the AMCM and the MOX (when applicable) from time to time.

TAIWAN

Each Dealer has represented, warranted and agreed that as the Notes have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other regulatory authority or agency of Taiwan pursuant to relevant securities laws and regulations of Taiwan, it has not offered or sold and will not offer or sell the Notes within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority or agency of Taiwan. No person or entity in Taiwan has been authorised to offer or sell the Notes in Taiwan.

SINGAPORE

Each Dealer has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the Securities and Futures Act)) pursuant to Section 274 of the Securities and Futures Act or (b) to an accredited investor (as defined in Section 4A of the Securities and Futures Act) pursuant to and in accordance with the conditions specified in Section 275 of the Securities and Futures Act.

JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes, directly or indirectly, and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

GENERAL

Each Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular and any other offering or publicity material or any applicable Pricing Supplement. Each Dealer has agreed to obtain any consent, approval or permission required by it for the acquisition, offer, sale or delivery by it of Notes under the laws, regulations and directives in force in any jurisdiction to which it is subject or in or from which it makes such acquisition, offer, sale or delivery and none of the KW Note Issuer, the Guarantor or the Company, the Trustee and any other Dealer shall have any responsibility therefor.

None of the KW Note Issuer, the Guarantor, the Company, the Trustee or any of the Dealers represent that any action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular, any other offering or publicity material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required. With regard to a Tranche, the Relevant Dealer(s) will be required to comply with any additional restrictions agreed between the KW Note Issuer, the Guarantor, the Company and the Relevant Dealer(s) and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

1. **Authorisations:**

   The Company has obtained all necessary consents, approvals and authorisations in connection with the establishment and update of the Programme, the entry of the Keepwell and Asset Purchase Deed, and the performance of its obligations under the Direct Issuance Notes, the Keepwell and Asset Purchase Deed, the Trust Deed and the Agency Agreement. The establishment of the Programme and the entry into of the Keepwell and Asset Purchase Deed was authorised by resolutions of the Board on 16 June 2017, and this update of the Programme was authorised by resolutions of the shareholders on 28 June 2023.

   The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the Guarantee (in respect of the KW Notes), the execution of the Keepwell and Asset Purchase Deed, the Trust Deed and the Agency Agreement. The giving of the Guarantee (in respect of the KW Notes) was authorised by resolutions of the directors of the Guarantor on 23 June 2017. This update of the Programme was authorised by resolutions of the directors of the Guarantor on 20 November 2023.

   The KW Notes Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment and update of the Programme, the issue of the KW Notes thereunder and the performance of its obligations under the KW Notes, the Keepwell and Asset Purchase Deed, the Trust Deed and the Agency Agreement. The establishment of the Programme and the issue of the KW Notes thereunder was authorised by resolutions of the directors of the KW Notes Issuer on 23 June 2017. This update of the Programme and the issue of the KW Notes under the updated Programme documentation was authorised by resolutions of the directors of the KW Note Issuer on 20 November 2023.

2. **Legal Entity Identifier:** The legal entity identifier of the Company is 3003001Y2JXAVQAIZ618. The legal entity identifier of the KW Note Issuer is 549300VM1W749R7UDT24.

3. **No Material Adverse Change:** Save as disclosed (i) in the announcements published on or after 1 July 2023 on the Hong Kong Stock Exchange and (ii) in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Company, the Guarantor and the Group since 30 June 2023. There has been no material adverse change in the financial or trading position or prospects of the KW Note Issuer since its date of incorporation.

4. **Litigation:** None of the KW Note Issuer, the Guarantor, the Company or any other member of the Group is involved in any litigation or arbitration proceedings that the KW Note Issuer, the Guarantor or the Company, as the case may be, believes are material in the context of the establishment of the Programme or the issue of Notes thereunder, nor is any of the KW Note Issuer, the Guarantor or the Company aware that any such proceedings are pending or threatened.

5. **Available Documents:** Copies of the following documents will be available for inspection (upon written request and satisfactory proof of holding) from the date of this Offering Circular at the Company's principal place of business at CDB Financial Centre, No. 2003 Fuzhong Third Rd., Lianhua Street, Futian District 518000, Shenzhen, PRC during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), so long as any of the Notes issued under the Programme is outstanding:

   (a) the Company's Audited Consolidated Financial Statements;

   (b) the Guarantor's Audited Consolidated Financial Statements;

   (c) the Company's 2023 Reviewed Consolidated Interim Financial Statements;

   (d) the Trust Deed;

(e) the Agency Agreement;

(f) the Keepwell and Asset Purchase Deed;

(g) the memorandum and articles of association of the KW Note Issuer;

(h) the memorandum and articles of association of the Guarantor;

(i) the Articles of Association of the Company;

(j) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the KW Note Issuer, the Company or the Trustee as to its holding of Notes and identity);

(k) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced;

(l) the Operating and Administrative Procedures Memorandum; and

(m) the Data Privacy Notice.

6. Financial Statements:

The Company's Audited Consolidated Financial Statements have been audited by Ernst & Young, the Company's independent auditor for the years 2021 and 2022, as stated in their reports appearing therein. The Company's 2021 Audited Consolidated Financial Statements and the Company's 2022 Audited Consolidated Financial Statements have been included in F-84 to F-133 and F-34 to F-83, respectively in this Offering Circular.

The Company's 2023 Reviewed Consolidated Interim Financial Statements have been reviewed by BDO, the Company's independent auditor for the six months ended 30 June 2023, as stated in their reports appearing therein. The Company's 2023 Reviewed Consolidated Interim Financial Statements have been included in F-3 to F-33 in this Offering Circular.

The Guarantor's Audited Consolidated Financial Statements have been audited by Ernst & Young, the Guarantor's independent auditor for the years 2021 and 2022, as stated in their reports appearing therein. The Guarantor's 2021 Audited Consolidated Financial Statements and the Guarantor's 2022 Audited Consolidated Financial Statements have been included in F-204 to F-327 and F-138 to F-199, respectively in this Offering Circular.

7. Listing: Application has been made to the Hong Kong Stock Exchange for the listing of the Programme, under which Notes may be issued by way of debt issues to Professional Investors only within the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. Notes to be listed on the Hong Kong Stock Exchange are required to be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies). Separate application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes which are agreed at the time of issue to be so listed on the Hong Kong Stock Exchange. There can be no assurance that the application will be approved.

INDEX TO FINANCIAL STATEMENTS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022[(4)]

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021[(5)]

Notes:

(1) References to page numbers in the interim condensed consolidated financial statements of the Company are to the original page numbers in the Company's 2023 Reviewed Consolidated Interim Financial Statements, and cross references to page numbers included in the interim condensed financial statements of the Company are to such original page numbering.

(2) References to page numbers in the audited consolidated financial statements of the Company are to the original page numbers in the Company's 2022 Audited Consolidated Financial Statements, and cross references to page numbers included in the audited financial statements of the Company are to such original page numbering.

(3) References to page numbers in the audited consolidated financial statements of the Company are to the original page numbers in the Company's 2021 Audited Consolidated Financial Statements, and cross references to page numbers included in the audited financial statements of the Company are to such original page numbering.

(4) References to page numbers in the audited consolidated financial statements of the Guarantor are to the original page numbers in the Guarantor's 2022 Audited Consolidated Financial Statements, and cross references to page numbers included in the audited financial statements of the Guarantor are to such original page numbering.

(5) References to page numbers in the audited consolidated financial statements of the Guarantor are to the original page numbers in the Guarantor's 2021 Audited Consolidated Financial Statements, and cross references to page numbers included in the audited financial statements of the Guarantor are to such original page numbering.

TO THE BOARD OF DIRECTORS OF CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.

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

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 107 to 136, which comprises the condensed consolidated statement of financial position of China Development Bank Financial Leasing Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

BDO Limited

Certified Public Accountants

Hong Kong

31 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited For the six months ended 30 June 2023 RMB'000	2022 RMB'000
Revenue			
Finance lease income	4	5,296,753	5,134,619
Operating lease income	4	5,510,197	6,425,283
Total revenue		10,806,950	11,559,902
Net investment gains	5	118,031	6,632
Other income, gains or losses	6	922,117	868,184
Total revenue and other income		11,847,098	12,434,718
Depreciation and amortisation	7	(2,896,375)	(2,541,914)
Staff costs	8	(221,336)	(270,526)
Fee and commission expenses	9	(41,149)	(26,764)
Interest expense	10	(4,834,889)	(3,956,755)
Other operating expenses	11	(755,109)	(658,453)
Net impairment losses on financial assets	12	(287,833)	(1,487,255)
Net impairment losses on other assets	13	(177,201)	(824,845)
Total expenses		(9,213,892)	(9,766,512)
Profit before tax		2,633,206	2,668,206
Income tax expense	14	(672,958)	(718,490)
Profit for the period attributable to owners of the Company		1,960,248	1,949,716
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– Basic	15	0.16	0.15
– Diluted	15	0.16	0.15

The accompanying notes form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Profit for the period	1,960,248	1,949,716
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Gains on financial assets at fair value through other comprehensive income, net of tax	10,097	14,040
(Losses)/gains on cash flow hedges, net of tax	(68,722)	877,746
Currency translation differences	423,963	542,802
Total other comprehensive income for the period, net of tax	365,338	1,434,588
Total comprehensive income for the period attributable to owners of the Company	2,325,586	3,384,304

The accompanying notes form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Assets			
Cash and bank balances	16	21,248,114	29,760,725
Financial assets at fair value through profit or loss (FVTPL)	17	168,357	131,894
Derivative financial assets	18	809,711	840,778
Financial assets at fair value through other comprehensive income (FVOCI)	19	1,375,088	1,464,986
Accounts receivable	20	2,168,183	3,487,733
Finance lease receivables	21	202,132,437	193,494,283
Assets held-for-sale	22	–	364,578
Prepayments	23	12,289,396	11,551,036
Investment properties	24	1,107,039	1,041,945
Property and equipment	25	116,244,987	106,524,461
Right-of-use assets	26	133,265	141,184
Deferred tax assets	27	2,019,821	1,831,030
Other assets	28	4,289,663	4,082,614
Total assets		363,986,061	354,717,247
Liabilities			
Borrowings	29	247,342,470	246,882,657
Due to banks and other financial institutions		10,566,126	11,230,725
Financial assets sold under repurchase agreements		1,307,466	429,914
Derivative financial liabilities	18	451,803	28,283
Accrued staff costs	30	208,970	263,800
Bonds payable	31	35,884,204	36,872,054
Tax payable		425,957	769,122
Lease liabilities	26	144,911	147,234
Deferred tax liabilities	27	941,130	1,541,095
Other liabilities	32	31,109,315	22,268,918
Total liabilities		328,382,352	320,433,802
Equity			
Share capital	33	12,642,380	12,642,380
Capital reserve		2,418,689	2,418,689
Hedging and fair value reserve	34	637,967	696,592
Translation reserve		930,932	506,969
General reserve	35	6,792,264	6,792,264
Retained earnings	36	12,181,477	11,226,551
Total equity		35,603,709	34,283,445
Total liabilities and equity		363,986,061	354,717,247

The financial statements and the accompanying notes were approved by the board of directors on 31 August 2023 and were signed on its behalf.

MA Hong

HUANG Min

The accompanying notes form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited						
		Attributable to the equity holders of the Company						
	Notes	Share capital	Capital reserve	Hedging and fair value reserve	Translation reserve	General reserve	Retained earnings	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023		12,642,380	2,418,689	696,592	506,969	6,792,264	11,226,551	34,283,445
Profit for the period		–	–	–	–	–	1,960,248	1,960,248
Other comprehensive income for the period		–	–	(58,625)	423,963	–	–	365,338
Total comprehensive income for the period		–	–	(58,625)	423,963	–	1,960,248	2,325,586
Dividends	37	–	–	–	–	–	(1,005,322)	(1,005,322)
As at 30 June 2023		12,642,380	2,418,689	637,967	930,932	6,792,264	12,181,477	35,603,709
As at 1 January 2022		12,642,380	2,418,689	(459,909)	(338,774)	6,235,767	9,608,601	30,106,754
Profit for the period		–	–	–	–	–	1,949,716	1,949,716
Other comprehensive income for the period		–	–	891,786	542,802	–	–	1,434,588
Total comprehensive income for the period		–	–	891,786	542,802	–	1,949,716	3,384,304
Dividends	37	–	–	–	–	–	(1,176,626)	(1,176,626)
As at 30 June 2022		12,642,380	2,418,689	431,877	204,028	6,235,767	10,381,691	32,314,432

The accompanying notes form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Unaudited	
		For the six months ended 30 June	
	Notes	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES			
Profit before tax		2,633,206	2,668,206
Adjustments for:			
Bonds payable interest expense	10	577,814	645,484
Lease liabilities interest expense	26(c)	3,466	3,683
Depreciation and amortisation	7	2,896,375	2,541,914
Net impairment losses on financial assets	12	287,833	1,487,255
Net impairment losses on other assets	13	177,201	824,845
Gains on disposal of equipment held for operating lease businesses	6	(89,583)	(183,145)
Loss on disposal of equipment held for administrative purposes		–	33
Gains on disposal of finance lease receivables	5	(1,920)	(16,891)
Realised gains from derivatives	5	(57,422)	–
Realised gains from FVOCI	5	(6,767)	(12,167)
Realised gains from FVTPL	5	(4,437)	–
Unrealised fair value changes in derivatives	5	(64,652)	(320)
Unrealised fair value changes in FVTPL	5	17,167	22,746
Foreign exchange losses from derivatives		437,862	118,631
Operating cash flows before movements in working capital		6,806,143	8,100,274
(Increase)/decrease in mandatory reserve deposits with central bank		(28,564)	20,737
Decrease in accounts receivable		1,358,023	279,087
(Increase)/decrease in finance lease receivables		(1,184,848)	849,747
Increase in other assets		(738,425)	(1,016,854)
Decrease in borrowings		(2,935,165)	(5,835,583)
(Decrease)/increase in due to banks and other financial institutions		(774,956)	2,123,032
Increase in financial assets sold under repurchase agreements		860,970	940,000
Decrease in accrued staff costs		(54,830)	(24,684)
Increase/(decrease) in other liabilities		836,781	(966,228)
Cash flows from operating activities		4,145,129	4,469,528
Income taxes paid		(1,808,640)	(1,463,066)
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,336,489	3,006,462
INVESTING ACTIVITIES			
Changes in pledged and restricted bank deposits		409,913	692,813
Proceeds from disposal/maturity of FVTPL		60,272	(11,306)
Proceeds from disposal/maturity of FVOCI and others		1,001,465	1,025,781
Proceeds from disposal of property and equipment		649,195	792,883
Purchase of FVOCI		(889,418)	(984,690)
Purchase of property and equipment		(9,120,926)	(8,860,874)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(7,889,499)	(7,345,393)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

		Unaudited	
		For the six months ended 30 June	
	Notes	2023	2022
		RMB'000	RMB'000
FINANCING ACTIVITIES			
Proceeds from issue of bonds		3,537,682	6,108,664
Repayments of bonds		(5,801,355)	(7,155,129)
Bonds interest paid		(585,616)	(628,709)
Decrease in lease liabilities		(7,255)	(19,837)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(2,856,544)	(1,695,011)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,409,554)	(6,033,942)
Effect of foreign exchange changes		278,292	422,714
Cash and cash equivalents at beginning of the period		24,660,800	30,196,765
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	39	16,529,538	24,585,537
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		5,696,969	5,329,469
Interest paid, exclusive bonds payable interest expenses		(3,899,155)	(3,465,980)
Net interest received		1,797,814	1,863,489

The accompanying notes form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 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 aircraft leasing, ship leasing, regional development leasing, inclusive finance, green energy and high-end equipment leasing, transfers of finance lease assets and lease-related financial business.

This interim condensed consolidated financial information for the six months ended 30 June 2023 ("Interim Financial Information") is presented in Renminbi ("RMB"), which is also the functional currency of the Company, unless otherwise stated.

The Interim Financial Information has been reviewed, not audited.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Interim Financial Information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which have been measured at fair value.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the following revised IFRSs for the first time for the current period's financial information.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

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

4 TOTAL REVENUE

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance lease income	5,296,753	5,134,619
Operating lease income	5,510,197	6,425,283
	10,806,950	11,559,902

5 NET INVESTMENT GAINS

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Realised gains from financial assets at fair value through other comprehensive income	6,767	12,167
Realised gains from financial assets at fair value through profit or loss	4,437	–
Realised gains from disposal of finance lease receivables	1,920	16,891
Realised gains from derivatives	57,422	–
Unrealised fair value change of derivatives	64,652	320
Unrealised fair value change of financial assets at fair value through profit or loss	(17,167)	(22,746)
	118,031	6,632

6 OTHER INCOME, GAINS OR LOSSES

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income from deposits with financial institutions	409,336	197,948
Gains on disposal of assets held for operating lease businesses, net	89,583	183,145
Government grants and incentives	55,748	45,706
Management and commission fee income	354,847	360,380
Foreign exchange (losses)/gains, net	(67,335)	45,722
Others	79,938	35,283
	922,117	868,184

7 DEPRECIATION AND AMORTISATION

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	2,835,007	2,477,910
Depreciation of investment properties	20,185	19,539
Depreciation of right-of-use assets	14,034	13,366
Amortisation of lease premium assets	13,820	20,962
Amortisation of land use rights	4,700	2,248
Amortisation of other intangible assets	8,629	7,889
	2,896,375	2,541,914

8 STAFF COSTS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	170,907	217,077
Social welfare [(1)]	36,003	39,436
Defined contribution plans – annuity schemes [(2)]	11,901	11,465
Others	2,525	2,548
	221,336	270,526

(1) According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred. The domestic employees of the Group in the PRC participate in a state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, operated by the relevant municipal and provincial governments.

(2) In addition to the social welfare plans, the Group also provides annuity schemes or defined contribution plans for certain qualified employees. The employees' and the Group's contributions for the annuity schemes or defined contribution plans are calculated based on a certain percentage of employees' salaries and recognised in profit or loss as expenses. The assets of the scheme are held separately from those of the Group. The Group cannot withdraw or utilise its fund contributions made to the annuity schemes or defined contribution plans under any circumstance.

9 FEE AND COMMISSION EXPENSES

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Business collaboration fee for leasing projects	22,747	10,750
Bank charges	18,402	16,014
	41,149	26,764

10 INTEREST EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Borrowings	4,226,358	3,229,852
Bonds payable	577,814	645,484
Due to banks and other financial institutions	146,964	93,670
Financial assets sold under repurchase agreements	12,652	6,421
Others	132,061	53,673
Less: Interest capitalised on qualifying assets	(260,960)	(72,345)
	4,834,889	3,956,755

Interest capitalised on qualifying assets in the six months ended 30 June 2023 included RMB260,960 thousand (2022: RMB72,345 thousand) on prepayments.

11 OTHER OPERATING EXPENSES

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Service fees of operating lease ship business	344,924	350,173
Taxes and surcharges	32,712	31,810
Business travel and transportation expenses	16,911	7,263
Auditor's remuneration	5,983	7,091
Lease payments not included in the measurement of lease liabilities	5,035	4,594
Expenses and losses associated with repossession and maintenance of aircraft	82,559	57,150
Sundry expenses	266,985	200,372
	755,109	658,453

12 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance lease receivables	411,549	1,517,501
Accounts receivable	13,407	(217,553)
Straightline lease asset	(149,154)	187,307
Other receivables	12,031	–
	287,833	1,487,255

13 NET IMPAIRMENT LOSSES ON OTHER ASSETS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Equipment held for operating lease businesses	171,546	822,580
Assets held-for-sale	5,655	–
Aircraft supplementary assets	–	2,265
	177,201	824,845

14 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	1,466,027	1,509,628
Income tax in other countries	3,225	3,422
Deferred income tax	(796,397)	(806,811)
Under provision in prior period	103	12,251
	672,958	718,490

The applicable enterprise income tax rate is 25% (2022: 25%) for the Company and its subsidiaries established in mainland China, except for certain subsidiaries which are subject to the preferential tax treatments, 16.5% (2022: 16.5%) for subsidiaries in Hong Kong, and 12.5% (2022:12.5%) for subsidiaries in Ireland. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	2,633,206	2,668,206
Tax at the statutory tax rate of 25%	658,302	667,052
Effect of different tax rates of group entities operating in jurisdictions other than PRC	9,157	37,620
Tax effect of expenses not deductible for tax purpose	2,401	3,798
Tax losses and deductible temporary difference not recognised	2,995	–
Utilisation of previously unrecognised tax losses	–	(2,231)
Under provision in prior period	103	12,251
Income tax expense for the period	672,958	718,490

15 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to owners of the Company (RMB'000)	1,960,248	1,949,716
Number of shares:		
Weighted average number of shares in issue ('000)	12,642,380	12,642,380
Basic earnings per share (RMB) [1]	0.16	0.15

[1] Basic earnings per share amounts are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and the six months ended 30 June 2022, respectively.

Diluted earnings per share amounts are the same as basic earnings per share amounts due to the absence of dilutive potential ordinary share during the six months ended 30 June 2023 and the six months ended 30 June 2022.

16 CASH AND BANK BALANCES

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Pledged and restricted bank deposits [1]	2,510,807	2,435,561
Mandatory reserve deposits with central bank [2]	394,610	366,046
Surplus reserve deposits with central bank [3]	178,773	179,769
Cash and bank balances	18,163,924	26,779,349
	21,248,114	29,760,725

[1] The bank deposits amounting to approximately RMB2,347,547 thousand were pledged as collateral for the Group's bank borrowings as at 30 June 2023 (31 December 2022: RMB2,262,687 thousand) (Note 29).

The bank deposits amounting to approximately RMB163,260 thousand (31 December 2022: RMB172,874 thousand) were restricted for use, among which approximately RMB44,000 thousand was in relation to the notes payable as at 30 June 2023 (31 December 2022: RMB44,000 thousand), and RMB119,260 thousand was in relation to others as at 30 June 2023 (31 December 2022: RMB128,874 thousand).

[2] The Group places mandatory reserve deposits in the PBOC, which include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

[3] Surplus reserve deposits primarily represent deposits maintained with the PBOC in addition to the mandatory reserve deposits.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Measured at fair value:		
Equity investment, listed	34,280	14,034
Equity investment, unlisted	94,936	117,860
Debt instrument	39,141	–
	168,357	131,894

18 DERIVATIVE FINANCIAL INSTRUMENTS

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

	30 June 2023		
	Contractual/ Nominal amount RMB'000 (Unaudited)	Fair value Assets RMB'000 (Unaudited)	Fair value Liabilities RMB'000 (Unaudited)
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	17,103,058	726,520	–
Derivatives not under hedge accounting:			
Interest rate swaps	6,437,628	67,719	–
Foreign exchange swaps	5,238,705	13,681	(179,338)
Cross currency swaps	10,692,696	1,791	(272,465)
	39,472,087	809,711	(451,803)

	31 December 2022		
	Contractual/ Nominal amount RMB'000 (Audited)	Fair value Assets RMB'000 (Audited)	Fair value Liabilities RMB'000 (Audited)
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	17,396,951	797,740	–
Derivatives not under hedge accounting:			
Currency forwards	139,292	–	(1,280)
Cross currency swaps	6,496,079	22,947	(27,003)
Foreign exchange swaps	905,398	20,091	–
	24,937,720	840,778	(28,283)

The fair values of interest rate swaps, cross currency swaps, foreign exchange 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 that are assessed by the Group to be highly effective hedges.

18 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 contracts with the terms of borrowing 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 being hedged) is determined to be 1:1. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the borrowings and the hedging instruments;
- Different interest rate curves applied to discount the hedged items and hedging instruments; and
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments.

Unaudited	Outstanding notional amounts	Assets/ (Liabilities)	USD interest rates (p.a.)	Foreign currency rates	Maturity (Year)
30 June 2023					
Cash flow hedge					
Interest rate swaps [(1)]					
USD	17,103,058	726,520	0.2680% to 3.2030%	–	2023 to 2028

Audited	Outstanding notional amounts	Assets/ (Liabilities)	USD interest rates (p.a.)	Foreign currency rates	Maturity (Year)
31 December 2022					
Cash flow hedge					
Interest rate swaps					
USD	17,396,951	797,740	0.2680% to 3.2030%	–	2023 to 2028

(1) The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from related borrowings which are pegged to USD London Inter-bank Offered Rates("LIBOR") or Secured Overnight Financing Rate ("SOFR"). Under these interest rate swaps, the Group receives floating interest pegged to USD LIBOR or USD SOFR and pays fixed interest. These hedges are classified as cash flow hedges and the effectiveness of the fair value changes of these interest rate swaps is recognised in hedging reserve, amounting to RMB (68,722) thousand during the period (2022: RMB894,174 thousand), net-of-tax, and the hedge ineffectiveness is recognised in profit or loss, which is immaterial in the period of 2023 and 2022.

Interest rate benchmark reform

Following the decision by global regulators to phase out the existing interest rate benchmarks and replace them with Risk Free Rates ("RFRs"), the Group is evaluating the impact on its existing hedge relationships. The Group has adopted the temporary reliefs provided by the amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform which enable the hedge accounting of the Group to continue during the period of uncertainty, which is before the replacement of an existing interest rate benchmark with an RFR.

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.

As at 30 June 2023 (Unaudited)

	Nominal amount	Weighted average remain maturity (Years)
Interest rate swap:		
USD LIBOR (3 months)	15,117,408	1.72
USD LIBOR (6 months)	179,200	0.42
	15,296,608	

As at 31 December 2022 (Audited)

	Nominal amount	Weighted average remain maturity (Years)
Interest rate swap:		
USD LIBOR (3 months)	17,197,067	2.3
USD LIBOR (6 months)	199,884	0.9
	17,396,951	

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Measured at fair value:		
Debt instrument	885,003	–
Certificates of deposit	490,085	1,464,986
	1,375,088	1,464,986

20 ACCOUNTS RECEIVABLE

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Operating lease receivables [(1)]	2,122,417	1,719,859
Advances for finance lease projects [(2)]	766,383	2,489,752
Other accounts receivable	112,113	67,463
	3,000,913	4,277,074
Less: Allowances for impairment losses		
– Allowances for operating lease receivables	(818,560)	(756,502)
– Allowance for advances for finance lease projects	(8,809)	(28,791)
– Allowance for other accounts receivable	(5,361)	(4,048)
	2,168,183	3,487,733

(1) Maturity analysis of the operating lease receivables as at the end of the reporting period, based on the receivables due date and net of loss allowance, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
On demand/Deferred	739,785	308,283
Overdue within 1 month	211,340	278,452
Overdue 1 to 2 months	17,768	28,062
Overdue 2 to 3 months	13,608	12,527
Overdue over 3 months	321,356	336,033
	1,303,857	963,357

(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 is 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 not meaningful.

The advances for finance lease projects with a carrying amount of approximately RMB757,574 thousand were pledged as collateral for the Group's bank borrowings as at 30 June 2023 (31 December 2022: RMB464,480 thousand) (Note 29).

Movements of accounts receivable for the six months ended 30 June 2023 and the year ended 31 December 2022 are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Gross amount					
Amount as at 1 January 2023	2,557,215	–	–	1,719,859	4,277,074
Net (decrease)/increase	(1,712,946)	–	–	327,478	(1,385,468)
Written-off	–	–	–	(20)	(20)
Effect of foreign currency exchange differences	34,227	–	–	75,100	109,327
Amount as at 30 June 2023	878,496	–	–	2,122,417	3,000,913

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Gross amount					
Amount as at 1 January 2022	13,902	–	–	2,338,378	2,352,280
Net increase/(decrease)	2,497,375	–	–	(728,758)	1,768,617
Written-off	–	–	–	(72,211)	(72,211)
Effect of foreign currency exchange differences	45,938	–	–	182,450	228,388
Amount as at 31 December 2022	2,557,215	–	–	1,719,859	4,277,074

20 ACCOUNTS RECEIVABLE (Continued)

Movements of allowances for impairment losses during the six months ended 30 June 2023 and the year ended 31 December 2022 are as follows:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Allowance for impairment losses					
Amount as at 1 January 2023	32,839	–	–	756,502	789,341
(Recovered)/charge for the period	(18,976)	–	–	32,383	13,407
Written-off	–	–	–	(20)	(20)
Effect of foreign currency exchange differences	307	–	–	29,695	30,002
Amount as at 30 June 2023	14,170	–	–	818,560	832,730

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Allowance for impairment losses					
Amount as at 1 January 2022	–	–	–	1,107,223	1,107,223
Charge/(recovered) for the year	32,415	–	–	(365,131)	(332,716)
Written-off	–	–	–	(72,211)	(72,211)
Effect of foreign currency exchange differences	424	–	–	86,621	87,045
Amount as at 31 December 2022	32,839	–	–	756,502	789,341

21 FINANCE LEASE RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Finance lease receivables		
Not later than one year	61,162,331	60,829,809
Later than one year and not later than five years	137,686,619	130,697,442
Later than five years	49,192,672	44,249,417
Gross amount of finance lease receivables	248,041,622	235,776,668
Less: Unearned finance income	(36,919,558)	(33,743,782)
Present value of minimum finance lease receivables	211,122,064	202,032,886
Less: Allowances for impairment losses	(8,989,627)	(8,538,603)
Carrying amount of finance lease receivables	202,132,437	193,494,283
Present value of minimum finance lease receivables		
Not later than one year	51,083,450	51,311,657
Later than one year and not later than five years	118,382,806	112,880,748
Later than five years	41,655,808	37,840,481
	211,122,064	202,032,886

The Group entered into finance lease arrangements for certain of its aircraft, ship equipment for infrastructure, transport and construction vehicle. The term range of finance leases is from 1 to 18 years.

The finance lease receivables with a carrying amount of approximately RMB1,314,145 thousand were pledged as collateral for the Group's bank borrowings as at 30 June 2023 (31 December 2022: RMB2,727,320 thousand) (Note 29).

As at 30 June 2023, finance lease receivables with the carrying value of approximately RMB6,816,767 thousand were continued to be recognised under factoring arrangements entered into by the Group (31 December 2022: RMB7,729,097 thousand) (Note 38).

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

21 FINANCE LEASE RECEIVABLES (Continued)

Movements between stages during the six months ended 30 June 2023 and the year ended 31 December 2022 within finance lease receivables are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Present value of minimum finance lease receivables				
Amount as at 1 January 2023	173,644,606	26,893,268	1,495,012	202,032,886
Movement within stages:				
Move to stage 1	1,058,506	(1,058,506)	–	–
Move to stage 2	(3,561,338)	4,226,760	(665,422)	–
Move to stage 3	–	(1,010,719)	1,010,719	–
Net assets originated/(repayment)	10,018,571	(1,409,799)	(12,237)	8,596,535
Recovery of finance lease receivables written off	–	–	176	176
Effect of foreign currency exchange differences and others	491,215	–	1,252	492,467
Amount as at 30 June 2023	181,651,560	27,641,004	1,829,500	211,122,064

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Present value of minimum finance lease receivables				
Amount as at 1 January 2022	178,257,871	19,144,924	1,059,048	198,461,843
Movement within stages:				
Move to stage 1	2,026,760	(2,026,760)	–	–
Move to stage 2	(10,813,324)	10,813,324	–	–
Move to stage 3	–	(665,422)	665,422	–
Net assets originated/(repayment)	3,127,937	166,279	(28,655)	3,265,561
Transfer/written-off	–	(550,552)	(215,663)	(766,215)
Effect of foreign currency exchange differences	1,045,362	11,475	14,860	1,071,697
Amount as at 31 December 2022	173,644,606	26,893,268	1,495,012	202,032,886

Movements of allowances for impairment losses on finance lease receivables during the six months ended 30 June 2023 and the year ended 31 December 2022 are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Allowance for impairment losses				
Amount as at 1 January 2023	3,627,708	3,429,895	1,481,000	8,538,603
Movement within stages:				
Move to stage 1	54,840	(54,840)	–	–
Move to stage 2	(454,753)	776,403	(321,650)	–
Move to stage 3	–	(454,840)	454,840	–
Charge/(recovered) for the period	337,563	292,504	(218,518)	411,549
Recovery of finance lease receivables written off	–	–	176	176
Effect of foreign currency exchange differences	38,047	–	1,252	39,299
Amount as at 30 June 2023	3,603,405	3,989,122	1,397,100	8,989,627

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Allowance for impairment losses				
Amount as at 1 January 2022	3,085,915	3,504,853	999,522	7,590,290
Movement within stages:				
Move to stage 1	245,076	(245,076)	–	–
Move to stage 2	(309,870)	309,870	–	–
Move to stage 3	–	(367,150)	367,150	–
Charge for the year	553,150	365,808	323,172	1,242,130
Transfer/written-off	–	(147,548)	(215,663)	(363,211)
Effect of foreign currency exchange differences	53,437	9,138	6,819	69,394
Amount as at 31 December 2022	3,627,708	3,429,895	1,481,000	8,538,603

22 ASSETS HELD-FOR-SALE

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Aircraft	–	364,578

23 PREPAYMENTS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Prepayments for operating lease assets purchases [1]	12,289,396	11,551,036

[1] As at 30 June 2023, the balance of prepayments to Airbus S.A.S. and the Boeing Company are amounted to RMB6,395 million (31 December 2022: RMB6,714 million) and RMB2,188 million (31 December 2022: RMB1,836 million), respectively.

24 INVESTMENT PROPERTIES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cost		
At the beginning of the period/year	1,721,808	1,407,210
Disposals/written-off	–	(27,355)
Transfer from repossessed assets	–	344,734
Transfer from property and equipment	101,260	–
Transfer to property and equipment	–	(2,781)
At the end of the period/year	1,823,068	1,721,808
Accumulated depreciation		
At the beginning of the period/year	(256,113)	(225,022)
Charged for the period/year	(20,185)	(31,282)
Transfer from property and equipment	(15,981)	–
Transfer to property and equipment	–	191
At the end of the period/year	(292,279)	(256,113)
Accumulated impairment		
At the beginning of the period/year	(423,750)	(277,878)
Transfer from repossessed assets	–	(145,872)
At the end of the period/year	(423,750)	(423,750)
Net carrying amount		
At the beginning of the period/year	1,041,945	904,310
At the end of the period/year	1,107,039	1,041,945

The Group recognised the operating lease income of approximately RMB61,433 thousand and RMB64,478 thousand from investment properties in the six months ended 30 June 2023 and 2022, respectively.

25 PROPERTY AND EQUIPMENT

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Equipment held for operating lease businesses	115,625,059	105,799,049
Property and equipment held for administrative purposes	619,928	725,412
	116,244,987	106,524,461

25 PROPERTY AND EQUIPMENT (Continued)

Equipment held for operating lease businesses

Unaudited	Aircraft RMB'000	Ships RMB'000	Special equipment RMB'000	Total RMB'000
Cost				
As at 1 January 2023	101,421,149	34,765,299	65,133	136,251,581
Additions	4,872,871	3,731,938	206,328	8,811,137
Transferred from assets held-for-sale	382,192	–	–	382,192
Disposals/written-off	(1,127,628)	–	–	(1,127,628)
Other [(1)]	3,910,497	1,430,425	–	5,340,922
As at 30 June 2023	109,459,081	39,927,662	271,461	149,658,204
Accumulated depreciation				
As at 1 January 2023	(20,496,108)	(3,506,877)	(1,035)	(24,004,020)
Charge for the period	(1,897,621)	(913,350)	(3,931)	(2,814,902)
Transferred from assets held-for-sale	(18,662)	–	–	(18,662)
Disposals/written-off	568,687	–	–	568,687
Other [(1)]	(801,454)	(169,108)	–	(970,562)
As at 30 June 2023	(22,645,158)	(4,589,335)	(4,966)	(27,239,459)
Accumulated impairment				
As at 1 January 2023	(5,873,447)	(575,065)	–	(6,448,512)
Charge for the period	(171,546)	–	–	(171,546)
Disposals/written-off	35,204	–	–	35,204
Other [(1)]	(187,265)	(21,567)	–	(208,832)
As at 30 June 2023	(6,197,054)	(596,632)	–	(6,793,686)
Net carrying amount				
As at 1 January 2023	75,051,594	30,683,357	64,098	105,799,049
As at 30 June 2023	80,616,869	34,741,695	266,495	115,625,059

Audited	Aircraft RMB'000	Ships RMB'000	Special equipment RMB'000	Total RMB'000
Cost				
As at 1 January 2022	82,403,395	28,270,238	264,035	110,937,668
Additions	13,015,080	4,570,969	65,133	17,651,182
Transfer from finance lease receivables	–	550,552	–	550,552
Disposals/written-off	(3,701,526)	(671,062)	(264,035)	(4,636,623)
Other [(1)]	9,704,200	2,044,602	–	11,748,802
As at 31 December 2022	101,421,149	34,765,299	65,133	136,251,581
Accumulated depreciation				
As at 1 January 2022	(13,957,441)	(1,756,134)	(187,633)	(15,901,208)
Charged for the year	(3,626,478)	(1,597,652)	(1,033)	(5,225,163)
Disposals/written-off	260,083	305,853	187,631	753,567
Other [(1)]	(3,172,272)	(458,944)	–	(3,631,216)
As at 31 December 2022	(20,496,108)	(3,506,877)	(1,035)	(24,004,020)
Accumulated impairment				
As at 1 January 2022	(2,641,731)	(324,432)	–	(2,966,163)
Charged for the year	(2,953,231)	(74,622)	–	(3,027,853)
Transfer from finance lease receivables	–	(147,548)	–	(147,548)
Disposals/written-off	67,340	61,527	–	128,867
Other [(1)]	(345,825)	(89,990)	–	(435,815)
As at 31 December 2022	(5,873,447)	(575,065)	–	(6,448,512)
Net carrying amount				
As at 1 January 2022	65,804,223	26,189,672	76,402	92,070,297
As at 31 December 2022	75,051,594	30,683,357	64,098	105,799,049

(1) Other is mainly foreign currency translation.

As at 30 June 2023, the equipment held for operating lease businesses of the Group with net book values of approximately RMB39,436,795 thousand (31 December 2022: RMB38,797,903 thousand) and RMB1,098,456 thousand (31 December 2022: RMB1,092,143 thousand) were pledged as collateral for the Group's bank borrowings (Note 29) and long-term payables, respectively.

25 PROPERTY AND EQUIPMENT (Continued)

Property and equipment held for administrative purposes

Unaudited	Buildings	Computers and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
As at 1 January 2023	715,599	61,816	5,472	61,783	61,522	906,192
Additions	–	9,453	–	128	–	9,581
Transfer to investment properties	(101,260)	–	–	–	–	(101,260)
Disposals/written-off	–	(11,378)	–	–	–	(11,378)
Other [1]	–	423	–	504	2,026	2,953
As at 30 June 2023	614,339	60,314	5,472	62,415	63,548	806,088
Accumulated depreciation						
As at 1 January 2023	(99,667)	(36,197)	(4,466)	(19,399)	(21,051)	(180,780)
Charge for the period	(7,850)	(5,634)	(273)	(4,800)	(1,548)	(20,105)
Transfer to investment properties	15,981	–	–	–	–	15,981
Disposals/written-off	–	255	–	–	–	255
Other [1]	–	(401)	–	(472)	(638)	(1,511)
As at 30 June 2023	(91,536)	(41,977)	(4,739)	(24,671)	(23,237)	(186,160)
Net carrying amount						
As at 1 January 2023	615,932	25,619	1,006	42,384	40,471	725,412
As at 30 June 2023	522,803	18,337	733	37,744	40,311	619,928

Audited	Buildings	Computers and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
As at 1 January 2022	786,158	33,921	5,472	19,066	71,627	916,244
Additions	–	30,116	–	42,345	35	72,496
Transfer from investment properties	2,781	–	–	–	–	2,781
Disposals/written-off	(73,340)	(3,321)	–	(261)	(14,787)	(91,709)
Other [1]	–	1,100	–	633	4,647	6,380
As at 31 December 2022	715,599	61,816	5,472	61,783	61,522	906,192
Accumulated depreciation						
As at 1 January 2022	(89,466)	(17,675)	(3,865)	(14,192)	(31,622)	(156,820)
Charged for the year	(10,229)	(17,690)	(601)	(4,764)	(3,017)	(36,301)
Transfer from investment properties	(270)	–	–	–	–	(270)
Disposals/written-off	298	–	–	–	14,787	15,085
Other [1]	–	(832)	–	(443)	(1,199)	(2,474)
As at 31 December 2022	(99,667)	(36,197)	(4,466)	(19,399)	(21,051)	(180,780)
Net carrying amount						
As at 1 January 2022	696,692	16,246	1,607	4,874	40,005	759,424
As at 31 December 2022	615,932	25,619	1,006	42,384	40,471	725,412

[1] Other is mainly foreign currency translation.

As at 30 June 2023, the carrying value of property and equipment of the Group for which registration was not completed amounted to approximately RMB7,147 thousand (31 December 2022: RMB7,445 thousand). However, this registration process does not affect the rights of the Group to these assets.

As at 30 June 2023, in accordance with IAS 36 Impairment of Assets, aircraft were assessed for indicators of impairment, while ship and special equipment did not have 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 rates for 30 June 2023 were 6.30% (31 December 2022: 6.30%). Fair value less costs to sell is 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 is recognised.

26 LEASES

The Group as a lessee

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period/year are as follows:

Unaudited	Properties RMB'000
As at 1 January 2023	141,184
Additions	1,464
Depreciation charge	(14,034)
Foreign currency translation	4,651
As at 30 June 2023	133,265

Audited	Properties RMB'000
As at 1 January 2022	154,492
Additions	2,502
Depreciation charge	(27,418)
Foreign currency translation	11,608
As at 31 December 2022	141,184

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the period/year are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount at 1 January	147,234	172,141
New leases	1,828	2,502
Accretion of interest recognised during the period/year	3,466	7,154
Payments	(17,120)	(45,537)
Foreign currency translation	9,503	10,974
Carrying amount at the end of the period/year	144,911	147,234
Analysed into:		
Within one year	16,235	23,615
In the second year	9,834	15,233
In the third to fifth year, inclusive	27,053	26,964
Beyond five years	91,789	81,422

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on lease liabilities	3,466	3,683
Depreciation charge of right-of-use assets	14,034	13,366
Expense relating to low-value assets and short-term leases	5,035	4,594
Total amount recognised in profit or loss	22,535	21,643

The Group as a lessor

The Group leases its investment properties (Note 24) and property and equipment (Note 25) consisting of aircraft, ship and special equipment under operating lease arrangements. The terms of the leases generally require the lessees to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the period was RMB5,510,197 thousand (2022: RMB6,425,283 thousand), details of which are included in Note 4 to the financial statements.

As at 30 June 2023 and 31 December 2022, the undiscounted lease receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within one year	9,472,306	9,576,692
After one year but within two years	9,003,940	9,232,311
After two years but within three years	8,263,915	8,703,400
After three years but within four years	7,312,091	7,436,395
After four years but within five years	6,755,139	6,358,164
After five years	26,257,445	24,716,178
	67,064,836	66,023,140

27 DEFERRED TAXATION

Deferred income tax liabilities of RMB37 million (31 December 2022: RMB44 million) have not been recognised for the taxable temporary differences arising from undistributed profit of foreign subsidiaries given that the timing of the reversal of the temporary difference is controlled by the Group and the directors of the Group are of the view that it is probable that the temporary differences will not be reversed in the foreseeable future.

The effect of deductible losses not recognised as deferred income tax assets for the period ended 30 June 2023 are RMB1,758,277 thousand (31 December 2022: RMB1,762,952 thousand).

The tax losses are available within the period permitted by tax laws for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

The following are the major deferred tax assets/(liabilities) recognised and movements thereon for the six months ended 30 June 2023 and the year ended 31 December 2022:

Unaudited	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of FVTPL	Changes in fair value of FVOCI	Deductible tax losses	Accelerated depreciation of operating lease assets	Deferred income	Accrued staff costs	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	1,604,294	(92,440)	15,396	5,170	258,074	(695,005)	27,533	18,012	(851,099)	289,935
(Charged)/credited to profit or loss	63,462	60,539	3,484	–	31,076	16,477	(369)	14,920	606,808	796,397
(Charged)/credited to other comprehensive income	–	14,349	–	(3,366)	–	–	–	–	–	10,983
Foreign currency translation	672	(2,922)	–	–	10,084	(26,459)	–	–	1	(18,624)
As at 30 June 2023	1,668,428	(20,474)	18,880	1,804	299,234	(704,987)	27,164	32,932	(244,290)	1,078,691

Audited	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of FVTPL	Changes in fair value of FVOCI	Deductible tax losses	Accelerated depreciation of operating lease assets	Deferred income	Accrued staff costs	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	1,399,569	63,937	9,287	6,291	112,467	(597,111)	28,271	13,462	(1,183,556)	(147,383)
(Charged)/credited to profit or loss	202,332	727	6,109	–	131,686	(31,104)	(738)	4,550	332,458	646,020
(Charged)/credited to other comprehensive income	–	(159,702)	–	(1,121)	–	–	–	–	–	(160,823)
Foreign currency translation	2,393	2,598	–	–	13,921	(66,790)	–	–	(1)	(47,879)
As at 31 December 2022	1,604,294	(92,440)	15,396	5,170	258,074	(695,005)	27,533	18,012	(851,099)	289,935

28 OTHER ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Maintenance right assets	785,130	832,735
Deductible value-added tax	598,118	465,308
Prepaid expenses	799,378	692,375
Straightline lease asset [1]	1,568,921	1,570,264
Other receivables	356,365	442,480
Land use rights [2]	367,363	372,063
Lease premium assets	196,015	190,179
Other intangible assets	21,681	22,805
Interest receivable	61,658	52,538
Notes receivable	–	18,524
Prepaid income tax	22,480	26,360
Deposits for lease of business place	21,884	23,529
Aircraft supplementary assets	10,661	13,401
	4,809,654	4,722,561
Less: Allowance for impairment losses		
– Straightline lease asset [1]	(481,726)	(613,897)
– Other receivables	(35,736)	(23,612)
– Aircraft supplementary assets	(2,529)	(2,438)
	(519,991)	(639,947)
	4,289,663	4,082,614

(1) Straightline lease asset represents the difference amount between operating lease income recognised on straight-line basis and the contractual receivables and the movement of the impairment of it is showing as follow:

	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the year ended 31 December 2022 RMB'000 (Audited)
At the beginning of the period/year	613,897	266,877
(Recovered)/charged for the period/year	(149,154)	311,383
Effect of foreign currency exchange differences	16,983	35,637
At the end of the period/year	481,726	613,897

(2) Land use rights of the Group is the medium-term (50 years) leasehold land in the PRC.

29 BORROWINGS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Secured bank borrowings [1]	32,345,847	32,333,829
Factoring financing [2]	6,734,000	7,104,143
Unsecured bank borrowings	208,262,623	207,444,685
	247,342,470	246,882,657

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount repayable:		
Within one year	187,312,907	187,670,246
More than one year, but not exceeding two years	47,080,141	44,300,211
More than two years, but not exceeding five years	10,474,011	12,333,935
More than five years	2,475,411	2,578,265
	247,342,470	246,882,657

(1) Secured bank borrowings

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Equipment held for operating lease businesses	39,436,795	38,797,903
Finance lease receivables	1,314,145	2,727,320
Accounts receivable	757,574	464,480
Bank deposits	2,347,547	2,262,687
	43,856,061	44,252,390

(2) The Group entered into finance lease receivables factoring arrangements and has recognised the cash received for the transfer as factoring financing, which was approximately RMB6,734,000 thousand as at 30 June 2023 (31 December 2022: RMB7,104,043 thousand) (Note 38).

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Fixed-rate borrowings:		
Within one year	151,799,773	145,544,303
More than one year, but not exceeding five years	24,277,722	22,210,656
More than five years	521,513	527,622
	176,599,008	168,282,581

In addition, the Group has floating-rate borrowings which carry interest based on LPR, LIBOR, SOFR or Term SOFR.

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Effective interest rate:		
Fixed-rate borrowings (RMB)	2.09%-3.20%	1.85%-3.39%
Fixed-rate borrowings (USD)	2.52%-6.20%	1.10%-5.95%
Floating-rate borrowings (RMB)	1Y LPR -1.00%~-0.28%	1Y LPR – 1.05%~-0.28%
Floating-rate borrowings (USD)	1M LIBOR/6M LIBOR/ 1M TSOFR/3M TSOFR/ SOFR+0.40%-2.80%	1M LIBOR/6M LIBOR/ 1M TSOFR/3M TSOFR/ SOFR+0.30%-2.80%

30 ACCRUED STAFF COSTS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Salaries, bonus and allowances	157,142	196,105
Social welfare and others	51,828	67,695
	208,970	263,800

31 BONDS PAYABLE

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Guaranteed unsecured bonds [(1)]	30,872,224	32,043,941
Unguaranteed unsecured bonds	5,011,980	4,828,113
	35,884,204	36,872,054

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

				As at 30 June 2023		
				Face value	Guaranteed unsecured bonds [(1)]	Unguaranteed unsecured bonds
Issuer	Currency	Fixed coupon rate	Maturity (Year)			
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	5,058,060	–	5,058,060
CDBL Funding 2 [(2)]	RMB	3.05% to 3.40%	2023 to 2024	1,100,000	1,100,000	–
	HKD	1.40% to 4.85%	2024	2,858,138	2,858,138	–
	USD	1.38% to 5.77%	2024 to 2027	14,993,535	14,993,535	–
CDBL Funding 1 [(2)]	USD	1.50% to 4.25%	2023 to 2027	10,332,894	10,332,894	–
				34,342,627	29,284,567	5,058,060
Issuer	Currency	Floating rate				
CDBL Funding 2 [(2)]	USD	SOFR + Margin ranging from 0.85% to 1.00%	2024 to 2025	1,661,934	1,661,934	–
				36,004,561	30,946,501	5,058,060

				As at 31 December 2022		
				Face value	Guaranteed unsecured bonds [(1)]	Unguaranteed unsecured bonds
Issuer	Currency	Fixed coupon rate	Maturity (Year)			
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,875,220	–	4,875,220
CDBL Funding 2 [(2)]	RMB	3.05% to 3.40%	2023 to 2024	900,000	900,000	–
	HKD	1.20% to 1.40%	2023 to 2024	1,161,251	1,161,251	–
	USD	1.20% to 3.125%	2023 to 2027	14,333,147	14,333,147	–
CDBL Funding 1 [(2)]	USD	1.50% to 4.25%	2023 to 2027	13,441,678	13,441,678	–
				34,711,296	29,836,076	4,875,220
Issuer	Currency	Floating rate				
CDBL Funding 2 [(2)]	USD	SOFR + Margin ranging from 0.85% to 1.00%	2023 to 2025	2,298,318	2,298,318	–
				37,009,614	32,134,394	4,875,220

(1) As at 30 June 2023 and 31 December 2022, 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. CDB Leasing (International) Company Limited and CDB Aviation Lease Finance Designated Activity Company are subsidiaries of the Group.

(2) CDBL Funding 1 and CDBL Funding 2 are subsidiaries of the Group.

32 OTHER LIABILITIES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Guaranteed deposits from lessees	7,602,903	7,242,270
Maintenance deposits from lessees	2,998,304	2,343,670
Accounts payable [(1)]	9,851,211	2,985,877
Interest payable	1,837,339	1,446,263
Notes payable [(2)]	2,863,536	3,252,356
Rent received in advance	2,034,483	2,052,502
Lease discount liabilities	402,273	406,198
Other payables	237,330	503,140
Deferred income	109,551	110,130
Lessor contributions	322,380	308,449
Straightline lease liabilities	206,899	163,035
Provisional value-added tax	1,493,872	1,251,913
Ship management fee payable	75,429	119,464
Dividends payable	1,006,547	–
Other taxes payable	51,239	49,339
Management consulting fees payable	16,019	34,312
Total	31,109,315	22,268,918

(1) An ageing analysis of the accounts payable as at the end of the reporting period, based on the payables due date, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
On demand	165,251	198,393
Within one year	9,287,749	2,353,241
In the second year	106,345	101,489
In the third to fifth year, inclusive	291,866	332,754
	9,851,211	2,985,877

(2) Notes payable is normally settled on one-year term.

33 SHARE CAPITAL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Registered, issued and fully paid:		
par value RMB1.00 per share	12,642,380	12,642,380

34 HEDGING AND FAIR VALUE RESERVE

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

	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the year ended 31 December 2022 RMB'000 (Audited)
At the beginning of the period/year	696,592	(459,909)
Changes on hedging reserve	(83,070)	1,316,119
Fair value changes on FVOCI	13,462	1,205
Income tax effects	10,983	(160,823)
At the end of the period/year	637,967	696,592

35 GENERAL RESERVE

The general reserve comprise statutory reserve and reserve for general risk. The movements of general reserve of the Group are set out below:

	Six months ended 30 June 2023		
	Opening RMB'000	Additions RMB'000	Closing RMB'000
Statutory reserve [(1)]	1,512,554	–	1,512,554
Reserve for general risk [(2)]	5,279,710	–	5,279,710
	6,792,264	–	6,792,264

	Year ended 31 December 2022		
	Opening RMB'000	Additions RMB'000	Closing RMB'000
Statutory reserve [(1)]	1,119,170	393,384	1,512,554
Reserve for general risk [(2)]	5,116,597	163,113	5,279,710
	6,235,767	556,497	6,792,264

(1) Pursuant to the Company Law of the PRC and the articles of association of the Company and the subsidiaries in the PRC, 10% of the net profit of the Company and the subsidiaries in the PRC, as determined under the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the relevant entities. The reserve appropriated can be used for expansion of business and capitalisation.

(2) Prior to 1 July 2012, pursuant to the Financial Rules for Financial Enterprises-Implementation Guide (Caijin [2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company and the subsidiaries in the PRC are required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from 1 July 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserve of Financial Enterprises (Caijin [2012] No. 20) issued by the MOF, the Company and the subsidiaries in the PRC are required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period.

36 RETAINED EARNINGS

The movements of retained earnings of the Group are set out below:

	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the year ended 31 December 2022 RMB'000 (Audited)
At the beginning of the period/year	11,226,551	9,608,601
Profit for the period/year	1,960,248	3,351,073
Appropriation to general reserve	–	(556,497)
Dividends	(1,005,322)	(1,176,626)
At the end of the period/year	12,181,477	11,226,551

37 DIVIDENDS

On 17 March 2023, the board of directors has decided to distribute a final dividend of RMB0.7952 per 10 shares for the year ended 31 December 2022. The total share capital of the Group amounted to 12,642,380,000, and the total amount of profit distribution amounted to RMB1,005,322,058. The proposed final dividend for the year has been approved by the shareholders at the annual general meeting on 28 June 2023.

38 TRANSFERS OF FINANCIAL ASSETS

Repurchase agreements

As at 30 June 2023, the Group entered into repurchase agreements with certain counterparties to sell the Group's financial assets at fair value through other comprehensive income with carrying amounts of approximately RMB1,375,088 thousand (31 December 2022: RMB488,665 thousand) (Note 19).

Sales and repurchase agreements are transactions in which the Group sells financial assets at fair value through other comprehensive income and simultaneously agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of these certificates of deposit sold. These certificates of deposit are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group and the Company retain substantially all the risks and rewards of these certificates of deposit. The proceeds from selling such certificates of deposit are presented as financial assets sold under repurchase agreements. For all these arrangements, the counterparties have recourse to the transferred financial assets.

The following tables provide a summary of carrying amounts related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount of transferred assets	1,375,088	488,665
Carrying amount of associated liabilities	(1,307,466)	(429,914)
Net position	67,622	58,751

Factoring arrangements

The Group entered into finance lease receivables factoring arrangements (the "Arrangements") and transferred certain finance lease receivables to banks. Under the Arrangements, the banks have recourse right and the Group has the obligation to reimburse the banks for loss of rental if any lessees have late and default payment. As the Group has not transferred the significant risks relating to these transferred finance lease receivables, it continues to recognise in their full carrying amount and has recognised the cash received for the transfer as factoring financing. The original carrying value of the finance lease receivables transferred under the Arrangements that have not been settled as at 30 June 2023 was approximately RMB6,884,926 thousand (31 December 2022: RMB7,794,637 thousand).The carrying amount of the assets that the Group continued to recognise as at 30 June 2023 was approximately RMB6,816,767 thousand (31 December 2022: RMB7,729,097 thousand) (Note 21) and that of the associated liabilities as at 30 June 2023 was approximately RMB6,734,000 thousand (31 December 2022: RMB7,104,143 thousand) (Note 29).

39 CASH AND CASH EQUIVALENTS

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents represent the following:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash and bank balances	21,248,114	29,760,725
Less:		
– Pledged and restricted bank deposits	2,510,807	2,435,561
– Mandatory reserve deposits with central bank	394,610	366,046
– Other [1]	1,813,159	2,298,318
	16,529,538	24,660,800

[1] Other is mainly unpledged and unrestricted fixed deposits.

40 CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, there were no significant legal proceedings outstanding against the Group. No provision has been made for pending assessments, lawsuits or possible violations of contracts as the outcome cannot be reasonably estimated or management believes the probability of a loss is low or remote.

41 CAPITAL COMMITMENTS

Capital expenditures contracted by the Group as at 30 June 2023 and 31 December 2022 but are not yet to be recognised on the consolidated statements of financial position are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Acquisition of equipment held for operating lease businesses	35,548,608	37,333,106

42 FINANCE LEASE COMMITMENTS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Finance lease commitments	28,958,280	28,115,884

Finance lease commitments are in relation to finance lease contracts signed by the Group as lessor that are not yet effective and revocable as at 30 June 2023 and 31 December 2022.

43 RELATED PARTY TRANSACTION

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

43.1 Parent Company

As at 30 June 2023, China Development Bank directly owned 64.4% of the share capital of the Company.

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled by the PRC government.

The Group had the following balances and entered into the following transactions with China Development Bank in its ordinary course of business:

The Group had the following balances with China Development Bank:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Bank balances	3,577,378	2,089,899
Derivative financial assets	7,038	15,173
Operating leases receivable	–	5,053
Right-of-use assets	1,640	1,968
Bank borrowings	10,801,780	7,189,264
Derivative financial liabilities	–	1,280
Lease liabilities	1,687	1,794
Interest payable	26,440	67,956
Other payable	658,131	295

The Group entered into the following transactions with China Development Bank:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest income	17,431	458
Interest expense	106,674	87,708
Operating lease income	44,558	44,341
Net investment gains	5,686	6,592
Fee and commission expenses	23,600	15,567
Other operating expense	820	408

43.2 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The following table shows the key management personnel compensation payable by the Group for the six months end 30 June of 2023 and 2022.

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Basic salaries and allowances	5,296	5,591
Bonuses	2,799	3,027
Employer's contribution to pension schemes	640	1,438
	8,735	10,056

44 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 interim condensed consolidated financial statements.

The Group's operating segments are adjusted to five business segments as follows for the six months end 30 June of 2023 (the segment reporting for the six months end 30 June of 2022 and 31 December of 2022 has been adjusted accordingly):

(a) Aircraft leasing: mainly engaged in the acquisition, leasing, management and disposal of commercial aircraft;

(b) Regional development leasing: mainly engaged in the leasing of urban and transportation facilities and key industrial equipment developed in service region supported by national policies;

(c) Ship leasing: mainly engaged in the leasing of ship;

(d) Inclusive finance: mainly engaged in the leasing of vehicles and construction machinery; and

(e) Green energy and high-end equipment leasing: mainly engaged in the leasing of energy infrastructure and high-end equipment.

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 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). Assets and liabilities of the headquarters are allocated according to the proportion of each segment's assets related to leasing business.

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 six months ended 30 June 2023 and 2022.

The operating and reportable segment information provided to the CODM during the six months ended 30 June 2023 and 2022 is as follows:

	Aircraft leasing	Regional development leasing	Ship leasing	Inclusive finance	Green energy and high-end equipment leasing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unaudited						
For the six months ended 30 June 2023						
Segment revenue and results						
Finance lease income	2,929	3,019,067	420,781	893,052	960,924	5,296,753
Operating lease income	3,658,302	61,435	1,776,769	7,591	6,100	5,510,197
Segment revenue	3,661,231	3,080,502	2,197,550	900,643	967,024	10,806,950
Segment other income, gains and losses	317,736	141,287	491,961	43,346	45,818	1,040,148
Segment revenue and other income	3,978,967	3,221,789	2,689,511	943,989	1,012,842	11,847,098
Segment expenses	(3,945,104)	(1,870,372)	(2,337,656)	(583,611)	(477,149)	(9,213,892)
Profit before impairment losses and income tax	99,654	1,578,546	443,316	455,764	520,960	3,098,240
Profit before income tax	33,863	1,351,417	351,855	360,378	535,693	2,633,206
Unaudited						
As at 30 June 2023						
Segment assets and liabilities						
Segment assets	98,030,218	131,697,939	53,954,996	32,695,348	45,587,739	361,966,240
Deferred tax assets						2,019,821
Group's total assets						363,986,061
Segment liabilities	93,953,380	117,735,535	47,261,003	29,090,476	39,400,828	327,441,222
Deferred tax liabilities						941,130
Group's total liabilities						328,382,352
For the six months ended 30 June 2023						
Other segment information						
Depreciation of investment properties	–	(20,185)	–	–	–	(20,185)
Depreciation of property and equipment	(1,899,905)	(8,925)	(917,141)	(3,110)	(5,926)	(2,835,007)
Depreciation of right-of-use assets	(8,683)	(2,680)	(1,138)	(685)	(848)	(14,034)
Amortisation	(15,132)	(8,363)	(1,557)	(937)	(1,160)	(27,149)
Impairment losses	(65,791)	(227,129)	(91,461)	(95,386)	14,733	(465,034)

44 SEGMENT REPORTING (Continued)

The operating and reportable segment information provided to the CODM during the six months ended 30 June 2023 and 2022 is as follows (continued):

	Aircraft leasing	Regional development leasing	Ship leasing	Inclusive finance	Green energy and high-end equipment leasing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Restated						
For the six months ended 30 June 2022						
Segment revenue and results						
Finance lease income	2,127	3,342,182	312,861	737,709	739,740	5,134,619
Operating lease income	3,504,488	66,854	2,853,941	–	–	6,425,283
Segment revenue	3,506,615	3,409,036	3,166,802	737,709	739,740	11,559,902
Segment other income, gains and losses	183,881	128,520	503,500	32,335	26,580	874,816
Segment revenue and other income	3,690,496	3,537,556	3,670,302	770,044	766,320	12,434,718
Segment expenses	(3,814,686)	(2,980,241)	(2,091,673)	(439,169)	(440,743)	(9,766,512)
Profit before impairment losses and income tax	668,212	1,603,860	2,024,974	332,926	350,334	4,980,306
Profit before income tax	(124,190)	557,315	1,578,629	330,875	325,577	2,668,206
Restated						
As at 31 December 2022						
Segment assets and liabilities						
Segment assets	93,374,950	131,065,400	49,684,606	35,638,732	43,122,529	352,886,217
Deferred tax assets						1,831,030
Group's total assets						354,717,247
Segment liabilities	88,914,136	117,320,579	43,600,152	31,609,657	37,448,183	318,892,707
Deferred tax liabilities						1,541,095
Group's total liabilities						320,433,802
Unaudited						
For the six months ended 30 June 2022						
Other segment information						
Depreciation of investment properties	–	(19,539)	–	–	–	(19,539)
Depreciation of property and equipment	(1,720,201)	(18,609)	(736,095)	(1,451)	(1,554)	(2,477,910)
Depreciation of right-of-use assets	(8,091)	(2,412)	(1,843)	(492)	(528)	(13,366)
Amortisation	(22,005)	(5,377)	(2,392)	(638)	(687)	(31,099)
Impairment losses	(792,402)	(1,046,545)	(446,345)	(2,051)	(24,757)	(2,312,100)

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.

45 FINANCIAL INSTRUMENTS

Categories of financial instruments

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial assets		
Cash and bank balances	21,248,114	29,760,725
Financial assets at fair value through profit and loss	168,357	131,894
Derivative financial assets	809,711	840,778
Financial assets at fair value through other comprehensive income	1,375,088	1,464,986
Accounts receivable	2,168,183	3,487,733
Finance lease receivables	202,132,437	193,494,283
Other financial assets	1,491,366	1,469,826
	229,393,256	230,650,225

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial liabilities		
Borrowings	247,342,470	246,882,657
Due to banks and other financial institutions	10,566,126	11,230,725
Derivative financial liabilities	451,803	28,283
Financial assets sold under repurchase agreements	1,307,466	429,914
Bonds payable	35,884,204	36,872,054
Lease liabilities	144,911	147,234
Other financial liabilities	26,810,998	18,235,801
	322,507,978	313,826,668

46 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF THE FINANCIAL INSTRUMENTS

46.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2022.

There have been no changes in the risk management policies since year end.

46 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF THE FINANCIAL INSTRUMENTS (Continued)

46.2 Fair value estimation

46.2.1 Determination of fair value and valuation techniques

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 or third party bid prices on similar securities;
- for currency forwards,cross currency swaps, foreign exchange swap and debt investments – third party bid prices on similar securities; and
- for other financial instruments – third party provided the valuation results.

The main parameters used in discounted cash flow model include recent transaction prices, relevant interest yield curves.

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

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

46.2.2 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.

	Carrying amount		Fair value	
	As at 30 June 2023	As at 31 December 2022	As at 30 June 2023	As at 31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Bonds payable	35,884,204	36,872,054	34,643,614	35,399,151

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 cashflow 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 consolidated statements of financial position approximate their fair values.

46.2.3 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 at the end of each reporting period. 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).

		Fair value as at			
	Financial assets/ financial liabilities	30 June 2023	31 December 2022	Fair value hierarchy	Valuation technique(s) and key Input(s)
Currency forwards (Note 18)	Liabilities	–	1,280	Level 2	Third party bid prices on similar securities.
Interest rate swaps (Note 18)	Assets	794,239	797,740	Level 2	Discounted cash flow analysis using observable market inputs or third party bid prices on similar securities.
Cross Currency Swaps (Note 18)	Assets Liabilities	1,791 272,465	22,947 27,003	Level 2	Third party bid prices on similar securities.
Foreign exchange swap (Note 18)	Assets Liabilities	13,681 179,338	20,091 –	Level 2	Third party bid prices on similar securities.
Listed equity investments (Note 17)	Assets	34,280	14,034	Level 1	Open market quotations
Unlisted equity investments (Note 17)	Assets	94,936	117,860	Level 3	Market comparison approach. The valuation of the equity investment is based on comparing comparable listed companies in operating and financial indexes and then adjusted for non-liquidity.
Debt investments (Note 17)	Assets	39,141	–	Level 2	Third party bid prices on similar securities.
FVOCI – debt instrument (Note 19)	Assets	885,003	–	Level 2	The valuation of these bonds is based on the valuation results provided by China Central Depository & Clearing Co Ltd.
FVOCI – certificates of deposit (Note 19)	Assets	490,085	1,464,986	Level 2	The valuation of these bonds is based on the valuation results provided by China Central Depository & Clearing Co Ltd.

47 CAPITAL MANAGEMENT

The Group's objectives of managing its capital, which adopts a broader concept than the equity as presented on the consolidated statements of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operates;
- 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.

Capital adequacy and the utilisation of regulatory capital are closely monitored by the management in accordance with the guidelines developed by the Basel Commission and relevant regulations promulgated by the CBIRC. The Group files the required information to CBIRC quarterly. As at 30 June 2023, the capital adequacy ratio is 12.33% (31 December 2022: 12.46%).

48 EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date that require disclosure in these financial statements.

49 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of China Development Bank Financial Leasing Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of China Development Bank Financial Leasing Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 206 to 252, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
(1) Impairment of lease receivables*	
The Group is required to follow International Financial Reporting Standard 9 ("IFRS 9") in assessing impairment of lease receivables at the end of reporting period. The Group applies significant judgements and assumptions in measuring expected credit losses ("ECL"), for example: • Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the ECL for lease receivables with longer remaining periods to maturity; • Models and parameters – For finance lease receivables and advances for finance lease projects, a three-stage impairment model is used to calculate ECL. For finance lease receivables and advances for finance lease projects classified into stages 1 and 2, the risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default. For finance lease receivables and advances for finance lease projects in stage 3, the management assesses impairment losses by estimating the cash flows from finance lease receivables and advances for finance lease projects. For operating lease receivables and straightline lease asset, a simplified approach is used to calculate the ECL. The risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default; • Forward-looking information – Judgement is used to create macroeconomic forecasts and to estimate the impact to ECL under multiple economic scenarios given different weights; • Individual impairment assessment – Identifying credit impaired lease receivables requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows. The Group established governance processes and controls for the measurement of ECL. Since impairment assessment of lease receivables involves many judgements and assumptions, and in view of the significance of the amounts (as at 31 December 2022, the net carrying amounts of the Group's finance lease receivables, advances for finance lease projects, operating lease receivables and straightline lease asset were RMB193,494 million, RMB2,461 million, RMB963 million, RMB956 million respectively, in which allowance for impairment losses of RMB8,539 million, RMB29 million, RMB757 million and RMB614 million were recorded), impairment of lease receivables is considered a key audit matter. Relevant disclosures are included in Notes 2, 3, 15, 23, 24, 32, 51.2 to the consolidated financial statements. * Lease receivables includes finance lease receivables, advances for finance lease projects, operating lease receivables and straightline lease asset.	We evaluated and tested the effectiveness of design and implementation of key controls, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration. We also performed the following substantive procedures for the impairment loss of lease receivables: We adopted a risk-based sampling approach in our credit review procedures. We assessed the lessees' repayment capacity, taking into consideration post-leasing investigation reports, lessees' financial information and other available information. We also assessed credit-impaired operating lease receivables and straightline lease asset similarly. With the support of our internal credit risk modelling experts, and take into consideration the changes of the macroeconomics, the impacts of the COVID-19, we evaluated and tested the important parameters of the ECL model, management's major judgements and the related assumptions, mainly focusing on the following aspects: • Assessing the reasonableness of indicators of significant increase in credit risk, including probability of default changes of the lessees, changes of credit risk categories and others; • Assessing the reasonableness of the ECL model methodology and related parameters, including probability of default, loss given default, risk exposure at default, and significant increase in credit risk; • Assessing the forward-looking information management used to determine ECL, including the forecasts of macroeconomic variables and the assumptions of multiple macroeconomic scenarios; • Evaluating the models and the related assumptions used in individual impairment assessment and analysing the amount, timing and likelihood of management's estimated future cash flows. We evaluated the disclosures of credit risk and impairment allowance of lease receivables.
(2) Impairment of equipment held for operating lease businesses	
The Group applies International Accounting Standard 36 ("IAS 36") for the impairment measurement of equipment held for operating lease businesses at the end of reporting period. Management identifies operating lease equipment with impairment indicators and measures the recoverable amounts of these assets at the higher of: • fair value based on the market pricing data, less costs of disposal, and • the estimated value in use ("VIU") based on the present value of the expected future cash flows from the lease discounted. Judgements and assumptions are used when identifying impairment indicators and determining a rate to discount the expected future cash flows when calculating VIU. The Group established governance processes and controls for the impairment measurement of equipment held for operating lease businesses. Since management exercises significant judgements during impairment identification and measurement, and in view of the significance of the amounts (as at 31 December 2022, the net carrying amounts of the Group's equipment held for operating lease businesses was RMB105,799 million, and allowance for impairment losses of RMB6,449 million were recorded), impairment of equipment held for operating lease businesses is considered a key audit matter. Relevant disclosures are included in Notes 2, 3, 16, 29 to the consolidated financial statements.	We evaluated and tested the effectiveness of design and implementation of key controls, including those over the timely identification of impairment indicators, review and approval of discount rate and impairment calculation. We also performed the following substantive procedures for the impairment loss of equipment held for operating lease businesses: • We assessed management's identification of impairment indicators for equipment held for operating lease businesses. • For fair value less costs of disposal, we compared the carrying amounts of equipment with the publicly available pricing data of the industry less the estimated costs of disposal; and • For VIU calculations, we compared the rental amounts used in forecasts of future cash flows against the rental amounts set out in the lease contracts. With the support of our internal asset valuation experts, we assessed the reasonableness of discount rate used. We evaluated the disclosures of impairment allowance of equipment held for operating lease businesses.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Benny Bing Yin Cheung.

Ernst & Young

Certified Public Accountants

Hong Kong

17 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2022	2021
Revenue			
Finance lease income	5	10,288,623	9,813,486
Operating lease income	5	12,475,713	11,550,309
Total revenue		22,764,336	21,363,795
Net investment gains	6	32,489	87,279
Other income, gains or losses	7	2,256,632	1,864,732
Total revenue and other income		25,053,457	23,315,806
Depreciation and amortisation	8	(5,380,735)	(4,348,822)
Staff costs	9	(546,785)	(494,793)
Fee and commission expenses	12	(51,015)	(82,056)
Interest expenses	13	(8,206,689)	(8,087,780)
Other operating expenses	14	(1,653,476)	(1,256,500)
Net impairment losses on financial assets	15	(1,226,596)	(2,443,087)
Net impairment losses on other assets	16	(3,030,207)	(1,067,202)
Total expenses		(20,095,503)	(17,780,240)
Profit before tax		4,957,954	5,535,566
Income tax expense	17	(1,606,881)	(1,613,354)
Profit for the year attributable to owners of the Company		3,351,073	3,922,212
Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share)			
– Basic	18	0.27	0.31
– Diluted	18	0.27	0.31

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2022	2021
Profit for the year		3,351,073	3,922,212
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	39	904	(12,536)
Gains/(losses) on cash flow hedges, net of tax	39	1,155,597	698,512
Currency translation differences		845,743	(150,205)
Total other comprehensive income for the year, net of tax		2,002,244	535,771
Total comprehensive income for the year attributable to owners of the Company		5,353,317	4,457,983

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

(Amounts in thousands of RMB, unless otherwise stated)

	Notes	As at 31 December 2022	As at 31 December 2021
Assets			
Cash and bank balances	19	29,760,725	36,833,077
Financial assets at fair value through profit or loss (FVTPL)	20	131,894	156,330
Derivative financial assets	21	840,778	94,627
Financial assets at fair value through other comprehensive income (FVOCI)	22	1,464,986	970,740
Accounts receivable	23	3,487,733	1,245,057
Finance lease receivables	24	193,494,283	190,871,553
Assets held-for-sale	25	364,578	–
Prepayments	26	11,551,036	11,958,595
Investment properties	28	1,041,945	904,310
Property and equipment	29	106,524,461	92,829,721
Right-of-use assets	30	141,184	154,492
Deferred tax assets	31	1,831,030	1,674,834
Other assets	32	4,082,614	4,144,293
Total assets		354,717,247	341,837,629
Liabilities			
Borrowings	33	246,882,657	236,087,673
Due to banks and other financial institutions		11,230,725	10,657,467
Financial assets sold under repurchase agreements		429,914	–
Derivative financial liabilities	21	28,283	576,497
Accrued staff costs	34	263,800	203,957
Bonds payable	35	36,872,054	45,045,528
Tax payable		769,122	372,472
Lease liabilities	30	147,234	172,141
Deferred tax liabilities	31	1,541,095	1,822,217
Other liabilities	36	22,268,918	16,792,923
Total liabilities		320,433,802	311,730,875
Equity			
Share capital	37	12,642,380	12,642,380
Capital reserve	38	2,418,689	2,418,689
Hedging and fair value reserve	39	696,592	(459,909)
Translation reserve		506,969	(338,774)
General reserve	40	6,792,264	6,235,767
Retained earnings	41	11,226,551	9,608,601
Total equity		34,283,445	30,106,754
Total liabilities and equity		354,717,247	341,837,629

The financial statements and the accompanying notes were approved by the board of directors on 17 March 2023 and were signed on its behalf.

MA Hong   HUANG Min

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of RMB, unless otherwise stated)

		Attributable to the equity holders of the Company						
	Notes	Share capital	Capital reserve	Hedging and fair value reserve	Translation reserve	General reserve	Retained earnings	Total equity
As at 1 January 2022		12,642,380	2,418,689	(459,909)	(338,774)	6,235,767	9,608,601	30,106,754
Profit for the year		–	–	–	–	–	3,351,073	3,351,073
Other comprehensive income for the year	39	–	–	1,156,501	845,743	–	–	2,002,244
Total comprehensive income for the year		–	–	1,156,501	845,743	–	3,351,073	5,353,317
Dividends	42	–	–	–	–	–	(1,176,626)	(1,176,626)
Appropriation to general reserve		–	–	–	–	556,497	(556,497)	–
As at 31 December 2022		12,642,380	2,418,689	696,592	506,969	6,792,264	11,226,551	34,283,445
As at 1 January 2021		12,642,380	2,418,689	(1,145,885)	(188,569)	5,474,730	7,427,970	26,629,315
Profit for the year		–	–	–	–	–	3,922,212	3,922,212
Other comprehensive income for the year	39	–	–	685,976	(150,205)	–	–	535,771
Total comprehensive income for the year		–	–	685,976	(150,205)	–	3,922,212	4,457,983
Dividends	42	–	–	–	–	–	(980,544)	(980,544)
Appropriation to general reserve		–	–	–	–	761,037	(761,037)	–
As at 31 December 2021		12,642,380	2,418,689	(459,909)	(338,774)	6,235,767	9,608,601	30,106,754

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2022	2021
OPERATING ACTIVITIES			
Profit before tax		4,957,954	5,535,566
Adjustments for:			
Bonds payable interest expenses	13	1,282,767	1,446,828
Lease liabilities interest expenses	30	7,154	8,285
Depreciation and amortisation	8	5,380,735	4,348,822
Net impairment losses on financial assets	15	1,226,596	2,443,087
Net impairment losses on other assets	16	3,030,207	1,067,202
Amortisation income of lease discount liabilities		(36,932)	(34,227)
Gains on disposal of equipment held for operating lease businesses	7	(613,236)	(554,810)
Losses on disposal of property and equipment held for administrative purposes		33	–
Gains on disposal of finance lease receivables	6	(28,639)	(102,186)
Realised losses from derivatives	6	–	5,591
Realised gains from FVOCI	6	(27,823)	(43,537)
Unrealised fair value changes in derivatives	6	(463)	(7,679)
Unrealised fair value changes in FVTPL	6	24,437	60,532
Foreign exchange (gains)/losses from derivatives		170,962	(118,621)
Operating cash flows before movements in working capital		15,373,752	14,054,853
Decrease in mandatory reserve deposits with central bank		41,320	33,174
(Increase)/decrease in accounts receivable		(582,316)	257,300
Increase in finance lease receivables		(735,802)	(26,835,927)
(Increase)/decrease in other assets		(4,814,470)	278,625
Increase in borrowings		5,609,793	26,523,289
Increase in due to banks and other financial institutions		214,030	9,761,720
Increase in financial assets sold under repurchase agreements		429,914	–
Increase in accrued staff costs		59,843	48,263
Increase in other liabilities		3,228,878	528,511
Cash flows from operating activities		18,824,942	24,649,808
Income taxes paid		(1,825,135)	(942,076)
NET CASH FLOWS FROM OPERATING ACTIVITIES		16,999,807	23,707,732
INVESTING ACTIVITIES			
Change in pledged and restricted bank deposits		1,495,067	(5,820,686)
Purchase of FVOCI		(1,956,433)	(969,393)
Proceeds from disposal/maturity of FVTPL		(151,337)	326,464
Proceeds from disposal/maturity of FVOCI and others		1,519,854	1,101,393
Proceeds from disposal of property and equipment		4,246,568	5,788,462
Purchase of property and equipment		(13,942,972)	(24,550,354)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2022	2021
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(8,789,253)	(24,124,114)
FINANCING ACTIVITIES			
Proceeds from issue of bonds		10,477,391	12,887,521
Repayments of bonds		(22,176,178)	(13,548,070)
Bond issuance cost		(43,523)	(39,953)
Bond interest paid		(1,356,437)	(1,465,569)
Dividends paid	42	(1,321,541)	(918,834)
Decrease in lease liabilities		(46,171)	(32,902)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(14,466,459)	(3,117,807)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,255,905)	(3,534,189)
Effects of foreign exchange changes		719,940	(413,232)
Cash and cash equivalents at beginning of the year		30,196,765	34,144,186
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	44	24,660,800	30,196,765
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		10,721,473	10,118,370
Interest paid, exclusive bonds payable interest expenses		(6,783,207)	(6,681,066)
Net interest received		3,938,266	3,437,304

The accompanying notes form an integral part of these consolidated financial statements.

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 aircraft leasing, ship leasing, infrastructure leasing, inclusive finance leasing, transfers of finance lease assets and lease-related financial business.

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 "Significant accounting judgements, estimates and assumptions".

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 following revised International Financial Reporting Standards ("IFRSs") for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018 – 2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*

The nature and impact of the revised IFRSs are described below:

Amendments to IFRS 3: Reference to the Conceptual Framework

Amendments to IFRS 3 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* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date.

The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

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 as determined by IAS 2 Inventories, in profit or loss.

The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to IFRSs 2018 – 2020: Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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 applicable to the Group are as follows:

- IFRS 9 Financial Instruments: 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.

The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- 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.

(Amounts in thousands of RMB, unless otherwise stated)

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 16	*Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8	*Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 16

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2

Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have significant impact on the Group's financial statements.

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the entities (including structured entities) directly or indirectly controlled by the Company. Control is achieved if and only if the Company has all the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.4 Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured at fair value less costs to sell in accordance with that standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(Amounts in thousands of RMB, unless otherwise stated)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

2.5 Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less accumulated impairment losses, if any.

2.6 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 businesses. 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.

2.7 Leases

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

2.7.1 Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term as follows:

	Lease term
Properties	12 to 229 months

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.18 "Impairment on non-financial assets".

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

2.7.2 Group as a lessor

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

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

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

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

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

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

2.8 Cash and cash equivalents

Cash and cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.9 Foreign currencies

The Group's consolidated financial statements are presented in RMB, which is also the parent company's functional currency. The Company's subsidiaries choose their functional currency on the basis of the primary economic environment in which they operate.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for (i) exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation; (ii) exchange differences arising from the changes of the fair value of monetary assets classified as financial assets at fair value through other comprehensive income (other than the changes relating to the amortised cost of the monetary assets) which are recognised in other comprehensive income and accumulated in equity.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they occur.

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, capitalisation rates ranging between 1% and 3% have been applied to the expenditure on the individual assets.

2.11 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.12 Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability.

2.12.1 Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

2.12.2 Annuity scheme – defined contribution plan

The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss.

2.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.13.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.13.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.14 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.

(Amounts in thousands of RMB, unless otherwise stated)

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.

Both lease premium assets and maintenance rights assets are presented under other assets (Note 32).

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 to 40 years
Computers and electronic equipment	5%	3 years
Motor vehicles	5%	5 years
Office equipment	5%	3 to 5 years
Leasehold improvements	0%	The life of the lease

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 to 30 years
Aircraft – Buyer furnish equipment (BFE)	0%	The life of the lease
Ships	10%-15%	8 to 25 years
Special equipment	5%	8 to 10 years

2.15 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

The estimate residual value rate and useful life of investment properties are 5% and 20 – 40 years respectively.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property and equipment" above.

2.16 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

2.17 Fair Value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.18 Impairment on non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

2.19 Provisions

Provisions are recognised when the Group has a present obligation related to a contingency such as action at law, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

2.20 Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

2.21 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.

2.21.1 Determination of fair value

Fair value is determined in the manner described in Note 53 "Fair values of the financial instruments".

2.21.2 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.

2.21.3 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.

2.21.4 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 operating lease receivables, and other financial assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, 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.

2.21.5 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.

2.21.6 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.

2.21.7 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.

2.22 Derivatives financial instruments and hedge accounting

2.22.1 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; or
- 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:

2.22.2 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.

2.23 Dividend payable

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of accounting policies as set out in Note 2, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, estimate and key assumptions that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognised in the consolidated financial statements:

3.1 Impairment losses for lease receivables

The Group uses a number of models and assumptions when estimating the impairment allowance under IFRS 9 of lease receivables at the balance sheet date and the operation period, for example:

- Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk are highly dependent on judgement and may have a significant impact on the ECL for lease receivables with longer remaining periods to maturity;
- Models and parameters – For finance lease receivables and advances for finance lease projects, A three-stage impairment model is used to calculate ECL. For finance lease receivables and advances for finance lease projects classified into stages 1 and 2, the risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default. For finance lease receivables and advances for finance lease projects in stage 3, the management assesses impairment losses by estimating the cash flows from finance lease receivables and advances for finance lease projects. For operating lease receivables and straightline lease asset, a simplified approach is used to calculate the ECL. The risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default;
- Forward-looking information – Judgement is used to create macroeconomic forecasts and to consider the impact to ECL under multiple economic scenarios given different weights.

The Group established governance processes and controls for the measurement of ECL.

Relevant disclosures are included in Note 51.2.2 to the consolidated financial statements.

3.2 Impairment losses for equipment held for operating lease businesses

The majority of the Group's equipment held for operating lease businesses are aircraft and ship. According to the accounting policy stated in Note 2.18, management makes judgement regarding whether there is any indicator of assets impairment at the financial reporting date, and measures the recoverable amount of any assets with impairment indicators. The recoverable amount is the higher of the net amount of assets' fair value minus the cost of disposal, and the estimated value in use. These measurements involve estimation.

3.3 Depreciation of operating lease assets

The Group calculates depreciation expense of operating lease assets based on management's assumption on their useful life and residual value. The useful lives and the residual value of operating lease assets reflect the future economic benefit obtained from the use of the operating lease assets and the benefit from disposal estimated by the Group's management. The estimation may differ due to actual physical wear and tear of the assets, changes of the technology innovation and market competition.

3.4 Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

3.5 Deferred taxes

The Group has established subsidiaries in several countries and regions. Deferred tax assets or liabilities should generally be recognized for deductible or taxable temporary differences relating to subsidiaries respectively, unless the Group is able to control the timing of the reversal of the temporary differences or to determine it is probable that the temporary differences would not be reversed in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax assets or liabilities that can be recognized for each subsidiary, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

(Amounts in thousands of RMB, unless otherwise stated)

3.6 Fair value of financial instruments

The Group has adopted valuation models to calculate the fair value for the financial instrument without active market price. Such valuation models include discounted cash flow model, market comparison approach and other valuation models. In practice, the discounted cash flow model only uses the observable data whenever possible, however, the management still needs to make assumption regarding the factors, such as counterparty's credit risk, market volatility and correlations. The market comparison approach requires the management to determine comparable listed companies, to select market multipliers and to estimate discount for liquidity, etc. The estimated fair value of the financial instruments will be affected for any changes of the above factors.

3.7 Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as the present values of the minimum lease payments of the lease amount to at least substantially all of the fair value of the assets held for lease businesses at the inception of the leases. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statements of financial position and has instead, recognised finance lease receivables (Note 24). On the other hand, the Group includes the assets held for lease businesses under operating lease in property and equipment, and investment properties. The determination of whether the Group has transferred substantially all the risks and rewards incident to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgements by management.

4 TAXATION

The principal income tax and other taxes to which the Group is subject are listed below:

Taxes	Tax basis	Statutory rates
PRC corporate income tax	Taxable income	25%
Major income tax in other countries	Taxable income	16.5%, 12.5%
Value-added tax	Taxable added value	13%, 9%, 6%, 5% and 3%
City construction and maintenance tax	Turnover tax paid	7%
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	2%

5 TOTAL REVENUE

	Year ended 31 December	
	2022	2021
Finance lease income[1]	10,288,623	9,813,486
Operating lease income	12,475,713	11,550,309
	22,764,336	21,363,795

(1) The Group recognised finance lease income of approximately RMB5,624 thousand and RMB19,264 thousand from non-performing finance lease receivables for the years of 2022 and 2021, respectively.

6 NET INVESTMENT GAINS

	Year ended 31 December	
	2022	2021
Realised gains from financial assets at fair value through other comprehensive income	27,823	43,537
Realised gains from disposal of finance lease receivables	28,639	102,186
Realised losses from derivatives	–	(5,591)
Unrealised fair value change of derivatives	463	7,679
Unrealised fair value change of financial assets at fair value through profit or loss	(24,436)	(60,532)
	32,489	87,279

7 OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2022	2021
Interest income from deposits with financial institutions	469,020	317,587
Gains on disposal of assets held for operating lease businesses, net	613,236	554,810
Government grants and incentives[1]	91,390	195,489
Management and commission fee income	872,295	657,526
Foreign exchange gains, net	127,524	72,489
Consulting fee income	726	1,315
Others	82,441	65,516
	2,256,632	1,864,732

(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 the PRC, the Group received government grants and incentives from Shenzhen Government in the years of 2022 and 2021, 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 the 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 grants have been amortised and recognised as income using the straight-line method over the estimated useful lives of land use rights.

(Amounts in thousands of RMB, unless otherwise stated)

8 DEPRECIATION AND AMORTISATION

	Year ended 31 December 2022	2021
Depreciation of property and equipment	5,261,464	4,212,957
Depreciation of right-of-use assets	27,418	26,924
Depreciation of investment properties	31,282	31,612
Amortisation of lease premium assets	33,264	42,745
Amortisation of land use rights	11,199	14,537
Amortisation of other intangible assets	16,108	20,047
	5,380,735	4,348,822

9 STAFF COSTS

	Year ended 31 December 2022	2021
Salaries, bonuses and allowances	421,620	368,000
Social welfare(1)	89,014	76,858
Defined contribution plans-annuity schemes(2)	22,130	44,306
Others	14,021	5,629
	546,785	494,793

The staff costs here include the emoluments of the directors and supervisors as disclosed in Note 10 below.

(1) According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred. The domestic employees of the Group in the PRC participate in a state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, operated by the relevant municipal and provincial governments.

(2) In addition to the social welfare plans, the Group also provides annuity schemes or defined contribution plans for certain qualified employees. The employees' and the Group's contributions for the annuity schemes or defined contribution plans are calculated based on a certain percentage of employees' salaries and recognised in profit or loss as expenses. The assets of the scheme are held separately from those of the Group. The Group cannot withdraw or utilise its fund contributions made to the annuity schemes or defined contribution plans under any circumstance.

10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company payable by the Group are set out below:

For the year ended 31 December 2022

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive directors:					
Ma Hong(i)	–	840	136	715	1,691
Peng Zhong(ii)	–	843	212	715	1,770
Huang Min(iii)	–	904	231	1,164	2,299
Non-executive directors:					
Li Yingbao(iv)	–	–	–	–	–
Yang Guifang(v)	–	–	–	–	–
Independent non-executive directors:					
Zheng Xueding(vi)	330	–	–	–	330
Xu Jin(vi)	330	–	–	–	330
Zhang Xianchu(vi)	330	–	–	–	330
Supervisors:					
Ma Yongyi(vii)	–	200	–	–	200
Wang Yiyun(viii)	–	775	132	847	1,754
Wang Bin(ix)	–	474	56	757	1,287
Huang Xuemei(x)	–	499	116	262	877
Li Xueling(xi)	–	–	–	–	–
	990	4,535	883	4,460	10,868

(Amounts in thousands of RMB, unless otherwise stated)

For the year ended 31 December 2021

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive directors:					
Ma Hong(i)	–	414	36	425	875
Wang Xuedong(xii)	–	562	136	705	1,403
Peng Zhong(ii)	–	837	110	715	1,662
Huang Min(iii)	–	886	119	1,083	2,088
Non-executive directors:					
Li Yingbao(iv)	–	–	–	–	–
Yang Guifang(v)	–	–	–	–	–
Wang Bangyi(xiii)	–	–	–	–	–
Independent non-executive directors:					
Zheng Xueding(vi)	330	–	–	–	330
Xu Jin(vi)	330	–	–	–	330
Zhang Xianchu(vi)	330	–	–	–	330
Supervisors:					
Ma Yongyi(vii)	–	200	–	–	200
Huang Xuemei(x)	–	975	85	744	1,804
Wang Yiyun(viii)	–	741	63	630	1,434
Li Xueling(xi)	–	–	–	–	–
Zhang Xiaosong(xiv)	–	–	–	–	–
Zhong Qinglin(xv)	–	–	–	–	–
	990	4,615	549	4,302	10,456

(i) Ma Hong was appointed as the chairman of the board and an executive director in August 2021 and her appointment was approved by Shenzhen Office of CBIRC in November 2021.

(ii) Peng Zhong was appointed as an executive director in November 2019 and his appointment was approved by Shenzhen Office of CBIRC in January 2020. Peng Zhong resigned in December 2022.

(iii) Huang Min was appointed as an executive director in September 2015.

(iv) Li Yingbao was appointed as a non-executive director in September 2015.

(v) Yang Guifang was appointed as a non-executive director in June 2021 and his appointment was approved by Shenzhen Office of CBIRC in October 2021.

(vi) Zheng Xueding, Xu Jin and Zhang Xianchu were appointed as independent non-executive directors in June 2016.

(vii) Ma Yongyi was appointed as a supervisor in February 2018.

(viii) Wang Yiyun was appointed as a supervisor in July 2019.

(ix) Wang Bin was appointed as a supervisor in June 2022.

(x) Huang Xuemei was appointed as a supervisor in May 2015. Huang Xuemei resigned in June 2022.

(xi) Li Xueling was appointed as a supervisor in June 2021. Li Xueling resigned in July 2022.

(xii) Wang Xuedong was appointed as the chairman of the board and an executive director in October 2014 and his appointment was approved by Shenzhen Office of CBIRC in January 2015. Wang Xuedong resigned in July 2021.

(xiii) Wang Bangyi was appointed as a non-executive director in November 2019 and his appointment was approved by Shenzhen Office of CBIRC in December 2019. Wang Bangyi resigned in December 2021.

(xiv) Zhang Xiaosong was appointed as a supervisor in November 2019. Zhang Xiaosong resigned in April 2021.

(xv) Zhong Qinglin was appointed as a supervisor in November 2019. Zhong Qinglin resigned in June 2021.

The Company did not operate any share option scheme during the years of 2022 and 2021.

The bonuses are discretionary and determined with reference to the Group's and the individuals' performance.

During the years of 2022 and 2021, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(Amounts in thousands of RMB, unless otherwise stated)

11 HIGHEST PAID INDIVIDUALS

None of the five individuals with the highest emoluments is a director of the Group for the year ended 31 December 2022 (none for the year end 31 December 2021). The emoluments of the five highest paid employees of the Group payable by the Group during the years of 2022 and 2021 are as follows:

	Year ended 31 December	
	2022	2021
Basic salaries and allowances	18,001	21,288
Bonuses	22,990	33,032
Post-employment benefits	12,422	–
Employer's contribution to pension schemes	1,685	8,865
	55,098	63,185

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group during the years of 2022 and 2021. Post-employment benefits of RMB12,422 thousand has been paid to individuals as compensation for loss of office during the year of 2022 (2021: nil).

The emoluments of the five highest paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2022	2021
	No. of employees	No. of employees
Emolument bands		
– HKD4,000,001 to HKD4,500,000	3	–
– HKD5,000,001 to HKD5,500,000	1	1
– HKD6,000,001 to HKD6,500,000	–	1
– HKD8,500,001 to HKD9,000,000	–	1
– HKD10,500,001 to HKD11,000,000	–	1
– HKD44,500,001 to HKD45,000,000	–	1
– HKD45,000,001 to HKD45,500,000	1	–

The above personnel are employees of the Group's overseas aviation subsidiaries, and their remuneration is determined according to international market standards.

12 FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2022	2021
Business collaboration fee for leasing projects	32,299	55,424
Bank charges	18,716	26,632
	51,015	82,056

13 INTEREST EXPENSES

	Year ended 31 December	
	2022	2021
Borrowings	6,766,071	6,457,709
Bonds payable	1,282,767	1,446,828
Due to banks and other financial institutions	263,760	222,479
Financial assets sold under repurchase agreements	18,100	29,185
Deposits from lessees	327	812
Others	117,437	63,801
Less: Interest capitalised on qualifying assets[1]	(241,773)	(133,034)
	8,206,689	8,087,780

[1] Interest capitalised on qualifying assets in 2022 included RMB241,773 thousand (2021: RMB133,034 thousand) on prepayments.

(Amounts in thousands of RMB, unless otherwise stated)

14 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2022	2021
Service fees of operating lease ship business	853,684	620,263
Service fees of inclusive leasing business	111,809	50,879
Taxes and surcharges	68,097	57,167
Business travel and transportation expenses	20,054	15,207
Auditor's remuneration	16,168	15,333
Lease payments not included in the measurement of lease liabilities	8,248	12,289
Expenses and losses associated with repossession and maintenance of aircraft	196,714	165,708
Sundry expenses	378,702	319,654
	1,653,476	1,256,500

15 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December	
	2022	2021
Finance lease receivables	1,242,130	1,874,927
Accounts receivable	(332,716)	353,103
Straightline lease asset	311,383	209,776
Others	5,799	5,281
	1,226,596	2,443,087

16 NET IMPAIRMENT LOSSES ON OTHER ASSETS

	Year ended 31 December	
	2022	2021
Equipment held for operating lease businesses	3,027,853	878,897
Investment properties	–	118,219
Repossessed assets	–	28,573
Assets held for sale	–	41,513
Aircraft supplementary assets	2,354	–
	3,030,207	1,067,202

17 INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
Current income tax		
– PRC enterprise income tax	2,182,954	949,137
– Income tax in other countries	9,133	7,769
Deferred income tax	(598,141)	636,760
Under provision in prior year	12,935	19,688
	1,606,881	1,613,354

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.

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	
	2022	2021
Profit before tax	4,957,954	5,535,566
Tax at the statutory tax rate of 25%	1,239,489	1,383,892
Tax effect of expenses not deductible for tax purpose	18,474	34,400
Under provision in prior year	12,935	19,688
Tax losses and deductible temporary difference not recognised	108,920	37,294
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	227,063	138,080
Income tax expense for the year	1,606,881	1,613,354

(Amounts in thousands of RMB, unless otherwise stated)

18 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Year ended 31 December	
	2022	2021
Earnings:		
Profit attributable to owners of the Company (RMB'000)	3,351,073	3,922,212
Number of shares:		
Weighted average number of shares in issue ('000)	12,642,380	12,642,380
Basic earnings per share (RMB Yuan)	0.27	0.31

Basic earnings per share amounts are calculated by dividing the profit attributable to owners of the Company by the weighted average numbers of ordinary shares in issue during the years ended 31 December 2022 and 2021, respectively.

Diluted earnings per share amounts are the same as basic earnings per share amounts due to the absence of dilutive potential ordinary share in the years of 2022 and 2021, respectively.

19 CASH AND BANK BALANCES

	31 December 2022	31 December 2021
Pledged and restricted bank deposits[1]	4,733,879	6,228,946
Mandatory reserve deposits with central bank[2]	366,046	407,366
Surplus reserve deposits with central bank[3]	179,769	146,830
Other cash and bank balances	24,481,031	30,049,935
	29,760,725	36,833,077

(1) The bank deposits amounting to approximately RMB2,262,687 thousand were pledged as collateral for the Group's bank borrowings as at 31 December 2022 (31 December 2021: RMB4,170,823 thousand) (Note 33).

The bank deposits amounting to approximately RMB2,471,192 thousand (31 December 2021: RMB2,058,123 thousand) were restricted for use, among which approximately RMB2,298,318 thousand was fixed deposits (31 December 2021: nil), RMB44,000 thousand was in relation to the notes payable as at 31 December 2022 (31 December 2021: RMB282,000 thousand), no guaranteed deposit is held by the Group in relation to the finance lease receivables transferred as at 31 December 2022 (31 December 2021: RMB250,000 thousand), and RMB128,874 thousand was in relation to others as at 31 December 2022 (31 December 2021: RMB1,526,123 thousand).

(2) The Group places mandatory reserve deposits in the PBOC, which include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

(3) Surplus reserve deposits primarily represent deposits maintained with the PBOC in addition to the mandatory reserve deposits.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022	31 December 2021
Measured at fair value:		
Equity investment, listed	14,034	12,585
Equity investment, unlisted	117,860	143,745
	131,894	156,330

21 DERIVATIVE FINANCIAL INSTRUMENTS

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

	31 December 2022		
	Contractual/	Fair value	
	Notional amount	Assets	Liabilities
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	17,396,951	797,740	–
Derivatives not under hedge accounting:			
Currency forwards	139,292	–	(1,280)
Cross currency swaps	6,496,079	22,947	(27,003)
Foreign exchange swaps	905,398	20,091	–
	24,937,720	840,778	(28,283)

	31 December 2021		
	Contractual/	Fair value	
	Notional amount	Assets	Liabilities
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	26,787,276	38,018	(569,877)
Cash flow hedge – cross currency swaps	874,855	15,609	–
Derivatives not under hedge accounting:			
Currency forwards	1,466,411	41,000	–
Cross currency swaps	1,069,105	–	(5,068)
Foreign exchange swaps	246,824	–	(1,552)
	30,444,471	94,627	(576,497)

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.

(Amounts in thousands of RMB, unless otherwise stated)

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 borrowings and bonds 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. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the borrowings and the hedging instruments;
- Different interest rate curves applied to discount the hedged items and hedging instruments; and
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments.

	Outstanding notional amounts	Assets/ (Liabilities)	USD interest rates (p.a.)	Foreign currency rates	Maturity (Year)
31 December 2022					
Cash flow hedge					
Interest rate swaps[1]					
USD	17,396,951	797,740	0.2680% to 3.2030%	–	2023 to 2028

	Outstanding notional amounts	Assets/ (Liabilities)	USD interest rates (p.a.)	Foreign currency rates	Maturity (Year)
31 December 2021					
Cash flow hedge					
Interest rate swaps[1]					
USD	26,787,276	(531,859)	0.2680% to 3.2030%	–	2022 to 2028
Cross currency swaps[2]					
HKD-USD	617,578	3,014	3.6950% to 3.7200%	USD1: HKD7.78445 to USD1: HKD7.8482	2022
CNY-USD	257,277	12,595	2.9350%	USD1: CNY6.6910	2022

(1) The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from related borrowings which are pegged to USD London Inter-bank Offered Rates ("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 effective part of the fair value changes of these interest rate swaps is recognized in hedging reserve, amounting to RMB1,172,025 thousand in 2022 (2021: RMB736,894 thousand), and the hedge ineffectiveness is recognized in profit or loss, which is immaterial in 2022 and 2021.

(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.

Interest rate benchmark reform

Following the decision by global regulators to phase out the existing interest rate benchmarks and replace them with Risk Free Rates ("RFRs"), the Group is evaluating the impact on its existing hedge relationships. The Group has adopted the temporary reliefs provided by the amendments to IFRS 9, IAS 39 and IFRS 7 which enable the hedge accounting of the Group to continue during the period of uncertainty, which is before the replacement of an existing interest rate benchmark with an RFR.

The table below indicates the nominal amounts and weighted average remaining 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.

As at 31 December 2022

	Nominal amount	Weighted average remaining maturity (Years)
Interest rate swaps:		
USD LIBOR (3 months)	17,197,067	2.3
USD LIBOR (6 months)	199,884	0.9
	17,396,951	

As at 31 December 2021

	Nominal amount	Weighted average remaining maturity (Years)
Interest rate swaps:		
USD LIBOR (1 month)	63,757	0.9
USD LIBOR (3 months)	26,490,806	2.6
USD LIBOR (6 months)	232,713	1.9
	26,787,276	

(Amounts in thousands of RMB, unless otherwise stated)

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2022	31 December 2021
Measured at fair value:		
Certificates of deposit	1,464,986	970,740

23 ACCOUNTS RECEIVABLE

	31 December 2022	31 December 2021
Operating lease receivables[1]	1,719,859	2,338,378
Advances for finance lease projects[2]	2,489,752	–
Other accounts receivable	67,463	13,902
	4,277,074	2,352,280
Less: Allowance for impairment losses		
– Allowance for operating lease receivables	(756,502)	(1,107,223)
– Allowances for advances for finance lease projects	(28,791)	–
– Allowances for other accounts receivable	(4,048)	–
	(789,341)	(1,107,223)
	3,487,733	1,245,057

(1) An ageing analysis of the operating lease receivables as at the end of the reporting period, based on the receivables due date and net of loss allowance, is as follows:

	31 December 2022	31 December 2021
On demand/Deferred	308,283	888,792
Overdue within 1 month	278,452	60,076
Overdue 1 to 2 months	28,062	28,417
Overdue 2 to 3 months	12,527	29,966
Overdue over 3 months	336,033	223,904
	963,357	1,231,155

(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 is 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 not meaningful.

The advances for finance lease projects with a carrying amount of approximately RMB464,480 thousand were pledged as collateral for the Group's bank borrowings as at 31 December 2022 (31 December 2021: nil) (Note 33).

Movements of accounts receivable between stages for the years of 2022 and 2021 are as follows:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Gross amount					
Amount as at 1 January 2022	–	–	–	2,352,280	2,352,280
New assets originated/(repayment)	2,443,814	–	–	(675,197)	1,768,617
Written-off	–	–	–	(72,211)	(72,211)
Effect of foreign currency exchange differences	45,938	–	–	182,450	228,388
Amount as at 31 December 2022	2,489,752	–	–	1,787,322	4,277,074

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Gross amount					
Amount as at 1 January 2021	–	–	–	2,732,849	2,732,849
New assets originated/(repayment)	–	–	–	(324,134)	(324,134)
Effect of foreign currency exchange differences	–	–	–	(56,435)	(56,435)
Amount as at 31 December 2021	–	–	–	2,352,280	2,352,280

Movements of allowance for impairment losses during the years of 2022 and 2021 are as follows:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Allowance for impairment losses					
Amount as at 1 January 2022	–	–	–	1,107,223	1,107,223
Net increase/(decrease)[1]	28,367	–	–	–	28,367
Charged/(recovered) for the year[2]	–	–	–	(361,083)	(361,083)
Written-off	–	–	–	(72,211)	(72,211)
Effect of foreign currency exchange differences	424	–	–	86,621	87,045
Amount as at 31 December 2022	28,791	–	–	760,550	789,341

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Allowance for impairment losses					
Amount as at 1 January 2021	–	–	–	772,199	772,199
Charged/(recovered) for the year[2]	–	–	–	353,103	353,103
Effect of foreign currency exchange differences	–	–	–	(18,079)	(18,079)
Amount as at 31 December 2021	–	–	–	1,107,223	1,107,223

(1) Changes in the 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.

(Amounts in thousands of RMB, unless otherwise stated)

24 FINANCE LEASE RECEIVABLES

	31 December 2022	31 December 2021
Finance lease receivables		
Not later than one year	60,829,809	58,571,300
Later than one year and not later than five years	130,697,442	121,976,649
Later than five years	44,249,417	53,112,339
Gross amount of finance lease receivables	235,776,668	233,660,288
Less: Unearned finance income	(33,743,782)	(35,198,445)
Present value of minimum finance lease receivables	202,032,886	198,461,843
Less: Allowance for impairment losses	(8,538,603)	(7,590,290)
Carrying amount of finance lease receivables	193,494,283	190,871,553
Present value of minimum finance lease receivables		
Not later than one year	51,311,657	48,995,907
Later than one year and not later than five years	112,880,748	103,715,411
Later than five years	37,840,481	45,750,525
	202,032,886	198,461,843

The Group entered into finance lease arrangements for certain of its aircraft, ships, equipment for infrastructure, transport and construction vehicle. The term range of finance leases is from 1 to 18 years.

The finance lease receivables with a carrying amount of approximately RMB2,727,320 thousand were pledged as collateral for the Group's bank borrowings as at 31 December 2022 (31 December 2021: RMB7,236,082 thousand) (Note 33).

As at 31 December 2022, finance lease receivables with the carrying value of approximately RMB7,729,097 thousand were fully recognised under factoring arrangements entered into by the Group (31 December 2021: RMB1,209,614 thousand) (Note 43).

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

Movements between stages for the years of 2022 and 2021 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 2022	178,257,871	19,144,924	1,059,048	198,461,843
Movement within stages:				–
Move to stage 1	2,026,760	(2,026,760)	–	–
Move to stage 2	(10,813,324)	10,813,324	–	–
Move to stage 3	–	(665,422)	665,422	–
Net assets originated/(repayment)	3,127,937	166,279	(28,655)	3,265,561
Written-off/transfer out	–	(550,552)	(215,663)	(766,215)
Effect of foreign currency exchange differences	1,045,362	11,475	14,860	1,071,697
Amount as at 31 December 2022	173,644,606	26,893,268	1,495,012	202,032,886

	Stage 1	Stage 2	Stage 3	Total
Present value of minimum finance lease receivables				
Amount as at 1 January 2021	149,536,247	21,240,845	1,084,400	171,861,492
Movement within stages:				
Move to stage 1	3,044,568	(3,044,568)	–	–
Move to stage 2	(4,597,246)	4,597,246	–	–
Move to stage 3	–	(346,300)	346,300	–
Net assets originated/(repayment)	30,547,672	(3,289,684)	(278,383)	26,979,605
Written-off	–	–	(92,860)	(92,860)
Effect of foreign currency exchange differences	(273,370)	(12,615)	(409)	(286,394)
Amount as at 31 December 2021	178,257,871	19,144,924	1,059,048	198,461,843

Movements of allowance for impairment losses on finance lease receivables during the years of 2022 and 2021 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2022	3,085,915	3,504,853	999,522	7,590,290
Movement within stages:				
Move to stage 1	245,076	(245,076)	–	–
Move to stage 2	(309,870)	309,870	–	–
Move to stage 3	–	(367,150)	367,150	–
Net increase/(decrease)(1)	(115,002)	(123,574)	(9,704)	(248,280)
Charged/(recovered) for the year(2)	668,152	489,382	332,876	1,490,410
Written-off/transfer out	–	(147,548)	(215,663)	(363,211)
Effect of foreign currency exchange differences	53,437	9,138	6,819	69,394
Amount as at 31 December 2022	3,627,708	3,429,895	1,481,000	8,538,603

(Amounts in thousands of RMB, unless otherwise stated)

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2021	1,789,997	3,074,860	956,083	5,820,940
Movement within stages:				
Move to stage 1	335,903	(335,903)	–	–
Move to stage 2	(63,785)	63,785	–	–
Move to stage 3	–	(240,963)	240,963	–
Net increase/(decrease)[1]	574,353	(488,176)	(193,144)	(106,967)
Charged/(recovered) for the year[2]	457,712	1,435,354	88,828	1,981,894
Written-off	–	–	(92,849)	(92,849)
Effect of foreign currency exchange differences	(8,265)	(4,104)	(359)	(12,728)
Amount as at 31 December 2021	3,085,915	3,504,853	999,522	7,590,290

(1) Changes in the 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.

25 ASSETS HELD FOR SALE

As at 31 December 2022, the directors of the Group decided to sell one aircraft, which was originally acquired for operating lease business (31 December 2021: nil). The sale is expected to be completed in 2023.

	31 December 2022	31 December 2021
Aircraft	364,578	–

26 PREPAYMENTS

	31 December 2022	31 December 2021
Prepayments for operating lease assets purchases[1]	11,551,036	11,958,595

(1) As of 31 December 2022, the balance of prepayments to Airbus S.A.S. and the Boeing Company are amounted to RMB6,714 million (31 December 2021: RMB6,114 million) and RMB1,836 million (31 December 2021: RMB1,432 million), respectively.

27 INVESTMENTS IN SUBSIDIARIES

The following is a list of principal subsidiaries, which are all limited liability companies, at 31 December 2022:

Name of subsidiary	Place and date of incorporation/registration and business	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
CDBL Funding 1	Cayman Islands/Ireland 23 Oct 2014	–	100	USD1	Bond issuing
CDBL Funding 2	Cayman Islands/Ireland 23 May 2017	–	100	USD50	Bond issuing
AMBER Circle Funding Limited	Cayman Islands/Ireland 22 Jun 2012	–	100	USD250	Bond issuing
Aviation Capital Limited	Cayman Islands/Ireland 08 Sep 2008	100	100	USD1,000	Aircraft leasing
CDB Leasing (International) Company Limited	Hongkong, China/Mainland China 03 Sep 2009	100	100	HKD10,000	Ship leasing
CDB Aviation Lease Finance Designated Activity Company	Ireland/Ireland 02 Jul 2009	100	100	USD50,000,000	Aircraft leasing/ Management
國銀飛機租賃(上海)有限公司 CLC Aircraft Leasing (Shanghai) Co., Ltd*	Mainland China/Mainland China 24 Nov 2010	100	100	RMB5,000,000	Aircraft leasing
國銀航進飛機租賃(天津)有限公司 CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 13 Aug 2013	100	100	RMB1,000,000	Aircraft leasing
國銀航博飛機租賃(天津)有限公司 CLC Hangbo Aircraft Leasing (Tianjin) Co.,Ltd.*	Mainland China/Mainland China 11 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航坤飛機租賃(天津)有限公司 CLC Hangkun Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 11 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航隆飛機租賃(天津)有限公司 CLC Hanglong Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 12 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航慶飛機租賃(天津)有限公司 CLC Hangqing Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 12 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航遠飛機租賃(天津)有限公司 CLC Hangyuan Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 11 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航際飛機租賃(天津)有限公司 CLC Hangji Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航昱飛機租賃(天津)有限公司 CLC Hangyu Aircraft Leasing (Tianjin) Co.,Ltd.*	Mainland China/Mainland China 13 Jul 2015	100	100	RMB1,000,000	Aircraft leasing
國銀航鑫飛機租賃(天津)有限公司 CLC Hangxin Aircraft Leasing (Tianjin) Co.,Ltd.*	Mainland China/Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航錦飛機租賃(天津)有限公司 CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航通飛機租賃(天津)有限公司 CLC Hangtong Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀晨天(廈門)飛機租賃有限公司 CLC Chentian (Xiamen) Aircraft Leasing Co.,Ltd.*	Mainland China/Mainland China 10 Aug 2015	100	100	RMB100,000	Aircraft leasing
國銀慧天(廈門)飛機租賃有限公司 CLC Huitian (Xiamen) Aircraft Leasing Co., Ltd.*	Mainland China/Mainland China 10 Aug 2015	100	100	RMB100,000	Aircraft leasing
天津勝利一號租賃有限公司 Tianjin Shengli No.1 Leasing Co., Ltd.*	Mainland China/Mainland China 17 Feb 2022	100	100	RMB500,000	Ship leasing

* These subsidiaries do not have official English names. English translated names are for identification only.

The above table lists the subsidiaries of the Group which, in opinion of the management of the Group, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

(Amounts in thousands of RMB, unless otherwise stated)

The Group also hold the following subsidiaries. As the information of the subsidiaries is similar, the subsidiaries were disclosed in aggregate as at 31 December 2022:

Aircraft leasing or financing

Place of incorporation/registration and business	Numbers of the subsidiaries	Proportion of ordinary shares directly held by the Group (%)	Paid-up issued/ registered capital of each subsidiary	Principal activities
Mainland China/Mainland China	1	100	RMB5,000,000	Aircraft leasing
Mainland China/Mainland China	32	100	RMB500,000	Aircraft leasing
Mainland China/Mainland China	2	100	RMB300,000	Aircraft leasing
Mainland China/Mainland China	8	100	RMB100,000	Aircraft leasing
France/Ireland	1	100	EUR50,000	Aircraft leasing
USA/USA	1	100	USD5,000	Aircraft leasing
Malta/Ireland	1	100	EUR1,200	Aircraft financing
Hong Kong, China/Hong Kong, China	1	100	HKD1,000	Aircraft leasing
Ireland/Ireland	10	100	EUR2	Aircraft leasing
Ireland/Ireland	2	100	EUR2	Aircraft financing
Ireland/Ireland	1	100	USD2	Aircraft leasing
Ireland/Ireland	160	100	USD1	Aircraft leasing

Ship leasing

Place of incorporation/registration and business	Numbers of the subsidiaries	Proportion of ordinary shares directly held by the Group (%)	Paid-up issued/ registered capital of each subsidiary	Principal activities
Mainland China/Mainland China	2	100	RMB500,000	Ship leasing
Mainland China/Mainland China	61	100	RMB100,000	Ship leasing
Hong Kong, China/Mainland China	10	100	HKD10,000	Ship leasing
Hong Kong, China/Mainland China	1	100	USD1	Ship leasing
Hong Kong, China/Mainland China	234	100	HKD1	Ship leasing

Others

Place of incorporation/registration and business	Numbers of the subsidiaries	Proportion of ordinary shares directly held by the Group (%)	Paid-up issued/ registered capital of each subsidiary	Principal activities
Mainland China/Mainland China	3	100	RMB100,000	Vehicle leasing
Hong Kong, China/Mainland China	1	100	HKD1	Textile equipment leasing
Hong Kong, China/Mainland China	1	100	HKD1	Container leasing
Hong Kong, China/Mainland China	1	100	HKD1	Drilling platform leasing

(Amounts in thousands of RMB, unless otherwise stated)

28 INVESTMENT PROPERTIES

	31 December 2022	31 December 2021
Cost		
At the beginning of the year	1,407,210	1,392,051
Disposals/written-off	(27,355)	–
Transfer from repossessed assets	344,734	–
Transfer from property and equipment	–	15,159
Transfer to property and equipment	(2,781)	–
At the end of the year	1,721,808	1,407,210
Accumulated depreciation		
At the beginning of the year	(225,022)	(192,369)
Charged for the year	(31,282)	(31,612)
Transfer from property and equipment	–	(1,041)
Transfer to property and equipment	191	–
At the end of the year	(256,113)	(225,022)
Accumulated impairment		
At the beginning of the year	(277,878)	(159,659)
Charged for the year	–	(118,219)
Transfer from repossessed assets	(145,872)	–
At the end of the year	(423,750)	(277,878)
Net carrying amount		
At the beginning of the year	904,310	1,040,023
At the end of the year	1,041,945	904,310

The Group recognised the operating lease income of approximately RMB128,396 thousand from investment properties in the year of 2022 (2021: RMB125,293 thousand) which is disclosed in Note 5.

29 PROPERTY AND EQUIPMENT

	31 December 2022	31 December 2021
Equipment held for operating lease businesses	105,799,049	92,070,297
Property and equipment held for administrative purposes	725,412	759,424
	106,524,461	92,829,721

Equipment held for operating lease businesses

	Aircraft	Ships	Special equipment	Total
Cost				
As at 1 January 2022	82,403,395	28,270,238	264,035	110,937,668
Additions	13,015,080	4,570,969	65,133	17,651,182
Transfer from finance lease receivables	–	550,552	–	550,552
Disposals/written-off	(3,701,526)	(671,062)	(264,035)	(4,636,623)
Foreign currency translation	7,940,326	2,044,602	–	9,984,928
As at 31 December 2022	99,657,275	34,765,299	65,133	134,487,707
Accumulated depreciation				
As at 1 January 2022	(13,957,441)	(1,756,134)	(187,633)	(15,901,208)
Charged for the year	(3,626,478)	(1,597,652)	(1,033)	(5,225,163)
Disposals/written-off	260,083	305,853	187,631	753,567
Foreign currency translation	(1,408,398)	(458,944)	–	(1,867,342)
As at 31 December 2022	(18,732,234)	(3,506,877)	(1,035)	(22,240,146)
Accumulated impairment				
As at 1 January 2022	(2,641,731)	(324,432)	–	(2,966,163)
Charged for the year	(2,953,231)	(74,622)	–	(3,027,853)
Transfer from finance lease receivables	–	(147,548)	–	(147,548)
Disposals/written-off	67,340	61,527	–	128,867
Foreign currency translation	(345,825)	(89,990)	–	(435,815)
As at 31 December 2022	(5,873,447)	(575,065)	–	(6,448,512)
Net carrying amount				
As at 1 January 2022	65,804,223	26,189,672	76,402	92,070,297
As at 31 December 2022	75,051,594	30,683,357	64,098	105,799,049

(Amounts in thousands of RMB, unless otherwise stated)

	Aircraft	Ships	Special equipment	Total
Cost				
As at 1 January 2021	77,304,436	14,747,602	671,727	92,723,765
Additions	14,358,776	14,001,475	–	28,360,251
Disposals/written-off	(7,492,398)	–	(407,692)	(7,900,090)
Foreign currency translation	(1,767,419)	(478,839)	–	(2,246,258)
As at 31 December 2021	82,403,395	28,270,238	264,035	110,937,668
Accumulated depreciation				
As at 1 January 2021	(12,550,199)	(882,540)	(247,743)	(13,680,482)
Charged for the year	(3,256,799)	(899,839)	(21,987)	(4,178,625)
Disposals/written-off	1,626,670	–	82,097	1,708,767
Foreign currency translation	222,887	26,245	–	249,132
As at 31 December 2021	(13,957,441)	(1,756,134)	(187,633)	(15,901,208)
Accumulated impairment				
As at 1 January 2021	(2,226,643)	(240,245)	(277,270)	(2,744,158)
Charged for the year	(787,885)	(88,446)	(2,566)	(878,897)
Disposals/written-off	316,129	–	279,836	595,965
Foreign currency translation	56,668	4,259	–	60,927
As at 31 December 2021	(2,641,731)	(324,432)	–	(2,966,163)
Net carrying amount				
As at 1 January 2021	62,527,594	13,624,817	146,714	76,299,125
As at 31 December 2021	65,804,223	26,189,672	76,402	92,070,297

As at 31 December 2022, the equipment held for operating lease businesses of the Group with net book values of approximately RMB38,797,903 thousand (31 December 2021: RMB29,016,282 thousand) and RMB1,092,143 thousand (31 December 2021: RMB1,060,935 thousand) were pledged as collateral for the Group's bank borrowings (Note 33) and long-term payables, respectively.

Property and equipment held for administrative purposes

	Buildings	Computers and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
Cost						
As at 1 January 2022	786,158	33,921	5,472	19,066	71,627	916,244
Additions	–	30,116	–	42,345	35	72,496
Transfer from investment properties	2,781	–	–	–	–	2,781
Disposals/written-off	(73,340)	(3,321)	–	(261)	(14,787)	(91,709)
Foreign currency translation	–	1,100	–	633	4,647	6,380
As at 31 December 2022	715,599	61,816	5,472	61,783	61,522	906,192
Accumulated depreciation						
As at 1 January 2022	(89,466)	(17,675)	(3,865)	(14,192)	(31,622)	(156,820)
Charge for the year	(10,229)	(17,690)	(601)	(4,764)	(3,017)	(36,301)
Transfer from investment properties	(270)	–	–	–	–	(270)
Disposals/written-off	298	–	–	–	14,787	15,085
Foreign currency translation	–	(832)	–	(443)	(1,199)	(2,474)
As at 31 December 2022	(99,667)	(36,197)	(4,466)	(19,399)	(21,051)	(180,780)
Net carrying amount						
As at 1 January 2022	696,692	16,246	1,607	4,874	40,005	759,424
As at 31 December 2022	615,932	25,619	1,006	42,384	40,471	725,412

(Amounts in thousands of RMB, unless otherwise stated)

	Buildings	Computers and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
Cost						
As at 1 January 2021	800,870	17,072	5,472	17,482	72,805	913,701
Additions	678	16,849	–	1,738	–	19,265
Transfer to other assets	(15,159)	–	–	–	–	(15,159)
Foreign currency translation	(231)	–	–	(154)	(1,178)	(1,563)
As at 31 December 2021	786,158	33,921	5,472	19,066	71,627	916,244
Accumulated depreciation						
As at 1 January 2021	(70,016)	(10,886)	(3,101)	(11,103)	(28,953)	(124,059)
Charged for the year	(20,681)	(6,789)	(764)	(3,172)	(2,926)	(34,332)
Transfer to other assets	1,040	–	–	–	–	1,040
Foreign currency translation	191	–	–	83	257	531
As at 31 December 2021	(89,466)	(17,675)	(3,865)	(14,192)	(31,622)	(156,820)
Net carrying amount						
As at 1 January 2021	730,854	6,186	2,371	6,379	43,852	789,642
As at 31 December 2021	696,692	16,246	1,607	4,874	40,005	759,424

As at 31 December 2022, the carrying value of property and equipment of the Group for which registration was not completed amounted to approximately RMB7,445 thousand (31 December 2021: RMB7,987 thousand). However, this registration process does not affect the rights of the Group to these assets.

For the year ended 31 December 2022, in accordance with IAS 36 Impairment of Assets, aircraft and ships 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 and ships. For the purpose of recognition and measurement of an impairment loss, if it is determined that a test for impairment is required, each aircraft or ship 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 or ship 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 rates ("WACC") for 31 December 2022 were 6.30% and 6.57% (2021: 4.80% and 5.34%) for aircraft and ships, respectively. Fair value less costs to sell is 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 is recognised.

As a result of the review, an impairment charge of RMB2,953 million (2021: RMB788 million) was recognised on 41 aircraft (2021: 25 aircraft), including the impairment charge for 9 aircraft trapped in Russia. An impairment charge of RMB75 million (2021: RMB88 million) was recognised on 7 ships (2021: 5 ships).

Due to Russia-Ukraine conflict began in February 2022, the USA, the European Union and other countries imposed sanctions on Russia. The Group terminated the leasing of 15 aircraft with Russian airlines and of which 6 aircraft have been successfully repossessed. As at 31 December 2022, there are still 9 aircraft remained detained in Russia, the Group believes that it is unlikely to be able to repossess those aircraft from Russia in the foreseeable future, if ever. The Group has recognized an impairment losses of RMB2,414 million on these assets during the period ended 31 December 2022. As at 31 December 2022, the Group has filed claims under its relevant insurances and is pursuing those claims for the agreed values of the aircraft as defined in the relevant policies.

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 2022.

As at 31 December 2022, assuming the WACC increases by 50BP, the impairment will increase RMB74 million (2021: RMB51 million) for aircraft; if the WACC decrease by 50BP, then the impairment will decrease RMB96 million (2021: RMB42 million) for aircraft.

As at 31 December 2022, assuming the current market value increases by 5%, the impairment will decrease RMB156 million and RMB25 million (2021: RMB33 million and RMB81 million) for aircraft and ship, respectively. If the current market value decrease by 5%, the impairment will increase RMB127 million and RMB30 million (2021: RMB35 million and RMB27 million) for aircraft and ship, respectively.

30 LEASES

The Group as a lessee

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties
As at 1 January 2022	154,492
Additions	2,502
Depreciation charge	(27,418)
Foreign currency translation	11,608
As at 31 December 2022	141,184

	Properties
As at 1 January 2021	181,149
Additions	3,539
Depreciation charge	(26,924)
Foreign currency translation	(3,272)
As at 31 December 2021	154,492

(Amounts in thousands of RMB, unless otherwise stated)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022	2021
Carrying amount at 1 January	172,141	196,490
New leases	2,502	3,521
Accretion of interest recognised during the year	7,154	8,285
Payments	(45,537)	(32,446)
Foreign currency translation	10,974	(3,709)
Carrying amount at 31 December	147,234	172,141
Analysed into:		
Within one year	23,615	25,081
In the second year	15,233	22,631
In the third to fifth year, inclusive	26,964	32,433
Beyond five year	81,422	91,996

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	For the year ended 31 December	
	2022	2021
Interest on lease liabilities	7,154	8,285
Depreciation charge of right-of-use assets	27,418	26,924
Expense relating to leases of low-value assets and short-term leases	132	244
Total amount recognised in profit or loss	34,704	35,453

The Group as a lessor

The Group leases its investment properties (Note 28) and property and equipment (Note 29) consisting of aircraft, ships, special equipment and buildings under operating lease arrangements. The terms of the leases generally require the lessees to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB12,476 million (2021: RMB11,550 million), details of which are included in Note 5 to the financial statements.

As 31 December 2022 and 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December 2022	31 December 2021
Within one year	9,576,692	8,201,088
After one year but within two years	9,232,311	7,923,481
After two years but within three years	8,703,400	7,506,112
After three years but within four years	7,436,395	6,794,554
After four years but within five years	6,358,164	5,371,176
After five years	24,716,178	22,349,121
	66,023,140	58,145,532

31 DEFERRED TAXATION

Deferred income tax liabilities of RMB44 million (31 December 2021: RMB208 million) have not been recognised for the taxable temporary differences arising from undistributed profit of foreign subsidiaries given that the timing of the reversal of the temporary difference is controlled by the Group and the directors of the Group are of the view that it is probable that the temporary differences will not be reversed in the foreseeable future.

The unrecognised deferred tax assets mainly related to tax losses for the year ended 31 December 2022 are RMB326,759 thousand (31 December 2021: RMB241,341 thousand).

The tax losses are available within the period permitted by tax laws for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

The following are the major deferred tax assets/(liabilities) recognised and movements thereon for the years ended 31 December 2022 and 2021:

	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of FVTPL	Changes in fair value of FVOCI	Deductible tax losses	Accelerated depreciation of operating lease assets	Deferred income	Accrued staff costs	Others	Total
As at 1 January 2022	1,399,569	63,937	9,287	6,291	112,467	(597,111)	28,271	13,462	(1,183,556)	(147,383)
(Charge)/credit to profit or loss	204,725	3,325	6,109	–	145,607	(97,894)	(738)	4,550	332,457	598,141
Credit to other comprehensive income	–	(159,702)	–	(1,121)	–	–	–	–	–	(160,823)
As at 31 December 2022	1,604,294	(92,440)	15,396	5,170	258,074	(695,005)	27,533	18,012	(851,099)	289,935

	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of FVTPL	Changes in fair value of FVOCI	Deductible tax losses	Accelerated depreciation of operating lease assets	Deferred income	Accrued staff costs	Others	Total
As at 1 January 2021	1,119,255	156,237	(5,846)	1,293	110,027	(591,885)	28,701	17,444	(262,148)	573,078
(Charge)/credit to profit or loss	280,314	(3,601)	15,133	–	2,440	(5,226)	(430)	(3,982)	(921,408)	(636,760)
Credit to other comprehensive income	–	(88,699)	–	4,998	–	–	–	–	–	(83,701)
As at 31 December 2021	1,399,569	63,937	9,287	6,291	112,467	(597,111)	28,271	13,462	(1,183,556)	(147,383)

(Amounts in thousands of RMB, unless otherwise stated)

32 OTHER ASSETS

	31 December 2022	31 December 2021
Maintenance right assets	832,735	976,149
Deductible value-added tax	465,308	741,854
Prepaid expenses	692,375	491,160
Straightline lease asset[1]	1,570,264	702,895
Other receivables	442,480	441,318
Land use rights[2]	372,063	376,419
Repossessed assets	–	344,734
Lease premium assets	190,179	199,764
Other intangible assets	22,805	29,596
Interest receivable	52,538	16,368
Notes receivable	18,524	220,465
Prepaid income tax	26,360	9,597
Deposits for lease of business place	23,529	6,355
Aircraft supplementary assets	13,401	19,215
	4,722,561	4,575,889
Less: Allowance for impairment losses		
Repossessed assets	–	(145,872)
Straightline lease asset[1]	(613,897)	(266,877)
Other receivables	(23,612)	(18,847)
Aircraft supplementary assets	(2,438)	–
	(639,947)	(431,596)
	4,082,614	4,144,293

(1) Straightline lease asset appears the difference amount between operating lease income recognized on straight-line basis and the contractual receivables and the movement of the impairment of it is showing as follow:

	For the year ended 31 December	
	2022	2021
At the beginning of the year	266,877	61,057
Impairment losses during the year	311,383	209,776
Effect of foreign currency exchange differences	35,637	(3,956)
At the end of the year	613,897	266,877

(2) Land use rights of the Group represent the medium-term (50 years) leasehold land in the PRC.

33 BORROWINGS

	31 December 2022	31 December 2021
Secured bank borrowings[1]	32,333,829	28,099,086
Factoring financing[2]	7,104,143	1,175,830
Unsecured bank borrowings	207,444,685	206,812,757
	246,882,657	236,087,673

	31 December 2022	31 December 2021
Carrying amount repayable:		
Within one year	187,670,246	212,544,215
More than one year, but not exceeding two years	44,300,211	15,250,460
More than two years, but not exceeding five years	12,333,935	6,655,225
More than five years	2,578,265	1,637,773
	246,882,657	236,087,673

(1) Secured bank borrowings

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

	31 December 2022	31 December 2021
Equipment held for operating lease businesses	38,797,903	29,016,282
Finance lease receivables	2,727,320	6,026,467
Accounts receivable	464,480	–
Bank deposits	2,262,687	4,170,823
	44,252,390	39,213,572

(Amounts in thousands of RMB, unless otherwise stated)

(2) The Group entered into finance lease receivables factoring arrangements and has recognised the cash received for the transfer as factoring financing, which was approximately RMB7,104,143 thousand as at 31 December 2022 (31 December 2021: RMB1,175,830 thousand) (Note 43).

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

	31 December 2022	31 December 2021
Fixed-rate borrowings:		
Within one year	145,544,303	173,337,893
More than one year, but not exceeding five years	22,210,656	494,282
More than five years	527,622	186,316
	168,282,581	174,018,491

In addition, the Group has floating-rate borrowings which carry interest based on LPR, LIBOR, Secured Overnight Financing Rate ("SOFR") or Term SOFR.

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

	31 December 2022	31 December 2021
Effective interest rates:		
Fixed-rate borrowings	1.45%-5.95%	0.12% – 4.45%
Floating-rate borrowings	1M LIBOR+0.37% to 6M LIBOR+2.80%	3M LIBOR+0.30% to 3M LIBOR+3.00%

34 ACCRUED STAFF COSTS

	31 December 2022	31 December 2021
Salaries, bonuses and allowances	196,105	141,991
Social welfare and others	67,695	61,966
	263,800	203,957

35 BONDS PAYABLE

	31 December 2022	31 December 2021
Guaranteed unsecured bonds	32,043,941	40,630,522
Unguaranteed unsecured bonds	4,828,113	4,415,006
	36,872,054	45,045,528

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

				As at 31 December 2022		
			Maturity (Year)	Face value	Guaranteed unsecured bonds(1)	Unguaranteed unsecured bonds
Issuer	Currency	Fixed coupon rate				
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,875,220	–	4,875,220
CDBL Funding 2(3)	RMB	3.05% to 3.40%	2023 to 2024	900,000	900,000	–
	HKD	1.20% to 1.40%	2023 to 2024	1,161,251	1,161,251	–
	USD	1.20% to 3.125%	2023 to 2027	14,333,147	14,333,147	–
CDBL Funding 1(3)	USD	1.50% to 4.25%	2023 to 2027	13,441,678	13,441,678	–
				34,711,296	29,836,076	4,875,220
Issuer	Currency	Floating Rate				
CDBL Funding 2(3)	USD	SOFR + Margin ranging from 0.85% to 1.00%	2023 to 2025	2,298,318	2,298,318	–
				37,009,614	32,134,394	4,875,220

				As at 31 December 2021		
			Maturity (Year)	Face value	Guaranteed unsecured bonds(2)	Unguaranteed unsecured bonds
Issuer	Currency	Fixed coupon rate				
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,462,990	–	4,462,990
CDBL Funding 2(3)	RMB	3.60%	2022	270,000	270,000	–
	HKD	1.00% to 3.30%	2022 to 2024	1,929,536	1,929,536	–
	USD	0.80% to 3.75%	2022 to 2026	19,094,903	19,094,903	–
CDBL Funding 1(3)	USD	1.05% to 4.25%	2022 to 2027	13,070,185	13,070,185	–
Amber Circle Funding Limited(3)	USD	3.25%	2022	6,375,700	6,375,700	–
				45,203,314	40,740,324	4,462,990

(1) As at 31 December 2022, 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. CDB Leasing (International) Company Limited and CDB Aviation Lease Finance Designated Activity Company are subsidiaries of the Group.

(2) As at 31 December 2021, 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.

(3) Amber Circle Funding Limited, CDBL Funding 1 and CDBL Funding 2 are subsidiaries of the Group.

(Amounts in thousands of RMB, unless otherwise stated)

36 OTHER LIABILITIES

	31 December 2022	31 December 2021
Guaranteed deposits from lessees	7,242,270	7,221,242
Maintenance deposits from lessees	2,343,670	1,603,813
Accounts payable[(1)]	1,463,064	2,438,538
Interest payable	1,446,263	1,366,146
Notes payable[(2)]	5,416,947	2,583,590
Lease discount liabilities	406,198	405,661
Other payables	3,394,531	590,099
Deferred income	110,130	113,080
Project arrangement fee in advance	242,730	133,484
Ship management fee payable	119,464	113,890
Dividends payable	–	144,915
Other taxes payable	49,339	43,318
Management consulting fees payable	34,312	35,147
Total	22,268,918	16,792,923

(1) An ageing analysis of the accounts payable as at the end of the reporting period, based on the payables due date, is as follows:

	31 December 2022	31 December 2021
On demand	797,498	964,029
Within one year	231,323	842,346
In the second year	101,489	126,651
In the third to fifth year, inclusive	332,754	393,870
Beyond five year	–	111,642
	1,463,064	2,438,538

(2) Notes payable is normally settled on one-year term.

37 SHARE CAPITAL

	31 December 2022	31 December 2021
Registered, issued and fully paid: par value RMB1.00 per share	12,642,380	12,642,380

38 CAPITAL RESERVE

	31 December 2022	31 December 2021
Capital reserve	2,418,689	2,418,689

The balance of capital reserve mainly represents share premium arising from the Company's initial public offering and other previous shares issuances in the current and prior years.

39 HEDGING AND FAIR VALUE RESERVE

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

	2022	2021
At the beginning of the year	(459,909)	(1,145,885)
Fair value changes on derivatives	1,316,119	786,391
Fair value changes on FVOCI	1,205	(16,714)
Income tax effects	(160,823)	(83,701)
At the end of the year	696,592	(459,909)

40 GENERAL RESERVE

The general reserves comprise statutory reserve and reserve for general risk. The movements of general reserve of the Group are set out below:

	Year ended 31 December 2022		
	Opening	Additions	Closing
Statutory reserve[(1)]	1,119,170	393,384	1,512,554
Reserve for general risk[(2)]	5,116,597	163,113	5,279,710
	6,235,767	556,497	6,792,264

	Year ended 31 December 2021		
	Opening	Additions	Closing
Statutory reserve[(1)]	959,881	159,289	1,119,170
Reserve for general risk[(2)]	4,514,849	601,748	5,116,597
	5,474,730	761,037	6,235,767

(1) Pursuant to the Company Law of the PRC and the articles of association of the Company and the subsidiaries in the PRC, 10% of the net profit of the Company and the subsidiaries in the PRC, as determined under the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the relevant entities. The reserve appropriated can be used for expansion of business and capitalization.

(2) Prior to 1 July 2012, pursuant to the Financial Rules for Financial Enterprises-Implementation Guide (Caijin[2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company and the subsidiaries in the PRC are required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from 1 July 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserve of Financial Enterprises (Caijin[2012] No. 20) issued by the MOF, the Company and the subsidiaries in the PRC are required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period.

(Amounts in thousands of RMB, unless otherwise stated)

41 RETAINED EARNINGS

The movements of retained earnings of the Group are set out below:

	2022	2021
At the beginning of the year	9,608,601	7,427,970
Profit for the year	3,351,073	3,922,212
Appropriation to general reserve	(556,497)	(761,037)
Dividends	(1,176,626)	(980,544)
At the end of the year	11,226,551	9,608,601

42 DIVIDENDS

The dividends declared in 2022 are approximately RMB1,176,626 thousand, RMB0.9307 per 10 ordinary shares (2021: RMB980,543 thousand, RMB0.7756 per 10 ordinary shares). A dividend in respect of the year ended 31 December 2022 of RMB0.7952 per 10 ordinary shares, amounting to a total dividend of approximately RMB1,005,322 thousand, is to be proposed at the annual general meeting. These financial statements do not reflect this dividend payable.

43 TRANSFERS OF FINANCIAL ASSETS

Repurchase agreements

As at 31 December 2022, the Group entered into repurchase agreements with certain counterparties to sell the Group's financial assets at fair value through other comprehensive income with carrying amounts of approximately RMB488,665 thousand (31 December 2021: Nil) (Note 22).

Sales and repurchase agreements are transactions in which the Group sells financial assets at fair value through other comprehensive income and simultaneously agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of these certificates of deposit sold. These certificates of deposit are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group and the Company retain substantially all the risks and rewards of these certificates of deposit. The proceeds from selling such certificates of deposit are presented as financial assets sold under repurchase agreements. For all these arrangements, the counterparties have recourse to the transferred financial assets.

The following tables provide a summary of carrying amounts related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

	31 December 2022	31 December 2021
Carrying amount of transferred assets	488,665	–
Carrying amount of associated liabilities	(429,914)	–
Net position	58,751	–

Factoring arrangements

The Group entered into finance lease receivables factoring arrangements (the "Arrangements") and transferred certain finance lease receivables to banks. Under the Arrangements, the banks have recourse right and the Group has the obligation to reimburse the banks for loss of rental if any lessees have late and default payment. As the Group has not transferred the significant risks relating to these transferred finance lease receivables, it continues to recognise in their full carrying amount and has recognised the cash received for the transfer as factoring financing. The carrying amount of the assets that the Group continued to recognise as at 31 December 2022 was approximately RMB7,729,097 thousand (31 December 2021: RMB1,209,614 thousand) (Note 24) and that of the associated liabilities as at 31 December 2022 was approximately RMB7,104,143 thousand (31 December 2021: RMB1,175,830 thousand) (Note 33).

44 CASH AND CASH EQUIVALENTS

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

	31 December 2022	31 December 2021
Cash and bank balances	29,760,725	36,833,077
Less: Pledged and restricted bank deposits	4,733,879	6,228,946
Less: Mandatory reserve deposits with central bank	366,046	407,366
	24,660,800	30,196,765

45 CONTINGENT LIABILITIES

As at 31 December 2022, the total target amount of pending litigations against with the Group as defendant was RMB292.75 million (31 December 2021: RMB13.08 million). The Group believes that it is not necessary to make provisions for the pending litigations as defendant mentioned above during the reporting period. The Group estimates that these pending litigations would not have any material impact on the business, financial position or performance of the Group.

46 CAPITAL COMMITMENTS

Capital expenditures contracted by the Group as at 31 December 2022 and 2021 but are not yet to be recognised on the statements of financial position are as follows:

	31 December 2022	31 December 2021
Acquisition of equipment held for operating lease	37,333,106	37,278,748

47 FINANCE LEASE COMMITMENTS

	31 December 2022	31 December 2021
Finance lease commitments	28,115,884	30,184,081

Finance lease commitments are in relation to finance lease contracts signed by the Group as lessor which were not yet effective as at 31 December 2022 and 2021.

48 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

48.1 Parent Company

As at 31 December 2022, China Development Bank directly owned 64.4% of the share capital of the Company.

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled by the PRC government.

The Group had the following balances and entered into the following transactions with China Development Bank in its ordinary course of business:

(Amounts in thousands of RMB, unless otherwise stated)

The Group had the following balances with China Development Bank:

	As at 31 December	
	2022	2021
Bank balances	2,089,899	87,330
Operating leases receivable	5,053	5,199
Right-of-use assets	1,968	892
Other receivables	–	5,608
Derivative financial assets	15,173	–
Bank borrowings	7,189,264	4,551,931
Derivative financial liabilities	1,280	18,531
Lease liabilities	1,794	764
Interest payable	67,956	4,689
Other payable	295	–

The Group entered into the following transactions with China Development Bank:

	For the year ended 31 December	
	2022	2021
Interest income	20,618	10,076
Interest expenses	189,419	93,550
Operating lease income	88,682	93,986
Net investment gains	4,019	31,131
Fee and commission expenses	42,180	69,367
Other operating expense	1,016	917

As at 31 December 2022, no guarantee was granted by China Development Bank for bonds described in Note 35(1) (31 December 2021: RMB6,376 million).

48.2 Other related parties

48.2.1 China Development Bank Securities Co., Limited

The Group and China Development Bank Securities Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Securities Co., Limited:

	As at 31 December	
	2022	2021
Operating leases receivable	156	–

The Group entered into the following transactions with China Development Bank Securities Co., Limited:

	For the year ended 31 December	
	2022	2021
Operating lease income	1,915	1,915

48.2.2 China Development Bank Capital Co., Limited and its subsidiaries

The Group and China Development Bank Capital Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Capital Co., Limited and its subsidiaries:

	As at 31 December	
	2022	2021
Accounts receivable	3,649	3,649
Other receivables	–	7,552
Bonds payable	210,548	195,668

The Group entered into the following transactions with China Development Bank Capital Co., Limited and its subsidiaries:

	For the year ended 31 December	
	2022	2021
Interest expenses	6,125	5,851

48.2.3 China Development Bank Fund Co., Limited and its subsidiaries

The Group and China Development Bank Fund Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Fund Co., Limited and its subsidiaries:

	As at 31 December	
	2022	2021
Finance lease receivables	792,214	1,502,036
Other liabilities	–	10,000

The Group entered into the following transactions with China Development Bank Fund Co., Limited and its subsidiaries:

	For the year ended 31 December	
	2022	2021
Finance lease income	12,790	84,379

48.2.4 Three Gorges Capital Holdings (HK) Co., Ltd

As at 31 December 2022, Three Gorges Capital Holdings (HK) Co., Ltd directly owned 10.33% of the share capital of the Group, and placed a director on the Group's board, which had a significant impact on the Group.

The Group had the following balances with Three Gorges Capital Holdings (HK) Co., Ltd:

	As at 31 December	
	2022	2021
Finance lease receivables	16,067	328,856

The Group entered into the following transactions with Three Gorges Capital Holdings (HK) Co., Ltd:

	For the year ended 31 December	
	2022	2021
Finance lease income	15,510	44,375

(Amounts in thousands of RMB, unless otherwise stated)

48.3 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The following table shows the key management personnel compensation payable by the Group in the years of 2022 and 2021.

	For the year ended 31 December	
	2022	2021
Basic salaries and allowances	11,234	11,113
Bonuses	10,452	9,999
Employer's contribution to pension schemes	2,146	1,182
	23,832	22,294

48.4 Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: purchase, sale and leases of property and other assets; bank deposits and borrowings; purchase of bonds issued by other state-owned entities; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

49 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 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 manufacturing equipment supported by national policies and commercial property.

Segment assets and liabilities are allocated to each segment, excluding deferred tax assets and 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 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). Assets and liabilities of the headquarters are allocated according to the proportion of each segment's assets related to leasing business.

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 2022 and 2021.

The operating and reportable segment information provided to the CODM during the years ended 31 December 2022 and 2021 is as follows:

	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Total
For the year ended 31 December 2022						
Segment revenue and results						
Finance lease income	5,883	7,392,675	656,819	1,545,694	687,552	10,288,623
Operating lease income	7,024,856	–	5,320,528	–	130,329	12,475,713
Segment revenue	7,030,739	7,392,675	5,977,347	1,545,694	817,881	22,764,336
Segment other income, gains and losses	797,214	324,025	1,084,439	68,880	14,563	2,289,121
Segment revenue and other income	7,827,953	7,716,700	7,061,786	1,614,574	832,444	25,053,457
Segment expenses	(9,540,996)	(4,626,374)	(4,193,127)	(924,730)	(810,276)	(20,095,503)
Profit before impairment losses and income tax	1,183,602	3,748,079	3,308,544	770,720	203,812	9,214,757
Profit before income tax	(1,713,043)	3,090,326	2,868,659	689,844	22,168	4,957,954
As at 31 December 2022						
Segment assets and liabilities						
Segment assets	93,374,950	154,173,322	49,684,606	35,583,779	20,069,560	352,886,217
Deferred tax assets						1,831,030
Group's total assets						354,717,247
Segment liabilities	88,914,136	136,995,921	43,600,152	31,561,302	17,821,196	318,892,707
Deferred tax liabilities						1,541,095
Group's total liabilities						320,433,802
For the year ended 31 December 2022						
Other segment information						
Depreciation of investment properties	–	–	–	–	(31,282)	(31,282)
Depreciation of property and equipment	(3,631,266)	(16,525)	(1,607,721)	(3,210)	(2,742)	(5,261,464)
Depreciation of right-of-use assets	(16,823)	(5,556)	(3,386)	(1,079)	(574)	(27,418)
Amortisation	(33,602)	(8,269)	(5,039)	(1,606)	(12,055)	(60,571)
Capital expenditure	13,023,301	56,613	4,574,881	10,997	5,854	17,671,646
Impairment losses	(2,896,645)	(657,753)	(439,885)	(80,876)	(181,644)	(4,256,803)

(Amounts in thousands of RMB, unless otherwise stated)

The operating and reportable segment information provided to the CODM during the years ended 31 December 2022 and 2021 is as follows: (continued)

	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Total
For the year ended 31 December 2021						
Segment revenue and results						
Finance lease income	985	7,282,531	625,338	1,442,746	461,886	9,813,486
Operating lease income	6,895,939	31,472	4,497,555	–	125,343	11,550,309
Segment revenue	6,896,924	7,314,003	5,122,893	1,442,746	587,229	21,363,795
Segment other income, gains and losses	779,108	342,982	745,441	50,791	33,689	1,952,011
Segment revenue and other income	7,676,032	7,656,985	5,868,334	1,493,537	620,918	23,315,806
Segment expenses	(7,363,085)	(5,480,532)	(2,972,918)	(1,843,420)	(120,285)	(17,780,240)
Profit before impairment losses and income tax	1,764,473	3,092,577	3,266,154	670,836	251,815	9,045,855
Profit before income tax	312,947	2,176,453	2,895,416	(349,883)	500,633	5,535,566
As at 31 December 2021						
Segment assets and liabilities						
Segment assets	84,344,439	162,928,034	47,592,357	34,103,137	11,194,828	340,162,795
Deferred tax assets						1,674,834
Group's total assets						341,837,629
Segment liabilities	78,580,151	147,494,800	42,563,018	31,152,687	10,118,002	309,908,658
Deferred tax liabilities						1,822,217
Group's total liabilities						311,730,875
For the year ended 31 December 2021						
Other segment information						
Depreciation of investment properties	–	–	–	–	(31,612)	(31,612)
Depreciation of property and equipment	(3,261,776)	(39,012)	(902,184)	(3,024)	(6,961)	(4,212,957)
Depreciation of right-of-use assets	(16,144)	(5,881)	(3,340)	(1,110)	(449)	(26,924)
Amortisation	(45,009)	(9,701)	(5,510)	(1,832)	(15,277)	(77,329)
Capital expenditure	14,359,947	9,871	14,007,081	1,864	753	28,379,516
Impairment losses	(1,451,526)	(916,124)	(370,738)	(1,020,719)	248,818	(3,510,289)

The largest customer of the Group contributed 4.00% of the Group's revenue for the years ended 31 December 2022 (2021: 4.97%).

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.

50 FINANCIAL INSTRUMENTS

Categories of financial instruments

	31 December 2022	31 December 2021
Financial assets		
Cash and bank balances	29,760,725	36,833,077
Financial assets at fair value through profit and loss	131,894	156,330
Derivative financial assets	840,778	94,627
Financial assets at fair value through other comprehensive income	1,464,986	970,740
Accounts receivable	3,487,733	1,245,057
Finance lease receivables	193,494,283	190,871,553
Other financial assets	1,469,826	1,101,677
	230,650,225	231,273,061

	31 December 2022	31 December 2021
Financial liabilities		
Borrowings	246,882,657	236,087,673
Due to banks and other financial institutions	11,230,725	10,657,467
Derivative financial liabilities	28,283	576,497
Financial assets sold under repurchase agreement	429,914	–
Bonds payable	36,872,054	45,045,528
Lease liabilities	147,234	172,141
Other financial liabilities	19,116,851	14,348,652
	314,707,718	306,887,958

51 FINANCIAL RISK MANAGEMENT

51.1 Overview of financial risk management

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and monitors the risks continuously. The major financial risks of the Group are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk. The Group's objective is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The major derivative financial instruments adopted by the Group are interest rate swaps, cross currency swaps and currency forwards. The objective for interest rate swap is to hedge against the cash flow volatility risk caused by interest rate fluctuations of borrowings and bonds payable; the objective for cross currency swap is to hedge against the cash flow volatility risk caused by interest rate and foreign exchange fluctuations of bonds payable; the objective for currency forwards contract is to hedge against the foreign exchange rate volatility risk caused by foreign currency risk exposure.

The board of directors of the Company established the Group's risk management strategy. The senior management established related risk management policies and procedures, for credit risk, currency risk, interest rate risk, liquidity risk, and the use of derivative and non-derivative financial instruments, according to the risk management strategy approved by the board.

51.2 Credit risk

Credit risk for the Group represents the risk that the counterparty fails to meet its contractual obligations at the due date. Credit risk is considered as one of the most significant risks to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from leasing business and other financial assets, which include cash and bank balances, placement to banks and other financial institutions, derivative financial instruments, accounts receivable, FVOCI and other financial assets.

The Group establishes industry risk management framework and measurements where the Group will perform research by industry, implement credit evaluation, estimate the value of lease assets, monitor lessees' business status and evaluate the impact of change in technology on lease assets, to strengthen the credit risk control and management.

51.2.1 Credit risk management

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with which the Group has credit transactions. In addition, the Group monitors the leases receivable regularly to mitigate the risk of significant exposures from non-performing assets.

The Group employs a range of policies and practices to mitigate credit risk of leasing business. The most typical one is the taking of collateral, margin deposits and guarantees by third parties. The Group provides guidelines on acceptable types of collateral, which mainly includes:

- Civil aircraft and engines
- Ships
- Machinery and equipment
- Highway toll rights
- Properties

In 2021 and 2022, COVID-19 caused an unprecedented impact on the global economy and society, and affected the Group in a certain extent. In the face of the impact of COVID-19, the Group manages and responds actively, provides relief plans for stock customers which were impacted by the COVID-19, issues related policies to support inclusive financing business, and provides financial policy to support the medium, small and micro customers to overcome the COVID-19; formulates related support plans for infrastructure businesses to relieve the impact of the COVID-19; formulate a work plan for the aviation business to respond to COVID-19 through deferral of rent payment and lease reorganization. Facing the complicated and changeable external environment, the Group actively carries out risk investigation, conducts risk analysis and screening, comprehensively investigates the potential risks, formulates annual quality evaluation plan and takes forward-looking risk control measures to effectively buffer the influence of COVID-19.

The Group regularly evaluate the credit risk, improves the credit risk monitoring and early warning management system, and provides rescue programs to their lessees affected by the COVID-19. The Group have provided rent concessions to lessees as a result of the COVID-19 pandemic. Rent concessions mainly include deferral of payments or restructuring of rent contracts with airline lessees.

The credit risk on bank balances and placements to banks and other financial institutions are limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

51.2.2 Expected credit loss

The Group formulates the credit losses of cash and bank balances, placement to banks and other financial institutions, accounts receivable, finance lease receivables and FVOCI.

For financial assets whose impairment losses are measured using ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition and applies a three-stage impairment model (refer to Note 2.21.4) to calculate their impairment allowance and recognise their ECL.

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below:

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of EAD, PD and LGD.

The Group measures the loss allowance based on 12-month expected credit losses or lifetime expected credit losses, depending on whether the credit risk has increased significantly. The parameters and assumptions involved in ECL model are described below:

(i) Exposure at Default (EAD): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

(ii) Probabilities of Default (PD): The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

(iii) Loss given Default (LGD): LGD represents the Group's expectation of the extent of loss in a defaulted exposure. LGD is expressed as a percentage loss per unit EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the financial assets.

The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

Deterioration in credit quality of financial assets as a result of the COVID-19 pandemic may have a significant impact on Group ECL measurement. The Group consider the forward-looking information in updating ECL calculations due to the COVID-19 pandemic and strengthen the evaluation of ECL. The Group take management overlay consideration for industry level risks which includes the impact of COVID-19.

Judgement of significant increase in credit risk ("SICR")

Under IFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group considers various reasonable and supportable information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial assets. Major factors being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group sets quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly include the PD changes of the lessees, changes of credit risk categories and other indicators of SICR. In the judgement of whether the credit risk has SICR after initial recognition, the Group has not rebutted the 30 days past due as presumption of SICR.

(Amounts in thousands of RMB, unless otherwise stated)

The definition of credit-impaired assets

Under IFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets while considering quantitative and qualitative indicators. When the Group assesses whether the lessee has credit impairment, the following factors are mainly considered:

- Whether internal credit rating of the lessee is default grade;
- Whether the lessee has overdue more than 60 days after the lease contract payment date;
- Whether the lessee has significant financial difficulties;
- Whether the lessee is likely to go bankrupt or other financial restructuring; and
- Whether the lessor gives the lessee concessions for economic or contractual reasons due to the lessee's financial difficulties, where such concessions are normally reluctant to be made by the lessor.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by any separately identifiable event.

Forward-looking information

The determination of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macroeconomic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macroeconomic forward-looking adjustment ECL models by establishing a basket of factors, preparing data, filtering model factors and adjusting forward-looking elements. The basket of macroeconomic factors include Gross Domestic Product (GDP), Completed Investment in Fixed Assets, Newbuilding Price Index (NPI), Global Revenue Passenger Kilometres (RPK), etc.

In 2022 and 2021, the Group used statistical analysis to determine the weights of three different scenarios, including base, upside and downside scenarios, considered the range of possible outcomes represented by each scenario, and determined the final macroeconomic assumptions and weights to measure the relevant expected credit losses. For GDP, the Group used an average of forecast growth rate is approximately 5.02% (China) in the base scenario for 2023.

Sensitivity analysis

Expected credit impairment allowance is sensitive to the parameters used in the model, the macroeconomic variables of the forward-looking forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Change in these input parameters, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

Assuming the weight for upside scenario increases by 10% and the weight for basic scenario falls by 10%, the expected credit impairment allowance will decrease by RMB15 million (2021: RMB17 million). If the weight for downside scenario increases by 10% and the weight for basic scenario decreases by 10%, then the expected credit impairment allowance will increase by RMB15 million (2021: RMB18 million).

Credit risk exposure of financial assets

Without considering the impact of collateral and other credit enhancements, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements.

An analysis of concentration risk of credit exposure for finance lease receivables by segment is set out below:

	31 December 2022		31 December 2021	
	Amount	100%	Amount	100%
Aircraft leasing	472,648	0%	314,608	0%
Infrastructure leasing	142,284,566	71%	146,083,046	74%
Ship leasing	11,011,765	5%	12,349,336	6%
Inclusive finance	32,779,707	16%	30,870,644	16%
Other leasing business	15,484,200	8%	8,844,209	4%
	202,032,886	100%	198,461,843	100%

The following table presents the credit risk exposure of the financial assets under the scope of expected credit loss. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the gross carrying amount of the financial assets:

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	29,760,725	–	–	–	29,760,725
FVOCI	1,464,986	–	–	–	1,464,986
Accounts receivable	2,489,752	–	–	1,787,322	4,277,074
Finance lease receivables	173,644,606	26,893,268	1,495,012	–	202,032,886
Other financial assets	–	–	–	2,107,335	2,107,335

	31 December 2021				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	36,833,057	–	–	–	36,833,057
FVOCI	970,740	–	–	–	970,740
Accounts receivable	–	–	–	2,352,280	2,352,280
Finance lease receivables	178,257,871	19,144,924	1,059,048	–	198,461,843
Other financial assets	–	–	–	1,387,401	1,387,401

(Amounts in thousands of RMB, unless otherwise stated)

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified into 4 different levels as "low risk", "medium risk", "high risk" and "default" according to the internal rating scale. "Low risk" level means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. "Medium risk" level means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. "High risk" level means that there are factors revealing significant adverse impact on the asset quality, but there is no event indicating incurred default. The criteria of "default" level are consistent with those of "credit-impaired".

Finance lease receivables:

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Credit rating:				
Low risk	138,876,116	13,859,660	–	152,735,776
Medium risk	34,768,490	13,033,608	665,422	48,467,520
High risk	–	–	–	–
Default	–	–	829,590	829,590
Net amount	173,644,606	26,893,268	1,495,012	202,032,886
Less: allowance for impairment losses	(3,627,708)	(3,429,895)	(1,481,000)	(8,538,603)
Net carrying amount	170,016,898	23,463,373	14,012	193,494,283

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Credit rating:				
Low risk	149,947,312	10,048,498	–	159,995,810
Medium risk	28,310,559	9,096,185	–	37,406,744
High risk	–	241	358,989	359,230
Default	–	–	700,059	700,059
Net amount	178,257,871	19,144,924	1,059,048	198,461,843
Less: allowance for impairment losses	(3,085,915)	(3,504,853)	(999,522)	(7,590,290)
Net carrying amount	175,171,956	15,640,071	59,526	190,871,553

As at 31 December 2022, the credit rating of advances for finance lease projects in accounts receivable is low risk in stage 1, with a net amount of RMB2,489,752 thousand and an allowance for impairment losses of RMB28,791 thousand (31 December 2021: nil).

51.3 Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse movements in market prices (including interest rates and exchange rates).

51.3.1 Market risks measurement techniques

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would mature in a certain period or need to be repriced, and then uses the exposure information to perform sensitivity analysis under changing market interest rate and exchange rate.

51.3.2 Currency risk

The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. Most aircraft and ships held under finance and operating leases that the Group has purchased are denominated in US dollars; and the corresponding finance lease receivables and operating lease receivables are denominated in US dollars; and the main sources of fund are from bank borrowings and bond issuance denominated in US dollars. Other than aircraft and ship leasing, the Group's remaining leasing businesses are mostly denominated in RMB, which does not expose the Group to significant currency risk. The exchange rate risk exposure primarily arises from the profits of some of the Group's overseas SPVs, which are denominated in foreign currencies.

The Group's policy has been reviewed and, due to the increased volatility in USD, it was decided to hedge up to currency risk exposure that affects profit and loss. The Group utilises a rollover hedging strategy, such as currency forward and cross currency swaps (CCS), to offset or limit the exposure currency risk. For the years ended 31 December 2022 and 2021, the Group's hedge relationships between the hedging instruments, such as CCS, and the designated hedged items were highly effective. The hedge ratios for the Group's hedge relationships are 1:1. As at 31 December 2022, the maturity date of the Group's currency forward is 4 January 2023 (31 December 2021: from 5 January 2022 to 29 July 2022).

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is RMB:

	USD	HKD	Others	Total
31 December 2022				
Cash and bank balances	14,888,969	21,927	533	14,911,429
Finance lease receivables	432,405	–	–	432,405
Derivative financial assets	43,039	–	–	43,039
Other financial assets	62,974,067	1,990	–	62,976,057
Total financial assets	78,338,480	23,917	533	78,362,930
Borrowings	36,725,688	–	–	36,725,688
Due to banks and other financial institutions	2,611,725	–	–	2,611,725
Financial assets sold under repurchase agreements	429,914	–	–	429,914
Derivative financial liabilities	28,283	–	–	28,283
Bonds payable	4,828,113	–	–	4,828,113
Other financial liabilities	19,381,967	759,566	249	20,141,782
Total financial liabilities	64,005,690	759,566	249	64,765,505
Net exposure	14,332,790	(735,649)	284	13,597,425
Net off-balance sheet position	(7,540,769)	1,167,854	–	(6,372,915)

(Amounts in thousands of RMB, unless otherwise stated)

	USD	HKD	Others	Total
31 December 2021				
Cash and bank balances	14,441,706	20,055	518	14,462,279
Finance lease receivables	469,972	–	–	469,972
Derivative financial assets	56,608	–	–	56,608
Other financial assets	45,436,729	1,480	–	45,438,209
Total financial assets	60,405,015	21,535	518	60,427,068
Borrowings	29,630,854	–	–	29,630,854
Due to banks and other financial institutions	5,387,466	–	–	5,387,466
Derivative financial liabilities	40,249	–	–	40,249
Bonds payable	4,415,007	–	–	4,415,007
Other financial liabilities	19,200,455	1,581,085	242	20,781,782
Total financial liabilities	58,674,031	1,581,085	242	60,255,358
Net exposure	1,730,984	(1,559,550)	276	171,710
Net off-balance sheet position	(3,657,195)	617,578	–	(3,039,617)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is US dollar:

	RMB	HKD	Others	Total
31 December 2022				
Cash and bank balances	280,187	783	2,047	283,017
Accounts receivable	13,039	–	–	13,039
Other financial assets	898,918	759,358	249	1,658,525
Total financial assets	1,192,144	760,141	2,296	1,954,581
Borrowings	2,787,642	–	–	2,787,642
Bonds payable	898,518	1,160,648	–	2,059,166
Lease liabilities	–	12,968	117,681	130,649
Other financial liabilities	402,379	3,396	–	405,775
Total financial liabilities	4,088,539	1,177,012	117,681	5,383,232
Net exposure	(2,896,395)	(416,871)	(115,385)	(3,428,651)

	RMB	HKD	Others	Total
31 December 2021				
Cash and bank balances	216,834	197	4,649	221,680
Accounts receivable	20,067	–	–	20,067
Other financial assets	211,390	1,580,553	242	1,792,185
Total financial assets	448,291	1,580,750	4,891	2,033,932
Borrowings	3,316,249	–	–	3,316,249
Bonds payable	269,482	1,927,245	–	2,196,727
Lease liabilities	–	21,057	123,161	144,218
Other financial liabilities	508,583	6,192	–	514,775
Total financial liabilities	4,094,314	1,954,494	123,161	6,171,969
Net exposure	(3,646,023)	(373,744)	(118,270)	(4,138,037)

The following table indicates the potential effect on profit before tax and equity of a 5% appreciation or depreciation of USD's spot and forward exchange rates against RMB, respectively.

	31 December 2022	31 December 2021
Profit before tax:		
5% appreciation	66,891	119,499
5% depreciation	(66,891)	(119,499)
Equity:		
5% appreciation	631,230	544,568
5% depreciation	(631,230)	(544,568)

(Amounts in thousands of RMB, unless otherwise stated)

51.3.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing of market interest rates on its cash flow risks.

Interest margins may increase as a result of fluctuation in market interest rates, but may reduce or create losses in the event that unexpected movements arise. Therefore, the Group primarily manages the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities.

Most of the Group's operating lease businesses receive fixed rate rents, while certain bonds and bank borrowings carry interest at floating rates. The Group hedges the cash flow volatility risk as the result of the interest rate fluctuation through the interest rate swap contracts and cross currency swaps (CCS), as its cash flow hedges strategy. The Group switches the floating rates into fixed rate through interest rate swap contract to effectively match the future fixed rental income, and fix the interest spread.

The interest rate swaps are settled at maturity. The floating rate on the interest rate swaps is London Inter Bank Offered Rate. The Group will settle the difference between the fixed and floating interest rate on a net basis. For the years ended 31 December 2022 and 2021, the Group's hedge relationships between interest rate swaps and CCS, and the designated hedged items were highly effective. The hedge ratios for the Group's hedge relationships are 1:1. The maturity dates of the Group's CCS and interest rate swaps range from 3 February 2023 to 27 December 2028 (31 December 2021: 24 January 2022 to 27 December 2028).

As at 31 December 2022 and 2021, the Group's assets and liabilities at carrying amounts, categorised by remaining maturity based on the earlier of contractual repricing and remaining maturity dates are as follows:

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2022						
Cash and bank balances	27,454,038	2,306,687	–	–	–	29,760,725
FVTPL	–	–	–	–	131,894	131,894
Derivative financial assets	–	–	–	–	840,778	840,778
FVOCI	–	1,464,986	–	–	–	1,464,986
Accounts receivable	–	1,386,833	464,480	609,647	1,026,773	3,487,733
Finance lease receivables	145,164,231	29,640,129	13,002,064	5,687,859	–	193,494,283
Other financial assets	–	–	–	–	1,469,826	1,469,826
Total financial assets	172,618,269	34,798,635	13,466,544	6,297,506	3,469,271	230,650,225
Borrowings	127,768,570	98,194,700	20,784,700	134,687	–	246,882,657
Due to banks and other financial institutions	11,230,725	–	–	–	–	11,230,725
Financial assets sold under repurchase agreements	429,914	–	–	–	–	429,914
Derivative financial liabilities	–	–	–	–	28,283	28,283
Bonds payable	3,762,745	7,154,700	25,954,609	–	–	36,872,054
Lease liabilities	812	602	20,613	125,207	–	147,234
Other financial liabilities	–	–	534,032	–	18,582,819	19,116,851
Total financial liabilities	143,192,766	105,350,002	47,293,954	259,894	18,611,102	314,707,718
Interest rate gap	29,425,503	(70,551,367)	(33,827,410)	6,037,612	(15,141,831)	(84,057,493)

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2021						
Cash and bank balances	32,435,233	4,397,823	–	–	21	36,833,077
FVTPL	–	–	–	–	156,330	156,330
Derivative financial assets	–	–	–	–	94,627	94,627
FVOCI	970,740	–	–	–	–	970,740
Accounts receivable	–	–	–	–	1,245,057	1,245,057
Finance lease receivables	147,692,627	30,503,102	8,733,748	3,942,076	–	190,871,553
Other financial assets	–	–	–	–	1,101,677	1,101,677
Total financial assets	181,098,600	34,900,925	8,733,748	3,942,076	2,597,712	231,273,061
Borrowings	114,877,054	120,531,350	493,317	185,952	–	236,087,673
Due to banks and other financial institutions	10,657,467	–	–	–	–	10,657,467
Derivative financial liabilities	–	–	–	–	576,497	576,497
Bonds payable	6,915,798	13,376,372	22,223,223	2,530,135	–	45,045,528
Lease liabilities	89	406	40,838	130,808	–	172,141
Other financial liabilities	–	–	70,887	577,439	13,700,326	14,348,652
Total financial liabilities	132,450,408	133,908,128	22,828,265	3,424,334	14,276,823	306,887,958
Interest rate gap	48,648,192	(99,007,203)	(14,094,517)	517,742	(11,679,111)	(75,614,897)

(Amounts in thousands of RMB, unless otherwise stated)

The following table illustrates the potential impact of a parallel upward or downward shift of 10 basis points in all financial instruments' yield rate on the Group's profit before tax and equity, based on the Group's positions of interest-generating assets, interest-bearing liabilities and interest rate swap contracts at the end of 31 December 2022 and 2021.

	31 December 2022	31 December 2021
Profit before tax:		
+ 10 basis points	(1,259)	4,585
− 10 basis points	1,259	(4,585)
Equity:		
+ 10 basis points	99,667	47,334
− 10 basis points	(99,667)	(47,334)

51.4 Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management target is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the financial demand of leasing business investment.

The major payment demand of the Group is the repayments of matured bank borrowings and withdraw request from lessees under finance leases.

51.4.1 Liquidity risk management policy

The Group implements the following procedures to manage the liquidity:

(a) proactive management of the maturity profile of the Group's assets and liabilities and maintaining appropriate liquidity provision for mitigating the liquidity risk; and

(b) obtaining diversified funding via multiple channels, thereby preserving sufficient funds to purchase assets and repay debt.

51.4.2 Cash flows for non-derivative financial assets and liabilities

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities by remaining contractual maturities as at 31 December 2022 and 2021. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

	31 December 2022						
	Indefinite/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Cash and bank balances	24,831,784	2,478,886	145,131	2,348,109	–	–	29,803,910
FVOCI	–	–	–	1,500,000	–	–	1,500,000
Accounts receivable	1,625,281	520,493	61,430	138,411	1,072,259	859,200	4,277,074
Finance lease receivables	851,331	5,429,929	11,644,200	43,755,680	130,697,442	43,398,086	235,776,668
Other financial assets	53,923	128,469	193,045	199,687	627,633	904,578	2,107,335
Total non-derivative financial assets	27,362,319	8,557,777	12,043,806	47,941,887	132,397,334	45,161,864	273,464,987
Borrowings	–	21,148,790	43,558,197	127,966,318	63,961,767	3,456,053	260,091,125
Due to banks and other financial institutions	–	6,328,734	4,948,074	–	–	–	11,276,808
Financial assets sold under repurchase agreements	–	434,815	–	–	–	–	434,815
Bonds payable	–	472	1,572,936	8,480,572	29,129,537	–	39,183,517
Lease liabilities	220	2,651	5,481	23,787	57,428	110,810	200,377
Other financial liabilities	3,017,364	852,720	1,377,037	6,480,082	5,429,984	2,091,949	19,249,136
Total non-derivative financial liabilities	3,017,584	28,768,182	51,461,725	142,950,759	98,578,716	5,658,812	330,435,778
Net position	24,344,735	(20,210,405)	(39,417,919)	(95,008,872)	33,818,618	39,503,052	(56,970,791)

	31 December 2021						
	Indefinite/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Cash and bank balances	23,283,116	9,051,392	104,224	4,408,734	–	–	36,847,466
FVOCI	–	–	1,001,790	–	–	–	1,001,790
Accounts receivable	902,840	342,416	77,712	414,913	450,070	164,329	2,352,280
Finance lease receivables	9,417,132	4,222,805	17,424,525	36,923,969	121,976,649	43,695,208	233,660,288
Other financial assets	219,625	218,527	5,571	230,554	15,362	697,762	1,387,401
Total non-derivative financial assets	33,822,713	13,835,140	18,613,822	41,978,170	122,442,081	44,557,299	275,249,225
Borrowings	–	30,777,789	58,703,866	125,643,051	22,848,807	1,774,155	239,747,668
Due to banks and other financial institutions	–	3,849,033	6,833,152	–	–	–	10,682,185
Bonds payable	–	2,073,308	4,944,835	14,220,022	23,762,599	2,639,540	47,640,304
Lease liabilities	214	3,554	5,039	24,873	73,941	123,533	231,154
Other financial liabilities	2,712,478	1,500,380	1,574,979	2,773,709	4,187,530	1,599,576	14,348,652
Total non-derivative financial liabilities	2,712,692	38,204,064	72,061,871	142,661,655	50,872,877	6,136,804	312,649,963
Net position	31,110,021	(24,368,924)	(53,448,049)	(100,683,485)	71,569,204	38,420,495	(37,400,738)

(Amounts in thousands of RMB, unless otherwise stated)

51.4.3 Cash flows analysis for derivative financial instruments

The following table illustrates the details of the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that are settled on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves as at 31 December 2022 and 2021 for exchange rate as well.

51.4.3.1 Derivatives settled on a gross basis

	Within 1 months	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2022						
Currency forward						
Total inflows	138,160	–	–	–	–	138,160
Total outflows	(139,280)	–	–	–	–	(139,280)
Total	(1,120)	–	–	–	–	(1,120)
Cross currency swaps						
Total inflows	328	147,507	636,757	654,134	–	1,438,726
Total outflows	(330)	(148,612)	(647,428)	(645,755)	–	(1,442,125)
Total	(2)	(1,105)	(10,671)	8,379	–	(3,399)
Foreign exchange swaps						
Total inflows	924,605	–	–	–	–	924,605
Total outflows	(904,674)	–	–	–	–	(904,674)
Total	19,931	–	–	–	–	19,931

	Within 1 months	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2021						
Cross currency swaps						
Total inflows	351,111	240,821	266,258	1,011,227	–	1,869,417
Total outflows	(349,380)	(239,552)	(253,765)	(1,016,226)	–	(1,858,923)
Total	1,731	1,269	12,493	(4,999)	–	10,494
Foreign exchange swaps						
Total inflows	245,280	–	–	–	–	245,280
Total outflows	(246,747)	–	–	–	–	(246,747)
Total	(1,467)	–	–	–	–	(1,467)

51.4.3.2 Derivatives settled on a net basis

	Within 1 months	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2022						
Currency forwards						
Total outflows	(132,764)	–	–	–	–	(132,764)
Interest rate swaps						
Total inflows	54,837	77,576	376,391	339,861	345	849,010

	Within 1 months	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2021						
Currency forwards						
Total inflows	82,655	–	47,974	–	–	130,629
Interest rate swaps						
Total outflows	(21,442)	(91,707)	(221,891)	(211,603)	(3,562)	(550,205)

(Amounts in thousands of RMB, unless otherwise stated)

51.5 Interest rate benchmark reform

As at 31 December 2022, the Group had certain finance lease receivables, interest-bearing bank borrowings and interest rate swaps denominated in United States dollars. The interest rates of these instruments are based on the LIBOR with a tenor of one month, three months, six months or one year, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract;
- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group); and
- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR.

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

As at 31 December 2022

	Non-derivative financial assets carrying value US$'000	Non-derivative financial liabilities carrying value US$'000	Derivatives – nominal amount US$'000
USD LIBOR (1 month)	262,183	1,437,000	–
USD LIBOR (3 months)	511,291	4,279,903	2,469,211
USD LIBOR (6 months)	–	28,700	28,700
	773,474	5,745,603	2,497,911

As at 31 December 2021

	Non-derivative financial assets carrying value US$'000	Non-derivative financial liabilities carrying value US$'000	Derivatives – nominal amount US$'000
USD LIBOR (1 month)	280,097	794,000	10,000
USD LIBOR (3 months)	630,905	7,450,262	4,154,964
USD LIBOR (6 months)	–	486,500	36,500
USD LIBOR (1 year)	1,256	50,000	–
	912,258	8,780,762	4,201,464

(Amounts in thousands of RMB, unless otherwise stated)

52 CAPITAL MANAGEMENT

The Group's objectives of managing its capital, which adopts a broader concept than the equity as presented on the consolidated statements of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operates;
- 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.

Capital adequacy and the utilisation of regulatory capital are closely monitored by the management in accordance with the guidelines developed by the Basel Commission and relevant regulations promulgated by the CBIRC. The Group files the required information to CBIRC quarterly. As at 31 December 2022, the capital adequacy ratio was 12.46% (31 December 2021: 11.93%).

53 FAIR VALUES OF THE FINANCIAL INSTRUMENTS

53.1 Determination of fair value and valuation techniques

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 values of financial instruments with quoted prices for identical instruments are determined by the open market quotations. And those instruments are classified as level 1. For 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 values of financial instruments when it is unable to obtain the open market quotation in active markets, including:

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

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

If those parameters used in valuation techniques for financial instruments held by the Group are substantially observable and obtainable from an 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 indexes and then adjusted for non-liquidity.

53.2 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			
	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds payable	36,872,054	35,399,151	45,045,528	45,729,239

Fair value hierarchy of bonds payable is level 2 and their fair values are 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.

53.3 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 2022 and 2021. 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).

		Fair value as at			
	Financial assets/ financial liabilities	31 December 2022	31 December 2021	Fair value hierarchy	Valuation technique(s) and key Input(s)
Currency forwards (Note 21)	Assets Liabilities	– 1,280	41,000 –	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 21)	Assets Liabilities	797,740 –	38,018 569,877	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 20)	Assets	14,034	12,585	Level 1	Open market quotations
Unlisted equity investments (Note 20)	Assets	117,860	143,745	Level 3	Market comparison approach. The valuation of the equity investment is based on comparing comparable listed companies in operating and financial indexes and then adjusted for non-liquidity.
Cross currency swaps (Note 21)	Assets Liabilities	22,947 27,003	15,609 5,068	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 – certificates of deposit (Note 22)	Assets	1,464,986	970,740	Level 2	Quoted market prices from dealers or independent pricing service vendors.
Foreign exchange swap (Note 21)	Assets Liabilities	20,091 –	– 1,552	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.

(Amounts in thousands of RMB, unless otherwise stated)

54 EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period that require disclosure in these financial statements.

55 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2022	2021
Assets		
Cash and bank balances	17,544,480	24,755,525
Financial assets at fair value through profit or loss	131,894	156,330
Derivative financial assets	20,091	–
Financial assets at fair value through other comprehensive income	1,464,986	970,740
Accounts receivable	1,472,003	31,446
Finance lease receivables	183,963,201	180,006,031
Amounts due from subsidiaries	10,118,784	7,754,901
Prepayments	9,048,046	8,047,235
Investments in subsidiaries	383,055	383,755
Investment properties	1,041,945	904,310
Property and equipment	743,421	793,492
Right-of-use assets	14,291	22,385
Deferred tax assets	2,702,980	1,426,529
Other assets	1,378,038	1,976,835
Total assets	230,027,215	227,229,514
Liabilities		
Borrowings	172,072,932	177,926,260
Due to banks and other financial institutions	11,230,725	10,657,467
Financial assets sold under repurchase agreements	429,914	–
Derivative financial liabilities	17,229	15,214
Accrued staff costs	191,606	106,493
Bonds payable	4,828,113	4,415,007
Tax payable	751,586	349,034
Lease liabilities	8,916	20,144
Other liabilities	15,866,226	11,803,825
Total liabilities	205,397,247	205,293,444
Equity		
Share capital	12,642,380	12,642,380
Capital reserve	2,418,689	2,418,689
Hedging and fair value reserve	(15,511)	(27,006)
General reserve	4,610,386	4,132,005
Retained earnings	4,974,024	2,770,002
Total equity	24,629,968	21,936,070
Total liabilities and equity	230,027,215	227,229,514

The balance sheet of the Company was approved by the board of directors on 17 March 2023 and was signed on its behalf.

MA HONG **HUANG Min**

(Amounts in thousands of RMB, unless otherwise stated)

	Capital reserve	Hedging and fair value reserve	General reserve	Retained earnings	Total reserve
At 1 January 2022	2,418,689	(27,006)	4,132,005	2,770,002	9,293,690
Profit for the year	–	–	–	3,859,029	3,859,029
Other comprehensive income for the year	–	11,495	–	–	11,495
Dividends	–	–	–	(1,176,626)	(1,176,626)
Appropriation to general reserve	–	–	478,381	(478,381)	–
At 31 December 2022	2,418,689	(15,511)	4,610,386	4,974,024	11,987,588
At 1 January 2021	2,418,689	(62,567)	3,527,564	2,759,934	8,643,620
Profit for the year	–	–	–	1,595,053	1,595,053
Other comprehensive income for the year	–	35,561	–	–	35,561
Dividends	–	–	–	(980,544)	(980,544)
Appropriation to general reserve	–	–	604,441	(604,441)	–
At 31 December 2021	2,418,689	(27,006)	4,132,005	2,770,002	9,293,690

56 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised by the board of directors on 17 March 2023.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of China Development Bank Financial Leasing Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of China Development Bank Financial Leasing Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 218 to 264, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">(1) Impairment of finance lease receivables, accounts receivable and straightline lease asset</td></tr>
<tr><td>
The Group is required to follow International Financial Reporting Standard 9 ("IFRS 9") in assessing impairment of finance lease receivables, accounts receivable and straightline lease asset at the end of reporting period.
The Group applies significant judgements and assumptions in measuring expected credit losses ("ECL"), for example:

Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the ECL for finance lease receivables with longer remaining periods to maturity;
Models and parameters – For finance lease receivables, a three-stage impairment model is used to calculate ECL. For finance lease receivables classified into stages 1 and 2, the risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default. For finance lease receivables in stage 3, the management assesses impairment losses by estimating the cash flows from finance lease receivables. For accounts receivable and straightline lease asset, a simplified approach is used to calculate the ECL. The risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default;
Forward-looking information – Judgement is used to create macroeconomic forecasts and to estimate the impact to ECL under multiple economic scenarios given different weights;
Individual impairment assessment – Identifying credit impaired finance lease receivables, accounts receivable and straightline lease asset requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.

The Group established governance processes and controls for the measurement of ECL.
Since impairment assessment of finance lease receivables, accounts receivable and straightline lease asset involves many judgements and assumptions, and in view of the significance of the amounts (as at 31 December 2021, the net carrying amounts of the Group's finance lease receivables, accounts receivable and straightline lease asset were RMB190,872 million, RMB1,245 million and RMB 436 million, respectively, in which allowance for impairment losses of RMB7,590 million, RMB1,107 million and RMB 267 million were recorded), impairment of finance lease receivables, accounts receivable and straightline lease asset is considered a key audit matter.
Relevant disclosures are included in Notes 2, 3, 15, 24, 31, 50.2 to the consolidated financial statements.
</td><td>
We evaluated and tested the effectiveness of design and implementation of key controls, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration.
We also performed the following substantive procedures for the impairment loss of finance lease receivables, accounts receivable and straightline lease asset:
We adopted a risk-based sampling approach in our credit review procedures. We assessed the lessees' repayment capacity, taking into consideration post-leasing investigation reports, lessees' financial information and other available information. We also assessed credit-impaired accounts receivable and straightline lease asset similarly.
With the support of our internal credit risk modelling experts, and take into consideration the changes of the macroeconomics, the impacts of the COVID-19, we evaluated and tested the important parameters of the ECL model, management's major judgements and the related assumptions, mainly focusing on the following aspects:

Assessing the reasonableness of indicators of significant increase in credit risk, including probability of default changes of the lessees, changes of credit risk categories and others;
Assessing the reasonableness of the ECL model methodology and related parameters, including probability of default, loss given default, risk exposure at default, and significant increase in credit risk;
Assessing the forward-looking information management used to determine ECL, including the forecasts of macroeconomic variables and the assumptions of multiple macroeconomic scenarios;
Evaluating the models and the related assumptions used in individual impairment assessment and analysing the amount, timing and likelihood of management's estimated future cash flows.

We evaluated the disclosures of credit risk and impairment allowance of finance lease receivables, accounts receivable and straightline lease asset.
</td></tr>
<tr><td colspan="2">(2) Impairment of equipment held for operating lease businesses</td></tr>
<tr><td>
The Group applies International Accounting Standard 36 ("IAS 36") for the impairment measurement of equipment held for operating lease businesses at the end of reporting period.
Management identifies operating lease equipment with impairment indicators and measures the recoverable amounts of these assets at the higher of:

fair value based on the market pricing data, less costs of disposal, and
the estimated value in use ("VIU") based on the present value of the expected future cash flows from the lease discounted.

Judgements and assumptions are used when identifying impairment indicators and determining a rate to discount the expected future cash flows when calculating VIU.
The Group established governance processes and controls for the impairment measurement of equipment held for operating lease businesses.
Since management exercises significant judgements during impairment identification and measurement, and in view of the significance of the amounts (as at 31 December 2021, the net carrying amounts of the Group's equipment held for operating lease businesses was RMB92,070 million, and allowance for impairment losses of RMB2,966 million were recorded), impairment of equipment held for operating lease businesses is considered a key audit matter.
Relevant disclosures are included in Notes 2, 3, 16, 28 to the consolidated financial statements.
</td><td>
We evaluated and tested the effectiveness of design and implementation of key controls, including those over the timely identification of impairment indicators, review and approval of discount rate and impairment calculation.
We also performed the following substantive procedures for the impairment loss of equipment held for operating lease businesses:

We assessed management's identification of impairment indicators for equipment held for operating lease businesses.
For fair value less costs of disposal, we compared the carrying amounts of equipment with the publicly available pricing data of the industry less the estimated costs of disposal; and
For VIU calculations, we compared the rental amounts used in forecasts of future cash flows against the rental amounts set out in the lease contracts. With the support of our internal asset valuation experts, we assessed the reasonableness of discount rate used.

We evaluated the disclosures of impairment allowance of equipment held for operating lease businesses.
</td></tr>
</table>

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Benny Bing Yin Cheung.

Ernst & Young

Certified Public Accountants

Hong Kong

29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2021	2020
Revenue			
Finance lease income	5	9,813,486	9,199,844
Operating lease income	5	11,550,309	8,520,051
Total revenue		21,363,795	17,719,895
Net investment gains	6	87,279	41,189
Other income, gains or losses	7	1,864,732	1,567,632
Total revenue and other income		23,315,806	19,328,716
Depreciation and amortisation	8	(4,348,822)	(4,133,564)
Staff costs	9	(494,793)	(430,448)
Fee and commission expenses	12	(82,056)	(80,658)
Interest expenses	13	(8,087,780)	(6,980,798)
Other operating expenses	14	(1,256,500)	(838,048)
Net impairment losses on financial assets	15	(2,443,087)	(707,674)
Net impairment losses on other assets	16	(1,067,202)	(1,573,949)
Total expenses		(17,780,240)	(14,745,139)
Profit before tax		5,535,566	4,583,577
Income tax expense	17	(1,613,354)	(1,315,256)
Profit for the year attributable to owners of the Company		3,922,212	3,268,321
Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share)			
–Basic	18	0.31	0.26
–Diluted	18	0.31	0.26

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2021	2020
Profit for the year		3,922,212	3,268,321
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	38	(12,536)	(3,879)
Gains/(losses) on cash flow hedges, net of tax	38	698,512	(500,012)
Currency translation differences		(150,205)	(482,217)
Total other comprehensive income for the year, net of tax		535,771	(986,108)
Total comprehensive income for the year attributable to owners of the Company		4,457,983	2,282,213

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

(Amounts in thousands of RMB, unless otherwise stated)

		As at 31 December	
	Notes	2021	2020
Assets			
Cash and bank balances	19	36,833,077	34,992,986
Financial assets at fair value through profit or loss (FVTPL)	20	156,330	216,862
Derivative financial assets	21	94,627	328,291
Financial assets at fair value through other comprehensive income (FVOCI)	22	970,740	955,060
Accounts receivable	23	1,245,057	1,960,650
Finance lease receivables	24	190,871,553	166,040,552
Prepayments	25	11,958,595	15,829,764
Investment properties	27	904,310	1,040,023
Property and equipment	28	92,829,721	77,088,767
Right-of-use assets	29	154,492	181,149
Deferred tax assets	30	1,674,834	1,330,842
Other assets	31	4,144,293	3,364,721
Total assets		341,837,629	303,329,667
Liabilities			
Borrowings	32	236,087,673	210,382,017
Due to banks and other financial institutions		10,657,467	895,747
Derivative financial liabilities	21	576,497	1,416,207
Accrued staff costs	33	203,957	155,694
Bonds payable	34	45,045,528	46,221,709
Tax payable		372,472	342,021
Lease liabilities	29	172,141	196,490
Deferred tax liabilities	30	1,822,217	757,764
Other liabilities	35	16,792,923	16,332,703
Total liabilities		311,730,875	276,700,352
Equity			
Share capital	36	12,642,380	12,642,380
Capital reserve	37	2,418,689	2,418,689
Hedging and fair value reserve	38	(459,909)	(1,145,885)
Translation reserve		(338,774)	(188,569)
General reserve	39	6,235,767	5,474,730
Retained earnings	40	9,608,601	7,427,970
Total equity		30,106,754	26,629,315
Total liabilities and equity		341,837,629	303,329,667

The financial statements and the accompanying notes were approved by the board of directors on 29 March 2022 and were signed on its behalf.

MA Hong

PENG Zhong

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in thousands of RMB, unless otherwise stated)

		Attributable to the equity holders of the Company						
	Notes	Share capital	Capital reserve	Hedging and fair value reserve	Translation reserve	General reserve	Retained earnings	Total equity
As at 1 January 2021		12,642,380	2,418,689	(1,145,885)	(188,569)	5,474,730	7,427,970	26,629,315
Profit for the year		–	–	–	–	–	3,922,212	3,922,212
Other comprehensive income for the year	38	–	–	685,976	(150,205)	–	–	535,771
Total comprehensive income for the year		–	–	685,976	(150,205)	–	3,922,212	4,457,983
Dividends	41	–	–	–	–	–	(980,544)	(980,544)
Appropriation to general reserve		–	–	–	–	761,037	(761,037)	–
As at 31 December 2021		12,642,380	2,418,689	(459,909)	(338,774)	6,235,767	9,608,601	30,106,754
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	38	–	–	(503,891)	(482,217)	–	–	(986,108)
Total comprehensive income for the year		–	–	(503,891)	(482,217)	–	3,268,321	2,282,213
Dividends	41	–	–	–	–	–	(1,322,140)	(1,322,140)
Appropriation to general reserve		–	–	–	–	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

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2021	2020
OPERATING ACTIVITIES			
Profit before tax		5,535,566	4,583,577
Adjustments for:			
Bonds payable interest expenses	13	1,446,828	1,551,409
Lease liabilities interest expenses	29	8,285	26,453
Depreciation and amortisation	8	4,348,822	4,133,564
Net impairment losses on financial assets	15	2,443,087	707,674
Net impairment losses on other assets	16	1,067,202	1,573,949
Amortisation income of lease discount liabilities		(34,227)	(36,649)
Gains on disposal of equipment held for operating lease businesses	7	(554,810)	(689,472)
Losses on disposal of property and equipment held for administrative purposes		–	21
Gains on disposal of finance lease receivables	6	(102,186)	(123,822)
Realised losses from derivatives	6	5,591	9,646
Realised losses from FVTPL	6	–	21,037
Realised gains from FVOCI	6	(43,537)	(16,311)
Unrealised fair value changes in derivatives	6	(7,679)	14,870
Unrealised fair value changes in FVTPL	6	60,532	53,391
Foreign exchange gains from derivatives		(118,621)	(253,904)
Operating cash flows before movements in working capital		14,054,853	11,555,433
(Increase)/decrease in mandatory reserve deposits with central bank		33,174	(33,292)
(Increase)/decrease in accounts receivable		257,300	(90,251)
Increase in finance lease receivables		(26,835,927)	(26,100,552)
Decrease in other assets		278,625	5,071,445
Increase in borrowings		26,523,289	37,462,534
Increase in due to banks and other financial institutions		9,761,720	895,747
Increase/(decrease) in accrued staff costs		48,263	(148,273)
Increase in other liabilities		528,511	655,910
Cash flows from operating activities		24,649,808	29,268,701
Income taxes paid		(942,076)	(1,461,922)
NET CASH FLOWS FROM OPERATING ACTIVITIES		23,707,732	27,806,779
INVESTING ACTIVITIES			
Change in pledged and restricted bank deposits		(5,820,686)	1,267,257
Purchase of FVTPL		–	(1,839,486)
Purchase of FVOCI		(969,393)	(960,233)
Proceeds from disposal/maturity of FVTPL		326,464	1,808,803
Proceeds from disposal/maturity of FVOCI and others		1,101,393	121,463
Proceeds from disposal of property and equipment		5,788,462	3,525,160
Purchase of property and equipment		(24,550,354)	(16,930,552)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2021	2020
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(24,124,114)	(13,007,588)
FINANCING ACTIVITIES			
Proceeds from issue of bonds		12,887,521	13,186,511
Repayments of bonds		(13,548,070)	(8,864,073)
Bond issuance cost		(39,953)	(78,785)
Bond interest paid		(1,465,569)	(1,689,262)
Dividends paid	41	(918,834)	(1,238,934)
Decrease in lease liabilities		(32,902)	(90,341)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(3,117,807)	1,225,116
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(3,534,189)	16,024,307
Effects of foreign exchange changes		(413,232)	(1,325,648)
Cash and cash equivalents at beginning of the year		34,144,186	19,445,527
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	43	30,196,765	34,144,186
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		10,118,370	9,471,909
Interest paid, exclusive bonds payable interest expenses		(6,681,066)	(5,464,650)
Net interest received		3,437,304	4,007,259

The accompanying notes form an integral part of these consolidated financial statements.

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 aircraft leasing, ship leasing, infrastructure leasing, inclusive finance leasing, transfers of finance lease assets and lease-related financial business.

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 "Significant accounting judgements, estimates and assumptions".

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 following revised International Financial Reporting Standards ("IFRSs") for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and impact of the revised IFRSs are described below:

Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

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 risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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 Group had certain interest-bearing bank borrowings and finance lease receivables denominated in Unite Stated dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group also had several interest rate swaps whereby the Group pays interest at fixed rate and receives interest at variable rates based on LIBOR on the notional amount. For the LIBOR-based borrowings, finance lease receivables and interest rate swaps, since the interest rates of these instruments and were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings, finance lease receivables and interest rate swaps are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in note 50.5 to the financial statements.

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 United States dollars based on LIBOR, by using an interest rate swap. The Group expects to amend the formal designation of that hedging relationship upon modification of the interest rate swap. Provided that the modification or the change is a direct consequence of the interest rate benchmark reform, and the new basis for determining the contractual cash flows of the interest rate swap is economically equivalent to the previous basis immediately preceding the change, the modification or the change in the interest rate swap will not result in derecognition, and the related hedge relationship will remain and not be discontinued. The Group expects that any resulting ineffectiveness upon the modification or the change to be charged to profit or loss will be immaterial.

Amendment to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

Amendment to IFRS 16 issued on 31 March 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient for the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. The adoption of the above revised IFRS 16 has not had a significant financial impact on the consolidated financial statements.

(Amounts in thousands of RMB, unless otherwise stated)

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 IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8	*Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*	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

Further information about those IFRSs that are expected to be applicable to the Group is described below.

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 June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. 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 IAS 1 and IFRS Practice Statement 2

Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

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.

Amendments to IAS 37

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. 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*: 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 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the entities (including structured entities) directly or indirectly controlled by the Company. Control is achieved if and only if the Company has all the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

(Amounts in thousands of RMB, unless otherwise stated)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.4 Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured at fair value less costs to sell in accordance with that standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

2.5 Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less accumulated impairment losses, if any.

2.6 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 businesses. 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.

2.7 Leases

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

2.7.1 Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term as follows:

	Lease term
Properties	12 to 229 months

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.18 "Impairment on non-financial assets".

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

2.7.2 Group as a lessor

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

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

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

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

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

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

2.8 Cash and cash equivalents

Cash and cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.9 Foreign currencies

The Group's consolidated financial statements are presented in RMB, which is also the parent company's functional currency. The Company's subsidiaries choose their functional currency on the basis of the primary economic environment in which they operate.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for (i) exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation; (ii) exchange differences arising from the changes of the fair value of monetary assets classified as financial assets at fair value through other comprehensive income (other than the changes relating to the amortised cost of the monetary assets) which are recognised in other comprehensive income and accumulated in equity.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they occur.

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, capitalisation rates ranging between 1% and 3% have been applied to the expenditure on the individual assets.

2.11 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.12 Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability.

2.12.1 Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

2.12.2 Annuity scheme – defined contribution plan

The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss.

2.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.13.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.13.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(Amounts in thousands of RMB, unless otherwise stated)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.14 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.

Both lease premium assets and maintenance rights assets are presented under other assets (Note 31).

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 to 40 years
Computers and electronic equipment	5%	3 years
Motor vehicles	5%	5 years
Office equipment	0%-5%	3 to 5 years
Leasehold improvements	0%	The life of the lease

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 to 30 years
Aircraft – Buyer furnish equipment (BFE)	0%	The life of the lease
Ships	10%	12 to 24 years
Special equipment	5%	8 to 10 years

2.15 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

The estimate residual value rate and useful life of investment properties are 5% and 20 – 40 years respectively.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property and equipment" above.

2.16 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

2.17 Fair Value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value

measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.18 Impairment on non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

2.19 Provisions

Provisions are recognised when the Group has a present obligation related to a contingency such as action at law, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

2.20 Non-current assets held for sale and discounted operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

2.21 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.

2.21.1 Determination of fair value

Fair value is determined in the manner described in Note 52 "Fair values of the financial instruments".

2.21.2 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.

2.21.3 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.

2.21.4 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 accounts receivable and other financial assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, 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.

2.21.5 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.

2.21.6 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.

2.21.7 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.

2.22 Derivatives financial instruments and hedge accounting

2.22.1 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; or
- 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:

2.22.2 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 non-financial 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.

2.23 Dividend payable

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of accounting policies as set out in Note 2, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, estimate and key assumptions that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognised in the consolidated financial statements:

3.1 Impairment losses for finance lease receivables, accounts receivable and straightline lease asset

The Group uses a number of models and assumptions when estimating the impairment allowance under IFRS 9 of finance lease receivables, accounts receivable and straightline lease asset at the balance sheet date and the operation period, for example:

- Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk are highly dependent on judgement and may have a significant impact on the ECL for finance lease receivables;
- Models and parameters – A three-stage impairment model is used to calculate ECL. For finance lease receivables classified into stages 1 and 2, the model incorporates key parameters, including probability of default, loss given default and exposure at default. For finance lease receivables in stage 3, the management assesses impairment losses by estimating the cash flows from finance lease receivables. For the accounts receivable and straightline lease asset, a simplified approach is used to calculate the ECL. The risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default;
- Forward-looking information – Judgement is used to create macroeconomic forecasts and to consider the impact to ECL under multiple economic scenarios given different weights.

The Group established governance processes and controls for the measurement of ECL.

Relevant disclosures are included in Note 50.2.2 to the consolidated financial statements.

3.2 Impairment losses for equipment held for operating lease businesses

The majority of the Group's equipment held for operating lease businesses are aircraft and ship. According to the accounting policy stated in Note 2.18, management makes judgement regarding whether there is any indicator of assets impairment at the financial reporting date, and measures the recoverable amount of any assets with impairment indicators. The recoverable amount is the higher of the net amount of assets' fair value minus the cost of disposal, and the estimated value in use. These measurements involve estimation.

(Amounts in thousands of RMB, unless otherwise stated)

3.3 Depreciation of operating lease assets

The Group calculates depreciation expense of operating lease assets based on management's assumption on their useful life and residual value. The useful lives and the residual value of operating lease assets reflect the future economic benefit obtained from the use of the operating lease assets and the benefit from disposal estimated by the Group's management. The estimation may differ due to actual physical wear and tear of the assets, changes of the technology innovation and market competition.

3.4 Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

3.5 Fair value of financial instruments

The Group has adopted valuation models to calculate the fair value for the financial instrument without active market price. Such valuation models include discounted cash flow model and other valuation models. In practice, the discounted cash flow model only uses the observable data whenever possible, however, the management still needs to make assumption regarding the factors, such as counterparty's credit risk, market volatility and correlations. The estimated fair value of the financial instruments will be affected for any changes of the above factors.

3.6 Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as the present values of the minimum lease payments of the lease amount to at least substantially all of the fair value of the assets held for lease businesses at the inception of the leases. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statements of financial position and has instead, recognised finance lease receivables (Note 24). On the other hand, the Group includes the assets held for lease businesses under operating lease in property and equipment, and investment properties. The determination of whether the Group has transferred substantially all the risks and rewards incident to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgements by management.

4 TAXATION

The principal income tax and other taxes to which the Group is subject are listed below:

Taxes	Tax basis	Statutory rates
PRC corporate income tax	Taxable income	25%
Major income tax in other countries	Taxable income	12.5%, 16.5%
Value-added tax	Taxable added value	13%, 9%, 6%, 5% and 3%
City construction and maintenance tax	Turnover tax paid	1%, 7%
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	2%

5 TOTAL REVENUE

	Year ended 31 December	
	2021	2020
Finance lease income [1]	9,813,486	9,199,844
Operating lease income	11,550,309	8,520,051
	21,363,795	17,719,895

[1] The Group recognised finance lease income of approximately RMB19,264 thousand and RMB57,103 thousand from non-performing finance lease receivables for the years of 2021 and 2020, respectively.

6 NET INVESTMENT GAINS

	Year ended 31 December	
	2021	2020
Realised gains from financial assets at fair value through other comprehensive income	43,537	16,311
Realised losses from financial assets at fair value through profit or loss	–	(21,037)
Realised gains from disposal of finance lease receivables	102,186	123,822
Realised losses from derivatives	(5,591)	(9,646)
Unrealised fair value change of derivatives	7,679	(14,870)
Unrealised fair value change of financial assets at fair value through profit or loss	(60,532)	(53,391)
	87,279	41,189

(Amounts in thousands of RMB, unless otherwise stated)

7 OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2021	2020
Interest income from deposits with financial institutions	317,587	275,730
Gains on disposal of assets held for operating lease businesses, net	554,810	689,472
Government grants and incentives [1]	195,489	326,120
Management and commission fee income	657,526	317,852
Foreign exchange gains, net	72,489	(161,959)
Consulting fee income	1,315	4,240
Others	65,516	116,177
	1,864,732	1,567,632

(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 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 the PRC, the Group received government grants and incentives from Shenzhen Government in the years of 2021 and 2020, 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 the 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 grants have been amortised and recognised as income using the straight-line method over the estimated useful lives of land use rights.

8 DEPRECIATION AND AMORTISATION

	Year ended 31 December	
	2021	2020
Depreciation of property and equipment	4,212,957	3,958,940
Depreciation of right-of-use assets	26,924	57,215
Depreciation of investment properties	31,612	35,287
Amortisation of lease premium assets	42,745	60,192
Amortisation of land use rights	14,537	9,764
Amortisation of prepaid expenses	–	308
Amortisation of other intangible assets	20,047	11,858
	4,348,822	4,133,564

9 STAFF COSTS

	Year ended 31 December	
	2021	2020
Salaries, bonuses and allowances	368,000	316,380
Social welfare [1]	76,858	66,668
Defined contribution plans-annuity schemes [2]	44,306	39,479
Others	5,629	7,921
	494,793	430,448

The staff costs here include the emoluments of the directors and supervisors as disclosed in Note 10 below.

(1) According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred. The domestic employees of the Group in the PRC participate in a state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, operated by the relevant municipal and provincial governments.

(2) In addition to the social welfare plans, the Group also provides annuity schemes or defined contribution plans for certain qualified employees. The employees' and the Group's contributions for the annuity schemes or defined contribution plans are calculated based on a certain percentage of employees' salaries and recognised in profit or loss as expenses. The assets of the scheme are held separately from those of the Group. The Group cannot withdraw or utilise its fund contributions made to the annuity schemes or defined contribution plans under any circumstance.

(Amounts in thousands of RMB, unless otherwise stated)

10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company payable by the Group are set out below:

For the year ended 31 December 2021

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive directors:					
Ma Hong[i]	–	414	36	425	875
Wang Xuedong[ii]	–	562	136	705	1,403
Peng Zhong[iii]	–	837	110	715	1,662
Huang Min[iv]	–	886	119	1,083	2,088
Non-executive directors:					
Li Yingbao[v]	–	–	–	–	–
Yang Guifang[vi]	–	–	–	–	–
Wang Bangyi[vii]	–	–	–	–	–
Independent non-executive directors:					
Zheng Xueding[viii]	330	–	–	–	330
Xu Jin[viii]	330	–	–	–	330
Zhang Xianchu[viii]	330	–	–	–	330
Supervisors:					
Ma Yongyi[ix]	–	200	–	–	200
Huang Xuemei[x]	–	975	85	744	1,804
Wang Yiyun[xi]	–	741	63	630	1,434
Li Xueling[xii]	–	–	–	–	–
Zhong Qinglin[xiv]	–	–	–	–	–
	990	4,615	549	4,302	10,456

(Amounts in thousands of RMB, unless otherwise stated)

For the year ended 31 December 2020

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive directors:					
Wang Xuedong(ii)	–	979	109	288	1,376
Peng Zhong(iii)	–	950	96	338	1,384
Huang Min(iv)	–	908	96	656	1,660
Non-executive directors:					
Li Yingbao(v)	–	–	–	–	–
Wang Bangyi(vii)	–	–	–	–	–
Independent non-executive directors:					
Zheng Xueding(viii)	330	–	–	–	330
Xu Jin(viii)	330	–	–	–	330
Zhang Xianchu(viii)	330	–	–	–	330
Supervisors:					
Ma Yongyi(ix)	–	200	–	–	200
Huang Xuemei(x)	–	900	71	345	1,316
Wang Yiyun(xi)	–	689	51	332	1,072
Zhang Xiaosong(xiii)	–	–	–	–	–
Zhong Qinglin(xiv)	–	–	–	–	–
	990	4,626	423	1,959	7,998

(i) Ma Hong was appointed as the chairwoman of the board and an executive director in August 2021 and her appointment was approved by Shenzhen Office of CBIRC in November 2021.

(ii) Wang Xuedong was appointed as the chairman of the board and an executive director in October 2014 and his appointment was approved by Shenzhen Office of CBIRC in January 2015. Wang Xuedong resigned in July 2021.

(iii) Peng Zhong was appointed as an executive director in November 2019 and his appointment was approved by Shenzhen Office of CBIRC in January 2020.

(iv) Huang Min was appointed as an executive director in September 2015.

(v) Li Yingbao was appointed as a non-executive director in September 2015.

(vi) Yang Guifang was appointed as a non-executive director in June 2021 and his appointment was approved by Shenzhen Office of CBIRC in October 2021.

(vii) Wang Bangyi was appointed as a non-executive director in November 2019 and his appointment was approved by Shenzhen Office of CBIRC in December 2019. Wang Bangyi resigned in December 2021.

(viii) Zheng Xueding, Xu Jin and Zhang Xianchu were appointed as independent non-executive directors in June 2016.

(ix) Ma Yongyi was appointed as a supervisor in February 2018.

(x) Huang Xuemei was appointed as a supervisor in May 2015.

(xi) Wang Yiyun was appointed as a supervisor in July 2019.

(xii) Li Xueling was appointed as a supervisor in June 2021.

(xiii) Zhang Xiaosong was appointed as a supervisor in November 2019. Zhang Xiaosong resigned in April 2021.

(xiv) Zhong Qinglin was appointed as a supervisor in November 2019. Zhong Qinglin resigned in June 2021.

The Company did not operate any share option scheme during the years of 2021 and 2020.

The bonuses are discretionary and determined with reference to the Group's and the individuals' performance.

During the years of 2021 and 2020, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(Amounts in thousands of RMB, unless otherwise stated)

11 HIGHEST PAID INDIVIDUALS

None of the five individuals with the highest emoluments is a director of the Group for the year ended 31 December 2021 (none for the year end 31 December 2020). The emoluments of the five highest paid employees of the Group payable by the Group during the years of 2021 and 2020 are as follows:

	Year ended 31 December	
	2021	2020
Basic salaries and allowances	21,288	24,665
Bonuses	33,032	18,559
Employer's contribution to pension schemes	8,865	12,320
	63,185	55,544

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years of 2021 and 2020.

The emoluments of the five highest paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2021	2020
	No. of employees	No. of employees
Emolument bands		
– HKD5,000,001 to HKD6,000,000	1	–
– HKD6,000,001 to HKD7,000,000	1	–
– HKD7,000,001 to HKD8,000,000	–	1
– HKD8,000,001 to HKD9,000,000	1	–
– HKD9,000,001 to HKD10,000,000	–	1
– HKD10,000,001 to HKD11,000,000	1	–
– HKD12,000,001 to HKD13,000,000	–	1
– HKD14,000,001 to HKD15,000,000	–	1
– HKD17,000,001 to HKD18,000,000	–	1
– HKD44,000,001 to HKD45,000,000	1	–

The above personnel are employees of the Group's overseas aviation subsidiaries, and their remuneration is determined according to international market standards.

12 FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2021	2020
Business collaboration fee for leasing projects	55,424	53,355
Bank charges	26,632	27,303
	82,056	80,658

13 INTEREST EXPENSES

	Year ended 31 December	
	2021	2020
Borrowings	6,457,709	5,502,449
Bonds payable	1,446,828	1,551,409
Due to banks and other financial institutions	222,479	5,338
Financial assets sold under repurchase agreements	29,185	7,618
Deposits from lessees	812	2,115
Others	63,801	65,147
Less: Interest capitalised on qualifying assets [1]	(133,034)	(153,278)
	8,087,780	6,980,798

[1] Interest capitalised on qualifying assets in 2021 included RMB133,034 thousand (2020: RMB153,278 thousand) on prepayments.

(Amounts in thousands of RMB, unless otherwise stated)

14 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2021	2020
Service fees of operating lease ship business	620,263	307,936
Taxes and surcharges	57,167	60,733
Business travel and transportation expenses	15,207	15,244
Auditor's remuneration	15,333	14,071
Lease payments not included in the measurement of lease liabilities	12,289	15,335
Expenses and losses associated with repossession and maintenance of aircraft	165,708	158,220
Sundry expenses	370,533	266,509
	1,256,500	838,048

15 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December	
	2021	2020
Finance lease receivables	1,874,927	410,790
Accounts receivable	353,103	231,601
Straightline lease asset	209,776	64,672
Others	5,281	611
	2,443,087	707,674

16 NET IMPAIRMENT LOSSES ON OTHER ASSETS

	Year ended 31 December	
	2021	2020
Equipment held for operating lease businesses	878,897	1,539,586
Investment properties	118,219	20,270
Repossessed assets	28,573	–
Assets held for sale	41,513	7,182
Prepayments	–	6,911
	1,067,202	1,573,949

17 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
Current income tax		
– PRC enterprise income tax	949,137	1,215,269
– Income tax in other countries	7,769	10
Deferred income tax	636,760	101,545
Under/(over) provision in prior year	19,688	(1,568)
	1,613,354	1,315,256

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.

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	
	2021	2020
Profit before tax	5,535,566	4,583,577
Tax at the statutory tax rate of 25%	1,383,892	1,145,894
Tax effect of expenses not deductible for tax purpose	34,400	23,207
Under/(over) provision in prior year	19,688	(1,568)
Tax losses and deductible temporary difference not recognised	37,294	130,357
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	138,080	17,366
Income tax expense for the year	1,613,354	1,315,256

(Amounts in thousands of RMB, unless otherwise stated)

18 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Year ended 31 December	
	2021	2020
Earnings:		
Profit attributable to owners of the Company (RMB'000)	3,922,212	3,268,321
Number of shares:		
Weighted average number of shares in issue ('000)	12,642,380	12,642,380
Basic earnings per share (RMB Yuan)	0.31	0.26

Basic earnings per share amounts are calculated by dividing the profit attributable to owners of the Company by the weighted average numbers of ordinary shares in issue during the years ended 31 December 2021 and 2020, respectively.

Diluted earnings per share amounts are the same as basic earnings per share amounts due to the absence of dilutive potential ordinary share in the years of 2021 and 2020, respectively.

19 CASH AND BANK BALANCES

	31 December 2021	31 December 2020
Pledged and restricted bank deposits [(1)]	6,228,946	408,260
Mandatory reserve deposits with central bank [(2)]	407,366	440,540
Surplus reserve deposits with central bank [(3)]	146,830	74,116
Cash and bank balances	30,049,935	34,070,070
	36,833,077	34,992,986

(1) The bank deposits amounting to approximately RMB4,170,823 thousand were pledged as collateral for the Group's bank borrowings as at 31 December 2021 (31 December 2020: nil) (Note 32).

The bank deposits amounting to approximately RMB2,058,123 thousand (31 December 2020: RMB408,260 thousand) were restricted for use, among which approximately RMB250,000 thousand was the guaranteed deposit held by the Group in relation to the finance lease receivables transferred as at 31 December 2021 (31 December 2020: RMB105,000 thousand), RMB282,000 thousand was in relation to the notes payable as at 31 December 2021 (31 December 2020: RMB134,151 thousand), and RMB1,526,123 thousand was in relation to others as at 31 December 2021 (31 December 2020: RMB169,109 thousand) respectively.

(2) The Group places mandatory reserve deposits in the PBOC, which include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

(3) Surplus reserve deposits primarily represent deposits maintained with the PBOC in addition to the mandatory reserve deposits.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	31 December 2020
Measured at fair value:		
Equity investment, listed	12,585	9,214
Equity investment, unlisted	143,745	207,648
	156,330	216,862

21 DERIVATIVE FINANCIAL INSTRUMENTS

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

	31 December 2021		
	Contractual/	Fair value	
	Notional amount	Assets	Liabilities
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	26,787,276	38,018	(569,877)
Cash flow hedge – cross currency swaps	874,855	15,609	–
Derivatives not under hedge accounting:			
Currency forwards	1,466,411	41,000	–
Cross currency swaps	1,069,105	–	(5,068)
Foreign exchange swaps	246,824	–	(1,552)
	30,444,471	94,627	(576,497)

	31 December 2020		
	Contractual/	Fair value	
	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)

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.

(Amounts in thousands of RMB, unless otherwise stated)

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 borrowings and bonds 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. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the borrowings and the hedging instruments;
- Different interest rate curves applied to discount the hedged items and hedging instruments; and
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments.

	Outstanding notional amounts	Assets/ (Liabilities)	USD interest rates (p.a.)	Foreign currency rates	Maturity (Year)
31 December 2021					
Cash flow hedge					
Interest rate swaps [1]					
USD	26,787,276	(531,859)	0.2680% to 3.2030%	–	2022 to 2028
Cross currency swaps [2]					
HKD-USD	617,578	3,014	3.6950% to 3.7200%	USD1: HKD7.78445 to USD1: HKD7.8482	2022
CNY-USD	257,277	12,595	2.9350%	USD1: CNY6.6910	2022

	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

(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 effectiveness of the fair value changes of these interest rate swaps is recognized in hedging reserve, RMB736,894 thousand in 2021 (2020: RMB -597,630 thousand), and the hedge ineffectiveness is recognized in profit or loss, which is immaterial in 2021 (2020: nil).

(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.

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 Group has adopted the temporary reliefs provided by the amendments to IFRS 9, IAS 39 and IFRS 7 which enable the hedge accounting of the Group to continue during the period of uncertainty, which is before the replacement of an existing interest rate benchmark with an RFR.

The table below indicates the nominal amounts and weighted average remain 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.

As at 31 December 2021

	Nominal amount	Weighted average remain maturity (Years)
Interest rate swaps:		
USD LIBOR (1 month)	63,757	0.9
USD LIBOR (3 months)	26,490,806	2.6
USD LIBOR (6 months)	232,713	1.9
	26,787,276	

As at 31 December 2020

	Nominal amount	Weighted average remain maturity (Years)
Interest rate swaps:		
USD LIBOR (1 month)	183,350	1.1
USD LIBOR (3 months)	29,037,516	2.2
USD LIBOR (6 months)	285,138	2.9
	29,506,004	

(Amounts in thousands of RMB, unless otherwise stated)

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2021	31 December 2020
Measured at fair value:		
Bonds investment	–	955,060
Certificates of deposit	970,740	–
	970,740	955,060

23 ACCOUNTS RECEIVABLE

	31 December 2021	31 December 2020
Operating lease receivables [1]	2,338,378	2,718,254
Other accounts receivable	13,902	14,595
	2,352,280	2,732,849
Less: Allowance for impairment losses		
– Allowance for operating lease receivables	(1,107,223)	(772,199)
	1,245,057	1,960,650

[1] The operating lease receivables of the Group were accrued on a straight-line basis over the terms of the relevant leases and settled periodically based on the payment terms agreed in the lease contracts.

An ageing analysis of the operating lease receivables as at the end of the reporting period, based on the receivables due date and net of loss allowance, is as follows:

	31 December 2021	31 December 2020
On demand/Deferred	888,792	909,284
Overdue within 1 month	60,076	163,162
Overdue 1 to 2 months	28,417	212,180
Overdue 2 to 3 months	29,966	24,665
Overdue over 3 months	223,904	636,763
	1,231,155	1,946,054

Movements of accounts receivable between stages for the years of 2021 and 2020 are as follows:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Gross carrying amount					
Amount as at 1 January 2021	–	–	–	2,732,849	2,732,849
New assets originated/(repayment)	–	–	–	(324,134)	(324,134)
Effect of foreign currency exchange differences	–	–	–	(56,435)	(56,435)
Amount as at 31 December 2021	–	–	–	2,352,280	2,352,280

	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

Movements of allowance for impairment losses during the years of 2021 and 2020 are as follows:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Allowance for impairment losses					
Amount as at 1 January 2021	–	–	–	772,199	772,199
Net increase/(decrease) [1]	–	–	–	–	–
Charged/(recovered) for the year [2]	–	–	–	353,103	353,103
Effect of foreign currency exchange differences	–	–	–	(18,079)	(18,079)
Amount as at 31 December 2021	–	–	–	1,107,223	1,107,223

	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)
Charged/(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

[1] Changes in the 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.

(Amounts in thousands of RMB, unless otherwise stated)

24 FINANCE LEASE RECEIVABLES

	31 December 2021	31 December 2020
Finance lease receivables		
Not later than one year	58,571,300	51,352,631
Later than one year and not later than five years	121,976,649	107,822,133
Later than five years	53,112,339	46,603,763
Gross amount of finance lease receivables	233,660,288	205,778,527
Less: Unearned finance income	(35,198,445)	(33,917,035)
Present value of minimum finance lease receivables	198,461,843	171,861,492
Less: Allowances for impairment losses	(7,590,290)	(5,820,940)
Carrying amount of finance lease receivables	190,871,553	166,040,552
Present value of minimum finance lease receivables		
Not later than one year	48,995,907	36,763,705
Later than one year and not later than five years	103,715,411	89,869,183
Later than five years	45,750,525	45,228,604
	198,461,843	171,861,492

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

The finance lease receivables with a carrying amount of approximately RMB7,236,082 thousand were pledged as collateral for the Group's bank borrowings as at 31 December 2021 (31 December 2020: RMB15,953,646 thousand) (Note 32).

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

Movements between stages for the years of 2021 and 2020 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 2021	149,536,247	21,240,845	1,084,400	171,861,492
Movement within stages:				
Move to stage 1	3,044,568	(3,044,568)	–	–
Move to stage 2	(4,597,246)	4,597,246	–	–
Move to stage 3	–	(346,300)	346,300	–
Net assets originated/(repayment)	30,547,672	(3,289,684)	(278,383)	26,979,605
Written-off	–	–	(92,860)	(92,860)
Effect of foreign currency exchange differences	(273,370)	(12,615)	(409)	(286,394)
Amount as at 31 December 2021	178,257,871	19,144,924	1,059,048	198,461,843

	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

Movements of allowance for impairment losses on finance lease receivables during the years of 2021 and 2020 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2021	1,789,997	3,074,860	956,083	5,820,940
Movement within stages:				
Move to stage 1	335,903	(335,903)	–	–
Move to stage 2	(63,785)	63,785	–	–
Move to stage 3	–	(240,963)	240,963	–
Net increase/(decrease) [(1)]	574,353	(488,176)	(193,144)	(106,967)
Charged/(recovered) for the year [(2)]	457,712	1,435,354	88,828	1,981,894
Written-off	–	–	(92,849)	(92,849)
Effect of foreign currency exchange differences	(8,265)	(4,104)	(359)	(12,728)
Amount as at 31 December 2021	3,085,915	3,504,853	999,522	7,590,290

(Amounts in thousands of RMB, unless otherwise stated)

	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)
Charged/(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

(1) Changes in the 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.

25 PREPAYMENTS

	31 December 2021	31 December 2020
Prepayments for operating lease assets purchases (1)	11,958,595	15,829,764

(1) As of 31 December 2021, the balance of prepayments to Airbus S.A.S. and the Boeing Company are amounted to RMB6,114 million (31 December 2020: RMB5,884 million) and RMB1,432 million (31 December 2020: RMB3,696 million), respectively.

26 INVESTMENTS IN SUBSIDIARIES

The following is a list of principal subsidiaries, which are all limited liability companies, at 31 December 2021:

Name of subsidiary	Place and date of incorporation/registration and business	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
CDBL Funding 1	Cayman Islands/Ireland 23 Oct 2014	100	100	USD1	Bond issuing
CDBL Funding 2	Cayman Islands/Ireland 23 May 2017	100	100	USD50	Bond issuing
Amber Circle Funding Limited	Cayman Islands/Ireland 22 Jun 2012	100	100	USD250	Bond issuing
Aviation Capital Limited	Cayman Islands/Ireland 08 Sep 2008	100	100	USD1,000	Aircraft leasing
CDB Aviation Lease Finance Designated Activity Company	Ireland/Ireland 02 Jul 2009	100	100	USD50,000,000	Aircraft leasing/ Management
CDB Leasing (International) Company Limited	Hongkong, China/China 03 Sep 2009	100	100	HKD10,000	Ship leasing
國銀飛機租賃(上海)有限公司CLC Aircraft Leasing (Shanghai) Co., Ltd*	China/China 24 Nov 2010	100	100	RMB5,000,000	Aircraft leasing
國銀逸飛飛機租賃(天津)有限公司CLC Yifei Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 19 Oct 2012	100	100	RMB500,000	Aircraft leasing
國銀卓飛飛機租賃(天津)有限公司CLC Zhuofei Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 19 Oct 2012	100	100	RMB500,000	Aircraft leasing
國銀盛飛飛機租賃(天津)有限公司CLC Shengfei Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 07 Nov 2012	100	100	RMB500,000	Aircraft leasing
國銀捷飛飛機租賃(天津)有限公司CLC Jiefei Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 07 Nov 2012	100	100	RMB500,000	Aircraft leasing
國銀航宇飛機租賃(天津)有限公司CLC Hangyu Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 13 Aug 2013	100	100	RMB500,000	Aircraft leasing
國銀航凱飛機租賃(天津)有限公司CLC Hangkai Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 13 Aug 2013	100	100	RMB500,000	Aircraft leasing
國銀航雲飛機租賃(天津)有限公司CLC HangyunAircraft Leasing (Tianjin) Co., Ltd.*	China/China 13 Aug 2013	100	100	RMB500,000	Aircraft leasing
國銀航進飛機租賃(天津)有限公司CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 13 Aug 2013	100	100	RMB500,000	Aircraft leasing
國銀航傑飛機租賃(天津)有限公司CLC Hangjie Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 13 Aug 2013	100	100	RMB500,000	Aircraft leasing
國銀航軒飛機租賃(天津)有限公司CLC Hangxuan Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 13 Aug 2013	100	100	RMB500,000	Aircraft leasing
國銀航坤飛機租賃(天津)有限公司CLC Hangkun Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 11 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航隆飛機租賃(天津)有限公司CLC Hanglong Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 12 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航慶飛機租賃(天津)有限公司CLC Hangqing Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 12 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航鋭飛機租賃(天津)有限公司CLC Hangrui Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 12 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航遠飛機租賃(天津)有限公司CLC Hangyuan Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 11 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航際飛機租賃(天津)有限公司CLC Hangji Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航錦飛機租賃(天津)有限公司CLC Hongjin Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航通飛機租賃(天津)有限公司CLC Hangtong Aircraft Leasing (Tianjin) Co., Ltd.*	China/China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀慧天(廈門)飛機租賃有限公司 CLC Huitian Aircraft Leasing (Xiamen) Co., Ltd.*	China/China 10 Aug 2015	100	100	RMB100,000	Aircraft leasing

* These subsidiaries do not have official English names. English translated names are for identification only.

The above table lists the subsidiaries of the Group which, in opinion of the management of the Group, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

(Amounts in thousands of RMB, unless otherwise stated)

The Group also hold the following subsidiaries. As the information of the subsidiaries is similar, the subsidiaries were disclosed in aggregate as at 31 December 2021:

Place of Incorporation/registration and business	Numbers of the subsidiaries	Proportion of ordinary shares directly held by the Company/Group	Paid-up issued/ registered capital of each subsidiary	Principal activities
China/China	2	100	RMB5,000,000	Aircraft leasing
China/China	29	100	RMB500,000	Aircraft leasing
China/China	2	100	RMB300,000	Aircraft leasing
China/China	2	100	RMB200,000	Aircraft leasing
Norway/China	1	100	NOK150,000	Aircraft leasing
China/China	9	100	RMB100,000	Aircraft leasing
China/China	29	100	RMB100,000	Ship leasing
France/Ireland	1	100	EUR50,000	Aircraft leasing
Hongkong, China/China	10	100	HKD10,000	Ship leasing
USA/USA	1	100	USD5,000	Aircraft leasing
Malta/Ireland	1	100	EUR1,200	Aircraft leasing
France/Ireland	1	100	EUR1,000	Aircraft leasing
Hongkong, China/Hongkong, China	1	100	HKD1,000	Aircraft leasing
Ireland/Ireland	12	100	EUR2	Aircraft leasing
Ireland/Ireland	1	100	USD2	Aircraft leasing
Ireland/Ireland	150	100	USD1	Aircraft leasing
Hongkong, China/China	263	100	HKD1	Ship leasing
Hongkong, China/China	1	100	USD1	Ship leasing
Hongkong, China/China	1	100	HKD1	Textile equipment leasing
Hongkong, China/China	1	100	HKD1	Container leasing
Hongkong, China/China	1	100	HKD1	Drilling platform leasing

27 INVESTMENT PROPERTIES

	31 December 2021	31 December 2020
Cost		
At the beginning of the year	1,392,051	1,282,616
Additions	–	30,755
Transfer from property and equipment	15,159	78,680
At the end of the year	1,407,210	1,392,051
Accumulated depreciation		
At the beginning of the year	(192,369)	(152,853)
Charged for the year	(31,612)	(35,287)
Transfer from property and equipment	(1,041)	(4,229)
At the end of the year	(225,022)	(192,369)
Accumulated impairment		
At the beginning of the year	(159,659)	(139,389)
Charged for the year	(118,219)	(20,270)
At the end of the year	(277,878)	(159,659)
Net carrying amount		
At the beginning of the year	1,040,023	990,374
At the end of the year	904,310	1,040,023

The Group recognised the operating lease income of approximately RMB125,293 thousand from investment properties in the year of 2021 (2020: RMB121,371 thousand) which is disclosed in Note 5.

(Amounts in thousands of RMB, unless otherwise stated)

28 PROPERTY AND EQUIPMENT

	31 December 2021	31 December 2020
Equipment held for operating lease businesses	92,070,297	76,299,125
Property and equipment held for administrative purposes	759,424	789,642
	92,829,721	77,088,767

Equipment held for operating lease businesses

	Aircraft	Ships	Special equipment	Total
Cost				
As at 1 January 2021	77,304,436	14,747,602	671,727	92,723,765
Additions	14,358,776	14,001,475	–	28,360,251
Disposals/written-off	(7,492,398)	–	(407,692)	(7,900,090)
Foreign currency translation	(1,767,419)	(478,839)	–	(2,246,258)
As at 31 December 2021	82,403,395	28,270,238	264,035	110,937,668
Accumulated depreciation				
As at 1 January 2021	(12,550,199)	(882,540)	(247,743)	(13,680,482)
Charged for the year	(3,256,799)	(899,839)	(21,987)	(4,178,625)
Disposals/written-off	1,626,670	–	82,097	1,708,767
Foreign currency translation	222,887	26,245	–	249,132
As at 31 December 2021	(13,957,441)	(1,756,134)	(187,633)	(15,901,208)
Accumulated impairment				
As at 1 January 2021	(2,226,643)	(240,245)	(277,270)	(2,744,158)
Charged for the year	(787,885)	(88,446)	(2,566)	(878,897)
Disposals/written-off	316,129	–	279,836	595,965
Foreign currency translation	56,668	4,259	–	60,927
As at 31 December 2021	(2,641,731)	(324,432)	–	(2,966,163)
Net carrying amount				
As at 1 January 2021	62,527,594	13,624,817	146,714	76,299,125
As at 31 December 2021	65,804,223	26,189,672	76,402	92,070,297

	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
Transfer 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)
Charged 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)
Charged 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

As at 31 December 2021, the equipment held for operating lease businesses of the Group with net book values of approximately RMB29,016,282 thousand (31 December 2020: RMB18,047,343 thousand) and RMB1,060,935 thousand (31 December 2020: RMB1,148,333 thousand) were pledged as collateral for the Group's bank borrowings (Note 32) and long-term payables, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

Property and equipment held for administrative purposes

	Buildings	Computers and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
Cost						
As at 1 January 2021	800,870	17,072	5,472	17,482	72,805	913,701
Additions	678	16,849	–	1,738	–	19,265
Transfer to other assets	(15,159)	–	–	–	–	(15,159)
Foreign currency translation	(231)	–	–	(154)	(1,178)	(1,563)
As at 31 December 2021	786,158	33,921	5,472	19,066	71,627	916,244
Accumulated depreciation						
As at 1 January 2021	(70,016)	(10,886)	(3,101)	(11,103)	(28,953)	(124,059)
Charged for the year	(20,681)	(6,789)	(764)	(3,172)	(2,926)	(34,332)
Transfer to other assets	1,040	–	–	–	–	1,040
Foreign currency translation	191	–	–	83	257	531
As at 31 December 2021	(89,466)	(17,675)	(3,865)	(14,192)	(31,622)	(156,820)
Net carrying amount						
As at 1 January 2021	730,854	6,186	2,371	6,379	43,852	789,642
As at 31 December 2021	696,692	16,246	1,607	4,874	40,005	759,424

	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)
Charged 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

As at 31 December 2021, the carrying value of property and equipment of the Group for which registration was not completed amounted to approximately RMB7,987 thousand (31 December 2020: RMB8,530 thousand). However, this registration process does not affect the rights of the Group to these assets.

For the year ended 31 December 2021, in accordance with IAS 36 Impairment of Assets, aircraft and ships 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 and ships. For the purpose of recognition and measurement of an impairment loss, if it is determined that a test for impairment is required, each aircraft or ship 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 or ship 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 rates ("WACC") for 31 December 2021 were 4.80% and 5.34% (2020: 4.80% and 4.93%) for aircraft and ships, respectively. Fair value less costs to sell is 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 is recognised.

As a result of the review, an impairment charge of RMB788 million (2020: RMB1,455 million) was recognised on 25 aircraft (2020: 42 aircraft). An impairment charge of RMB88 million (2020: nil) was recognised on 5 ships (2020: nil).

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 2021.

Assuming the WACC increases by 50BP, the impairment will increase RMB51 million (2020: RMB75 million) for aircraft; if the WACC decrease by 50BP, then the impairment will decrease RMB42 million (2020: RMB54 million) for aircraft.

Assuming the fair value increases by 5%, the impairment will decrease RMB33 million (2020: RMB221 million) for aircraft. If the fair value decrease by 5%, the impairment will increase RMB35 million (2020: RMB223 million) for aircraft.

(Amounts in thousands of RMB, unless otherwise stated)

29 LEASES

The Group as a lessee

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties	Aircraft	Total
As at 1 January 2020	172,790	431,719	604,509
Additions	45,535	–	45,535
Due to exercise the purchase option [(1)]	–	(396,731)	(396,731)
Depreciation charge	(26,247)	(30,968)	(57,215)
Foreign currency translation	(10,929)	(4,020)	(14,949)
As at 31 December 2020 and 1 January 2021	181,149	–	181,149
Additions	3,539	–	3,539
Depreciation charge	(26,924)	–	(26,924)
Foreign currency translation	(3,272)	–	(3,272)
As at 31 December 2021	154,492	–	154,492

(1) As at 31 December 2019, the Group had several lease contracts that included purchase option. The Group executed the purchase option in the year of 2020.

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021	2020
Carrying amount at 1 January	196,490	626,523
New leases	3,521	15,766
Accretion of interest recognised during the year	8,285	26,453
Payments	(32,446)	(44,741)
Due to exercise the purchase options	–	(444,783)
Foreign currency translation	(3,709)	17,272
Carrying amount at 31 December	172,141	196,490
Analysed into:		
Within one year	25,081	23,243
In the second year	22,631	23,787
In the third to fifth year, inclusive	32,433	45,809
Beyond five year	91,996	103,651

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	For the year ended 31 December	
	2021	2020
Interest on lease liabilities	8,285	26,453
Depreciation charge of right-of-use assets	26,924	57,215
Expense relating to leases of low-value assets and short-term leases	244	15,335
Total amount recognised in profit or loss	35,453	99,003

The Group as a lessor

The Group leases its investment properties (Note 27) and property and equipment (Note 28) consisting of aircraft, ships, special equipment and buildings under operating lease arrangements. The terms of the leases generally require the lessees to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB11,550 million (2020: RMB8,520 million), details of which are included in Note 5 to the financial statements.

As at 31 December 2021 and 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December 2021	31 December 2020
Within one year	8,201,088	7,742,217
After one year but within two years	7,923,481	7,602,606
After two years but within three years	7,506,112	6,989,637
After three years but within four years	6,794,554	6,378,129
After four years but within five years	5,371,176	5,518,022
After five years	22,349,121	18,423,424
	58,145,532	52,654,035

(Amounts in thousands of RMB, unless otherwise stated)

30 DEFERRED TAXATION

For presentation purpose, certain deferred tax assets and deferred tax liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	31 December 2021	31 December 2020
Deferred tax assets		
– Deferred tax assets to be recovered after more than 12 months	1,667,629	1,318,166
– Deferred tax assets to be recovered within 12 months	7,205	12,676
	1,674,834	1,330,842
Deferred tax liabilities		
– Deferred tax assets to be recovered after more than 12 months	(1,831,504)	(751,918)
– Deferred tax assets to be recovered within 12 months	9,287	(5,846)
	(1,822,217)	(757,764)
	(147,383)	573,078

Deferred income tax liabilities of RMB208 million (31 December 2020: RMB212 million) have not been recognised for the taxable temporary differences arising from undistributed profit of foreign subsidiaries given that the timing of the reversal of the temporary difference is controlled by the Group and the directors of the Group are of the view that it is probable that the temporary differences will not be reversed in the foreseeable future.

The following are the unrecognised deferred tax assets for the years ended 31 December 2021 and 2020:

	31 December 2021	31 December 2020
Tax losses	217,839	81,395
Deductible temporary differences	23,502	122,652
	241,341	204,047

The above tax losses are available within the period permitted by tax laws for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

The following are the major deferred tax assets/(liabilities) recognised and movements thereon for the years ended 31 December 2021 and 2020:

	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of FVTPL	Changes in fair value of FVOCI	Deductible tax losses	Accelerated depreciation of operating lease assets	Deferred income	Accrued staff costs	Others	Total
As at 1 January 2021	1,119,255	156,237	(5,846)	1,293	110,027	(591,885)	28,701	17,444	(262,148)	573,078
(Charge)/credit to profit or loss	280,314	(3,601)	15,133	–	2,440	(5,226)	(430)	(3,982)	(921,408)	(636,760)
Credit to other comprehensive income	–	(88,699)	–	4,998	–	–	–	–	–	(83,701)
As at 31 December 2021	1,399,569	63,937	9,287	6,291	112,467	(597,111)	28,271	13,462	(1,183,556)	(147,383)

	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of FVTPL	Changes in fair value of FVOCI	Deductible tax losses	Accelerated depreciation of operating lease assets	Deferred income	Accrued staff costs	Others	Total
As at 1 January 2020	1,257,439	85,355	(19,194)	–	–	(617,650)	29,438	17,726	(151,524)	601,590
(Charge)/credit to profit or loss	(138,184)	(858)	13,348	–	110,027	25,765	(737)	(282)	(110,624)	(101,545)
Credit to other comprehensive income	–	71,740	–	1,293	–	–	–	–	–	73,033
As at 31 December 2020	1,119,255	156,237	(5,846)	1,293	110,027	(591,885)	28,701	17,444	(262,148)	573,078

31 OTHER ASSETS

	31 December 2021	31 December 2020
Maintenance right assets	976,149	1,180,040
Deductible value-added tax	741,854	473,546
Prepaid expenses	491,160	464,429
Straightline lease asset (1)	702,895	179,314
Other receivables	441,318	258,268
Land use rights (2)	376,419	390,268
Repossessed assets	344,734	344,734
Lease premium assets	218,979	162,662
Other intangible assets	29,596	51,402
Interest receivable	16,368	22,336
Notes receivable	220,465	13,871
Prepaid income tax	9,597	13,664
Deposits for lease of business place	6,355	6,605
	4,575,889	3,561,139
Less: Allowance for impairment losses		
Repossessed assets	(145,872)	(117,299)
Straightline lease asset (1)	(266,877)	(61,057)
Other receivables	(18,847)	(18,062)
	(431,596)	(196,418)
	4,144,293	3,364,721

(Amounts in thousands of RMB, unless otherwise stated)

(1) Straightline lease asset appears the difference amount between operating lease income recognized on straight-line basis and the contractual receivables and the movement of the impairment of it is showing as follow:

	For the year ended 31 December	
	2021	2020
At the beginning of the year	61,057	–
Impairment losses during the year	209,776	64,672
Effect of foreign currency exchange differences	(3,956)	(3,615)
At the end of the year	266,877	61,057

(2) Land use rights of the Group represent the medium-term (50 years) leasehold land in the PRC.

32 BORROWINGS

	31 December 2021	31 December 2020
Secured bank borrowings [(1)]	29,274,916	19,087,160
Unsecured bank borrowings	206,812,757	191,294,857
	236,087,673	210,382,017

	31 December 2021	31 December 2020
Carrying amount repayable:		
Within one year	212,544,215	177,606,029
More than one year, but not exceeding two years	15,250,460	23,609,722
More than two years, but not exceeding five years	6,655,225	8,361,171
More than five years	1,637,773	805,095
	236,087,673	210,382,017

(1) Secured bank borrowings

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

	31 December 2021	31 December 2020
Equipment held for operating lease businesses	29,016,282	18,047,343
Finance lease receivables	7,236,082	15,953,646
Bank deposits	4,170,823	–
	40,423,187	34,000,989

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

	31 December 2021	31 December 2020
Fixed-rate borrowings:		
Within one year	173,337,893	152,189,299
More than one year, but not exceeding five years	494,282	1,885,882
More than five years	186,316	295,939
	174,018,491	154,371,120

In addition, the Group has floating-rate borrowings which carry interest based on LPR, or LIBOR.

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

	31 December 2021	31 December 2020
Effective interest rates:		
Fixed-rate borrowings	0.12% – 4.45%	0.83% – 4.60%
Floating-rate borrowings	LIBOR+0.30% to LIBOR+3.00%	LIBOR+0.65%to LIBOR+3.30%

33 ACCRUED STAFF COSTS

	31 December 2021	31 December 2020
Salaries, bonuses and allowances	141,991	104,162
Social welfare and others	61,966	51,532
	203,957	155,694

(Amounts in thousands of RMB, unless otherwise stated)

34 BONDS PAYABLE

	31 December 2021	31 December 2020
Guaranteed unsecured bonds [1]	40,630,522	41,708,209
Unguaranteed unsecured bonds	4,415,006	4,513,500
	45,045,528	46,221,709

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

				As at 31 December 2021		
Issuer [2]	Currency	Fix coupon rate	Maturity (Year)	Face value	Guaranteed unsecured bonds [1]	Unguaranteed unsecured bonds
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,462,990	–	4,462,990
CDBL Funding 2	RMB	3.60%	2022	270,000	270,000	–
	HKD	1.00% to 3.30%	2022 to 2024	1,929,536	1,929,536	–
	USD	0.80% to 3.75%	2022 to 2026	19,094,903	19,094,903	–
CDBL Funding 1	USD	1.05% to 4.25%	2022 to 2027	13,070,185	13,070,185	–
Amber Circle Funding Limited	USD	3.25%	2022	6,375,700	6,375,700	–
				45,203,314	40,740,324	4,462,990

				As at 31 December 2020		
Issuer [2]	Currency	Fix coupon rate	Maturity (Year)	Face value	Guaranteed unsecured bonds [1]	Unguaranteed unsecured bonds
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,567,430	–	4,567,430
CDBL Funding 2	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 3.75%	2021 to 2022	10,113,595	10,113,595	–
CDBL Funding 1	USD	1.50% to 4.25%	2021 to 2027	12,593,057	12,593,057	–
Amber Circle Funding Limited	USD	3.25%	2022	6,524,900	6,524,900	–
				40,522,450	35,955,020	4,567,430
Issuer [2]	Currency	Floating rate	Maturity (Year)			
CDBL Funding 2	USD	3mLIBOR+1.15%	2021	3,262,450	3,262,450	–
CDBL Funding 1	USD	3mLIBOR+1.25%	2021	2,609,960	2,609,960	–
				46,394,860	41,827,430	4,567,430

(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.

(2) Amber Circle Funding Limited, CDBL Funding 1 and CDBL Funding 2 are subsidiaries of the Group.

35 OTHER LIABILITIES

	31 December 2021	31 December 2020
Guaranteed deposits from lessees	7,221,242	7,590,913
Maintenance deposits from lessees	1,603,813	2,462,030
Accounts payable [1]	2,438,538	2,836,258
Interest payable	1,366,146	1,431,431
Notes payable [2]	2,583,590	585,757
Lease discount liabilities	405,661	449,754
Other payables	703,989	530,554
Deferred income	113,080	116,030
Project arrangement fee in advance	133,484	124,307
Dividends payable	144,915	83,206
Other taxes payable	43,318	70,888
Management consulting fees payable	35,147	51,575
Total	16,792,923	16,332,703

(1) An ageing analysis of the accounts payable as at the end of the reporting period, based on the payables due date, is as follows:

	31 December 2021	31 December 2020
On demand	964,029	1,887,118
Within one year	842,346	211,834
In the second year	126,651	126,216
In the third to fifth year, inclusive	393,870	394,985
Beyond five year	111,642	216,105
	2,438,538	2,836,258

(2) Notes payable is normally settled on one-year term.

(Amounts in thousands of RMB, unless otherwise stated)

36 SHARE CAPITAL

	31 December 2021	31 December 2020
Registered, issued and fully paid: par value RMB1.00 per share	12,642,380	12,642,380

37 CAPITAL RESERVE

	31 December 2021	31 December 2020
Capital reserve	2,418,689	2,418,689

The balance of capital reserve mainly represents share premium arising from the Company's initial public offering and other previous shares issuances in the current and prior years.

38 HEDGING AND FAIR VALUE RESERVE

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

	2021	2020
At the beginning of the year	(1,145,885)	(641,994)
Fair value changes on derivatives	786,391	(571,752)
Fair value changes on FVOCI	(16,714)	(5,172)
Income tax effects	(83,701)	73,033
At the end of the year	(459,909)	(1,145,885)

39 GENERAL RESERVE

The general reserves comprise statutory reserve and reserve for general risk. The movements of general reserve of the Group are set out below:

	Year ended 31 December 2021		
	Opening	Additions	Closing
Statutory reserve [(1)]	959,881	159,289	1,119,170
Reserve for general risk [(2)]	4,514,849	601,748	5,116,597
	5,474,730	761,037	6,235,767

	Year ended 31 December 2020		
	Opening	Additions	Closing
Statutory reserve [(1)]	633,486	326,395	959,881
Reserve for general risk [(2)]	3,910,946	603,903	4,514,849
	4,544,432	930,298	5,474,730

(1) Pursuant to the Company Law of the PRC and the articles of association of the Company and the subsidiaries in the PRC, 10% of the net profit of the Company and the subsidiaries in the PRC, as determined under the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the relevant entities. The reserve appropriated can be used for expansion of business and capitalization.

(2) Prior to 1 July 2012, pursuant to the Financial Rules for Financial Enterprises-Implementation Guide (Caijin [2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company and the subsidiaries in the PRC are required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from 1 July 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserve of Financial Enterprises (Caijin [2012] No. 20) issued by the MOF, the Company and the subsidiaries in the PRC are required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period.

40 RETAINED EARNINGS

The movements of retained earnings of the Group are set out below:

	2021	2020
At the beginning of the year	7,427,970	6,412,087
Profit for the year	3,922,212	3,268,321
Appropriation to general reserve	(761,037)	(930,298)
Dividends	(980,544)	(1,322,140)
At the end of the year	9,608,601	7,427,970

41 DIVIDENDS

The dividends declared in 2021 are RMB980,542,993, RMB0.7756 per 10 ordinary shares (2020: RMB1,322,140,100, RMB1.0458 per 10 ordinary shares). A dividend in respect of the year ended 31 December 2021 of RMB0.9307 per 10 ordinary shares, amounting to a total dividend of RMB1,176,626,307, is to be proposed at the annual general meeting. These financial statements do not reflect this dividend payable.

42 TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are derecognised in their entirety but where the Group has continuing involvement

In 2021, The Group sold a pool of finance lease receivables for RMB2,350,031 thousand to an unrelated third party in the bank debit asset market. The transaction resulted in full derecognition of the financial assets from the Group's statement of financial position and a gain of RMB31.26 million. Following this transfer, the Group's only continuing involvement in the transferred assets is to act as servicer of the transferred assets for a term of 5 years, with an annual servicing fee of 0.05% of serviced assets. The Group does not have an obligation to repurchase the transferred assets and no exposure to loss.

43 CASH AND CASH EQUIVALENTS

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

	31 December 2021	31 December 2020
Cash and bank balances	36,833,077	34,992,986
Less: Pledged and restricted bank deposits	6,228,946	408,260
Less: Mandatory reserve deposits with central bank	407,366	440,540
	30,196,765	34,144,186

(Amounts in thousands of RMB, unless otherwise stated)

44 CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, there were no significant legal proceedings outstanding against the Group. No provision has been made for pending assessments, lawsuits or possible violations of contracts as the outcome cannot be reasonably estimated or management believes that the probability of a loss is low or remote.

45 CAPITAL COMMITMENTS

Capital expenditures contracted by the Group as at 31 December 2021 and 2020 but are not yet to be recognised on the statements of financial position are as follows:

	31 December 2021	31 December 2020
Acquisition of equipment held for operating lease	37,278,748	52,333,102

46 FINANCE LEASE COMMITMENTS

	31 December 2021	31 December 2020
Finance lease commitments	30,184,081	28,473,868

Finance lease commitments are in relation to finance lease contracts signed by the Group as lessor which were not yet effective as at 31 December 2021 and 2020.

47 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

47.1 Parent Company

As at 31 December 2021, China Development Bank directly owned 64.4% of the share capital of the Company.

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled by the PRC government.

The Group had the following balances and entered into the following transactions with China Development Bank in its ordinary course of business:

The Group had the following balances with China Development Bank:

	As at 31 December	
	2021	2020
Bank balances	87,330	1,745,412
FVOCI	–	197,252
Operating leases receivable	5,199	7,042
Right-of-use assets	892	881
Other receivables	5,608	5,740
Interest receivable	–	2,006
Bank borrowings	4,551,931	8,214,294
Derivative financial liabilities	18,531	46,166
Lease liabilities	764	600
Interest payable	4,689	14,606

The Group entered into the following transactions with China Development Bank:

	For the year ended 31 December	
	2021	2020
Interest income	10,076	2,610
Interest expenses	93,550	152,437
Operating lease income	93,986	99,291
Net investment gains	31,131	13,880
Fee and commission expenses	69,367	65,435
Other operating expense	917	1,602

The Hong Kong branch of the China Development Bank provided a guarantee to the Group for bonds described in Note 34(1), amounting to RMB6,376 million as at 31 December 2021 (31 December 2020: RMB6,525 million).

(Amounts in thousands of RMB, unless otherwise stated)

47.2 Other related parties

47.2.1 China Development Bank Securities Co., Limited

The Group and China Development Bank Securities Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Securities Co., Limited:

	As at 31 December	
	2021	2020
Other liabilities	–	207

The Group entered into the following transactions with China Development Bank Securities Co., Limited:

	For the year ended 31 December	
	2021	2020
Operating lease income	1,915	2,568
Interest expenses	–	1,434

47.2.2 China Development Bank Capital Co., Limited and its subsidiaries

The Group and China Development Bank Capital Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Capital Co., Limited and its subsidiaries:

	As at 31 December	
	2021	2020
Finance lease receivables	–	1,347,255
Accounts receivable	3,649	3,649
Other receivables	7,552	13,691
Bonds payable	195,668	204,169
Other liabilities	–	46,500

The Group entered into the following transactions with China Development Bank Capital Co., Limited and its subsidiaries:

	For the year ended 31 December	
	2021	2020
Finance lease income	–	60,519
Fee and commission expenses	–	367
Interest expenses	5,851	5,914

47.2.3 China Development Bank Fund Co., Limited and its subsidiaries

The Group and China Development Bank Fund Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Fund Co., Limited and its subsidiaries:

	As at 31 December	
	2021	2020
Finance lease receivables	1,502,036	1,468,288
Other liabilities	10,000	23,100

The Group entered into the following transactions with China Development Bank Fund Co., Limited and its subsidiaries:

	For the year ended 31 December	
	2021	2020
Finance lease income	84,379	75,062
Fee and commission expenses	–	367

47.3 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The following table shows the key management personnel compensation payable by the Group in the years of 2021 and 2020.

	For the year ended 31 December	
	2021	2020
Basic salaries and allowances	11,113	11,572
Bonuses	9,999	5,554
Employer's contribution to pension schemes	1,182	1,038
	22,294	18,164

47.4 Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: purchase, sale and leases of property and other assets; bank deposits and borrowings; purchase of bonds issued by other state-owned entities; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(Amounts in thousands of RMB, unless otherwise stated)

48 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 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 manufacturing equipment supported by national policies and commercial property.

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 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). Assets and liabilities of the headquarters are allocated according to the proportion of each segment's assets related to leasing business.

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 2021 and 2020.

The operating and reportable segment information provided to the CODM during the years ended 31 December 2021 and 2020 is as follows:

	Aircraft easing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Total
For the year ended 31 December 2021						
Segment revenue and results						
Finance lease income	985	7,282,531	625,338	1,442,746	461,886	9,813,486
Operating lease income	6,895,939	31,472	4,497,555	–	125,343	11,550,309
Segment revenue	6,896,924	7,314,003	5,122,893	1,442,746	587,229	21,363,795
Segment other income, gains and losses	779,108	342,982	745,441	50,791	33,689	1,952,011
Segment revenue and other income	7,676,032	7,656,985	5,868,334	1,493,537	620,918	23,315,806
Segment expenses	(7,363,085)	(5,480,532)	(2,972,918)	(1,843,420)	(120,285)	(17,780,240)
Profit before impairment losses and income tax	1,764,473	3,092,577	3,266,154	670,836	251,815	9,045,855
Profit before income tax	312,947	2,176,453	2,895,416	(349,883)	500,633	5,535,566
As at 31 December 2021						
Segment assets and liabilities						
Segment assets	84,344,439	162,928,034	47,592,357	34,103,137	11,194,828	340,162,795
Deferred tax assets						1,674,834
Group's total assets						341,837,629
Segment liabilities	78,580,151	147,494,800	42,563,018	31,152,687	10,118,002	309,908,658
Deferred tax liabilities						1,822,217
Group's total liabilities						311,730,875
For the year ended 31 December 2021						
Other segment information						
Depreciation of investment properties	–	–	–	–	(31,612)	(31,612)
Depreciation of property and equipment	(3,261,776)	(39,012)	(902,184)	(3,024)	(6,961)	(4,212,957)
Depreciation of right-of-use assets	(16,144)	(5,881)	(3,340)	(1,110)	(449)	(26,924)
Amortisation	(45,009)	(9,701)	(5,510)	(1,832)	(15,277)	(77,329)
Capital expenditure	14,359,947	9,871	14,007,081	1,864	753	28,379,516
Impairment losses	(1,451,526)	(916,124)	(370,738)	(1,020,719)	248,818	(3,510,289)

(Amounts in thousands of RMB, unless otherwise stated)

The operating and reportable segment information provided to the CODM during the years ended 31 December 2021 and 2020 is as follows (continued):

	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	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
For the year ended 31 December 2020						
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)

The largest customer of the Group contributed 4.97% of the Group's revenue for the years ended 31 December 2021 (2020: 5.21%).

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.

49 FINANCIAL INSTRUMENTS

Categories of financial instruments

	31 December 2021	31 December 2020
Financial assets		
Cash and bank balances	36,833,077	34,992,986
Financial assets at fair value through profit and loss	156,330	216,862
Derivative financial assets	94,627	328,291
Financial assets at fair value through other comprehensive income	970,740	955,060
Accounts receivable	1,245,057	1,960,650
Finance lease receivables	190,871,553	166,040,552
Other financial assets	1,101,677	401,275
	231,273,061	204,895,676

	31 December 2021	31 December 2020
Financial liabilities		
Borrowings	236,087,673	210,382,017
Due to banks and other financial institutions	10,657,467	895,747
Derivative financial liabilities	576,497	1,416,207
Bonds payable	45,045,528	46,221,709
Lease liabilities	172,141	196,490
Other financial liabilities	14,348,652	13,026,488
	306,887,958	272,138,658

50 FINANCIAL RISK MANAGEMENT

50.1 Overview of financial risk management

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and monitors the risks continuously. The major financial risks of the Group are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk. The Group's objective is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The major derivative financial instruments adopted by the Group are interest rate swaps, cross currency swaps and currency forwards. The objective for interest rate swap is to hedge against the cash flow volatility risk caused by interest rate fluctuations of borrowings and bonds payable; the objective for cross currency swap is to hedge against the cash flow volatility risk caused by interest rate and foreign exchange fluctuations of bonds payable; the objective for currency forwards contract is to hedge against the foreign exchange rate volatility risk caused by foreign currency risk exposure.

The board of directors of the Company established the Group's risk management strategy. The senior management established related risk management policies and procedures, for credit risk, currency risk, interest rate risk, liquidity risk, and the use of derivative and non-derivative financial instruments, according to the risk management strategy approved by the board.

50.2 Credit risk

Credit risk for the Group represents the risk that the counterparty fails to meet its contractual obligations at the due date. Credit risk is considered as one of the most significant risks to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from leasing business and other financial assets, which include cash and bank balances, placement to banks and other financial institutions, derivative financial instruments, accounts receivable, FVOCI and other financial assets.

The Group establishes industry risk management framework and measurements where the Group will perform research by industry, implement credit evaluation, estimate the value of lease assets, monitor lessees' business status and evaluate the impact of change in technology on lease assets, to strengthen the credit risk control and management.

50.2.1 Credit risk management

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with which the Group has credit transactions. In addition, the Group monitors the leases receivable regularly to mitigate the risk of significant exposures from non-performing assets.

The Group employs a range of policies and practices to mitigate credit risk of leasing business. The most typical one is the taking of collateral, margin deposits and guarantees by third parties. The Group provides guidelines on acceptable types of collateral, which mainly includes:

- Civil aircraft and engines
- Ships
- Machinery and equipment
- Highway toll rights
- Properties

In 2020 and 2021, COVID-19 caused an unprecedented impact on the global economy and society, and affected the Group in a certain extent. In the face of the impact of COVID-19, the Group manages and responds actively, provides relief plans for stock customers which were impacted by the COVID-19, issues related policies to support inclusive financing business, and provides financial policy to support the medium, small and micro customers to overcome the COVID-19; formulates related support plans for infrastructure businesses to relieve the impact of the COVID-19; formulate a work plan for the aviation business to respond to COVID-19 through deferral of rent payment and lease reorganization. Facing the complicated and changeable external environment, the Group actively carries out risk investigation, conducts risk analysis and screening, comprehensively investigates the potential risks, formulates annual quality evaluation plan and takes forward-looking risk control measures to effectively buffer the influence of COVID-19.

The Group regularly evaluate the credit risk, improves the credit risk monitoring and early warning management system, and provides rescue programs to their lessees affected by the COVID-19. The Group have provided rent concessions to lessees as a result of the COVID-19 pandemic. Rent concessions mainly include deferral of payments or restructuring of rent contracts with airline lessees.

The credit risk on bank balances and placements to banks and other financial institutions are limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

50.2.2 Expected credit loss

The Group formulates the credit losses of cash and bank balances, placement to banks and other financial institutions, accounts receivable, finance lease receivables and FVOCI.

For financial assets whose impairment losses are measured using ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition and applies a three-stage impairment model (refer to Note 2.21.4) to calculate their impairment allowance and recognise their ECL.

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of EAD, PD and LGD.

The Group measures the loss allowance based on 12-month expected credit losses or lifetime expected credit losses, depending on whether the credit risk has increased significantly. The parameters and assumptions involved in ECL model are described below.

(i) Exposure at Default (EAD): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

(ii) Probabilities of Default (PD): The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

(iii) Loss given Default (LGD): LGD represents the Group's expectation of the extent of loss in a defaulted exposure. LGD is expressed as a percentage loss per unit EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the financial assets.

The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

Deterioration in credit quality of financial assets as a result of the COVID-19 pandemic may have a significant impact on Group ECL measurement. The Group consider the forward-looking information in updating ECL calculations due to the COVID-19 pandemic and strengthen the evaluation of ECL. The Group take management overlay consideration for industry level risks which includes the impact of COVID-19.

Judgement of significant increase in credit risk ("SICR")

Under IFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group considers various reasonable and supportable information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial assets. Major factors being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group sets quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly include the PD changes of the lessees, changes of credit risk categories and other indicators of SICR. In the judgement of whether the credit risk has SICR after initial recognition, the Group has not rebutted the 30 days past due as presumption of SICR.

(Amounts in thousands of RMB, unless otherwise stated)

The definition of credit-impaired assets

Under IFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets while considering quantitative and qualitative indicators. When the Group assesses whether the lessee has credit impairment, the following factors are mainly considered:

- Whether internal credit rating of the lessee is default grade;
- Whether the lessee has overdue more than 60 days after the lease contract payment date;
- Whether the lessee has significant financial difficulties;
- Whether the lessee is likely to go bankrupt or other financial restructuring; and
- Whether the lessor gives the lessee concessions for economic or contractual reasons due to the lessee's financial difficulties, where such concessions are normally reluctant to be made by the lessor.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by any separately identifiable event.

Forward-looking information

The determination of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macroeconomic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macroeconomic forward-looking adjustment ECL models by establishing a basket of factors, preparing data, filtering model factors and adjusting forward-looking elements. The basket of macroeconomic factors include Gross Domestic Product (GDP), Completed Investment in Fixed Assets, Newbuilding Price Index (NPI), and Global Revenue Passenger Kilometres (RPK):

- GDP: an average of forecast growth rate is approximately 5.40% in the base scenario for 2022
- Completed Investment in Fixed Assets: an average of forecast growth rate is approximately 9.27% in the base scenario for 2022
- NPI: an average of forecast value is approximately 146.97 in the base scenario for 2022
- RPK: an average of forecast growth rate is approximately 68.61% in the base scenario for 2022

For all the above macroeconomic factors, would be predicted to increase by 10% in the upside scenario compare to base scenario, and predicted to decrease by 10% in the downside scenario compare to base scenario.

In 2021 and 2020, the Group used statistical analysis to determine the weights of three different scenarios, including base, upside and downside scenarios, considered the range of possible outcomes represented by each scenario, and determined the final macroeconomic assumptions and weights to measure the relevant expected credit losses.

Sensitivity analysis

Expected credit impairment allowance is sensitive to the parameters used in the model, the macroeconomic variables of the forward-looking forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Change in these input parameters, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

Assuming the weight for upside scenario increases by 10% and the weight for basic scenario falls by 10%, the expected credit impairment allowance will decrease by RMB27 million (2020: RMB13 million). If the weight for downside scenario increases by 10% and the weight for basic scenario decreases by 10%, then the expected credit impairment allowance will increase by RMB8 million (2020: RMB14 million).

Credit risk exposure of financial assets

Without considering the impact of collateral and other credit enhancements, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements.

An analysis of concentration risk of credit exposure for finance lease receivables by segment is set out below:

	31 December 2021		31 December 2020	
	Amount	100%	Amount	100%
Aircraft leasing	314,608	0%	41,155	0%
Infrastructure leasing	146,083,046	74%	126,307,996	74%
Ship leasing	12,349,336	6%	12,760,533	7%
Inclusive finance	30,870,644	16%	22,971,260	13%
Other leasing business	8,844,209	4%	9,780,548	6%
	198,461,843	100%	171,861,492	100%

The following table presents the credit risk exposure of the financial assets under the scope of expected credit loss. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the gross carrying amount of the financial assets:

	31 December 2021				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	36,833,057	–	–	–	36,833,057
FVOCI	970,740	–	–	–	970,740
Accounts receivable	–	–	–	2,352,280	2,352,280
Finance lease receivables	178,257,871	19,144,924	1,059,048	–	198,461,843
Other financial assets	–	–	–	1,387,401	1,387,401

	31 December 2020				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	34,992,957	–	–	–	34,992,957
FVOCI	955,060	–	–	–	955,060
Accounts receivable	–	–	–	2,732,849	2,732,849
Finance lease receivables	149,536,247	21,240,845	1,084,400	–	171,861,492
Other financial assets	–	–	–	480,394	480,394

(Amounts in thousands of RMB, unless otherwise stated)

Finance lease receivables:

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified into 4 different levels as "low risk", "medium risk", "high risk" and "default" according to the internal rating scale. "Low risk" level means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. "Medium risk" level means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. "High risk" level means that there are factors revealing significant adverse impact on the asset quality, but there is no event indicating incurred default. The criteria of "default" level are consistent with those of "credit-impaired".

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Credit rating:				
Low risk	149,947,312	10,048,498	–	159,995,810
Medium risk	28,310,559	9,096,185	–	37,406,744
High risk	–	241	358,989	359,230
Default	–	–	700,059	700,059
Net amount	178,257,871	19,144,924	1,059,048	198,461,843
Less: allowance for impairment losses	(3,085,915)	(3,504,853)	(999,522)	(7,590,290)
Net carrying amount	175,171,956	15,640,071	59,526	190,871,553

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Credit rating:				
Low risk	127,149,687	9,058,130	–	136,207,817
Medium risk	22,386,560	12,180,462	–	34,567,022
High risk	–	2,253	–	2,253
Default	–	–	1,084,400	1,084,400
Net amount	149,536,247	21,240,845	1,084,400	171,861,492
Less: allowance for impairment losses	(1,789,997)	(3,074,860)	(956,083)	(5,820,940)
Net carrying amount	147,746,250	18,165,985	128,317	166,040,552

50.3 Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse movements in market prices (including interest rates and exchange rates).

50.3.1 Market risks measurement techniques

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would mature in a certain period or need to be repriced, and then uses the exposure information to perform sensitivity analysis under changing market interest rate and exchange rate.

50.3.2 Currency risk

The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. Most aircraft and ships held under finance and operating leases that the Group has purchased are denominated in US dollars; and the corresponding finance lease receivables and operating lease receivables are denominated in US dollars; and the main sources of fund are from bank borrowings and bond issuance denominated in US dollars. Other than aircraft and ship leasing, the Group's remaining leasing businesses are mostly denominated in RMB, which does not expose the Group to significant currency risk. The exchange rate risk exposure primarily arises from the profits of some of the Group's overseas SPVs, which are denominated in foreign currencies.

The Group's policy has been reviewed and, due to the increased volatility in USD, it was decided to hedge up to currency risk exposure that affects profit and loss. The Group utilises a rollover hedging strategy, such as currency forward and cross currency swaps (CCS), to offset or limit the exposure currency risk. For the years ended 31 December 2021 and 2020, the Group's hedge relationships between the hedging instruments, such as CCS, and the designated hedged items were highly effective. The hedge ratios for the Group's hedge relationships are 1:1. The maturity dates of the Group's currency forward range from 5 January 2022 to 29 July 2022 (31 December 2020: 5 January 2021 to 20 May 2021).

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is RMB:

	USD	HKD	Others	Total
31 December 2021				
Cash and bank balances	14,441,706	20,055	518	14,462,279
Finance lease receivables	469,972	–	–	469,972
Derivative financial assets	56,608	–	–	56,608
Other financial assets	45,436,729	1,480	–	45,438,209
Total financial assets	60,405,015	21,535	518	60,427,068
Borrowings	29,630,854	–	–	29,630,854
Due to banks and other financial institutions	5,387,466	–	–	5,387,466
Derivative financial liabilities	40,249	–	–	40,249
Bonds payable	4,415,007	–	–	4,415,007
Other financial liabilities	19,200,455	1,581,085	242	20,781,782
Total financial liabilities	58,674,031	1,581,085	242	60,255,358
Net exposure	1,730,984	(1,559,550)	276	171,710
Net off-balance sheet position	(3,657,195)	617,578	–	(3,039,617)

(Amounts in thousands of RMB, unless otherwise stated)

	USD	HKD	Others	Total
31 December 2020				
Cash and bank balances	18,819,911	20,640	576	18,841,127
Finance lease receivables	531,217	–	–	531,217
Derivative financial assets	328,291	–	–	328,291
Other financial assets	42,522,049	1,010	–	42,523,059
Total financial assets	62,201,468	21,650	576	62,223,694
Borrowings	35,548,663	–	–	35,548,663
Due to banks and other financial institutions	195,747	–	–	195,747
Derivative financial liabilities	216,759	–	–	216,759
Bonds payable	4,513,500	–	–	4,513,500
Other financial liabilities	14,350,650	5,767,987	269	20,118,906
Total financial liabilities	54,825,319	5,767,987	269	60,593,575
Net exposure	7,376,149	(5,746,337)	307	1,630,119
Net off-balance sheet position	(10,874,854)	5,971,442	–	(4,903,412)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is US dollar:

	RMB	HKD	Others	Total
31 December 2021				
Cash and bank balances	216,834	197	4,649	221,680
Accounts receivable	20,067	–	–	20,067
Other financial assets	211,390	1,580,553	242	1,792,185
Total financial assets	448,291	1,580,750	4,891	2,033,932
Borrowings	3,316,249	–	–	3,316,249
Bonds payable	269,482	1,927,245	–	2,196,727
Lease liabilities	-	21,057	123,161	144,218
Other financial liabilities	508,583	6,192	–	514,775
Total financial liabilities	4,094,314	1,954,494	123,161	6,171,969
Net exposure	(3,646,023)	(373,744)	(118,270)	(4,138,037)

	RMB	HKD	Others	Total
31 December 2020				
Cash and bank balances	515,695	3,555	2,221	521,471
Accounts receivable	17,095	–	–	17,095
Other financial assets	683,024	5,767,103	269	6,450,396
Total financial assets	1,215,814	5,770,658	2,490	6,988,962
Borrowings	3,283,779	–	–	3,283,779
Bonds payable	712,855	6,002,038	–	6,714,893
Lease liabilities	–	28,871	132,074	160,945
Other financial liabilities	1,194,332	31,844	–	1,226,176
Total financial liabilities	5,190,966	6,062,753	132,074	11,385,793
Net exposure	(3,975,152)	(292,095)	(129,584)	(4,396,831)

The following table indicates the potential effect on profit before tax and equity of a 5% appreciation or depreciation of USD's spot and forward exchange rates against RMB, respectively.

	31 December 2021	31 December 2020
Profit before tax:		
5% appreciation	119,499	161,598
5% depreciation	(119,499)	(161,598)
Equity:		
5% appreciation	544,568	422,868
5% depreciation	(544,568)	(422,868)

(Amounts in thousands of RMB, unless otherwise stated)

50.3.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing of market interest rates on its cash flow risks.

Interest margins may increase as a result of fluctuation in market interest rates, but may reduce or create losses in the event that unexpected movements arise. Therefore, the Group primarily manages the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities.

Most of the Group's operating lease businesses receive fixed rate rents, while certain bonds and bank borrowings carry interest at floating rates. The Group hedges the cash flow volatility risk as the result of the interest rate fluctuation through the interest rate swap contracts and cross currency swaps (CCS), as its cash flow hedges strategy. The Group switches the floating rates into fixed rate through interest rate swap contract to effectively match the future fixed rental income, and fix the interest spread.

The interest rate swaps are settled at maturity. The floating rate on the interest rate swaps is London Inter Bank Offered Rate. The Group will settle the difference between the fixed and floating interest rate on a net basis. For the years ended 31 December 2021 and 2020, the Group's hedge relationships between interest rate swaps and CCS, and the designated hedged items were highly effective. The hedge ratios for the Group's hedge relationships are 1:1. The maturity dates of the Group's CCS and interest rate swaps range from 24 January 2022 to 27 December 2028 (31 December 2020: 19 January 2021 to 27 December 2028).

As at 31 December 2021 and 2020, the Group's assets and liabilities at carrying amounts, categorised by remaining maturity based on the earlier of contractual repricing and remaining maturity dates are as follows:

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2021						
Cash and bank balances	32,435,233	4,397,823	–	–	21	36,833,077
FVTPL	–	–	–	–	156,330	156,330
Derivative financial assets	–	–	–	–	94,627	94,627
FVOCI	970,740	–	–	–	–	970,740
Accounts receivable	–	–	–	–	1,245,057	1,245,057
Finance lease receivables	147,692,627	30,503,102	8,733,748	3,942,076	–	190,871,553
Other financial assets	–	–	–	–	1,101,677	1,101,677
Total financial assets	181,098,600	34,900,925	8,733,748	3,942,076	2,597,712	231,273,061
Borrowings	114,877,054	120,531,350	493,317	185,952	–	236,087,673
Due to banks and other financial institutions	10,657,467	–	–	–	–	10,657,467
Derivative financial liabilities	–	–	–	–	576,497	576,497
Bonds payable	6,915,798	13,376,372	22,223,223	2,530,135	–	45,045,528
Lease liabilities	89	406	40,838	130,808	–	172,141
Other financial liabilities	–	–	70,887	577,439	13,700,326	14,348,652
Total financial liabilities	132,450,408	133,908,128	22,828,265	3,424,334	14,276,823	306,887,958
Interest rate gap	48,648,192	(99,007,203)	(14,094,517)	517,742	(11,679,111)	(75,614,897)

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2020						
Cash and bank balances	34,753,805	134,151	105,000	–	30	34,992,986
FVTPL	–	–	–	–	216,862	216,862
Derivative financial assets	–	–	–	–	328,291	328,291
FVOCI	–	–	–	955,060	–	955,060
Accounts receivable	–	–	–	–	1,960,650	1,960,650
Finance lease receivables	114,992,654	44,688,567	–	6,359,331	–	166,040,552
Other financial assets	–	–	–	–	401,275	401,275
Total financial assets	149,746,459	44,822,718	105,000	7,314,391	2,907,108	204,895,676
Borrowings	87,223,870	120,982,516	1,880,375	295,256	–	210,382,017
Due to banks and other financial institutions	895,747	–	–	–	–	895,747
Derivative financial liabilities	–	–	–	–	1,416,207	1,416,207
Bonds payable	2,535,675	10,786,417	30,313,578	2,586,039	–	46,221,709
Lease liabilities	–	489	55,226	140,775	–	196,490
Other financial liabilities	–	–	76,330	678,531	12,271,627	13,026,488
Total financial liabilities	90,655,292	131,769,422	32,325,509	3,700,601	13,687,834	272,138,658
Interest rate gap	59,091,167	(86,946,704)	(32,220,509)	3,613,790	(10,780,726)	(67,242,982)

(Amounts in thousands of RMB, unless otherwise stated)

The following table illustrates the potential impact of a parallel upward or downward shift of 10 basis points in all financial instruments' yield rate on the Group's profit before tax and equity, based on the Group's positions of interest-generating assets, interest-bearing liabilities and interest rate swap contracts at the end of 31 December 2021 and 2020.

	31 December 2021	31 December 2020
Profit before tax:		
+ 10 basis points	4,585	19,075
– 10 basis points	(4,585)	(19,075)
Equity:		
+ 10 basis points	47,334	57,318
– 10 basis points	(47,334)	(57,266)

50.4 Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management target is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the financial demand of leasing business investment.

The major payment demand of the Group is the repayments of matured bank borrowings and withdraw request from lessees under finance leases.

50.4.1 Liquidity risk management policy

The Group implements the following procedures to manage the liquidity:

(a) proactive management of the maturity profile of the Group's assets and liabilities and maintaining appropriate liquidity provision for mitigating the liquidity risk; and

(b) obtaining diversified funding via multiple channels, thereby preserving sufficient funds to purchase assets and repay debt.

50.4.2 Cash flows for non-derivative financial assets and liabilities

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities by remaining contractual maturities as at 31 December 2021 and 2020. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

	31 December 2021						
	Indefinite/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Cash and bank balances	23,283,116	9,051,392	104,224	4,408,734	–	–	36,847,466
FVOCI	–	–	1,001,790	–	–	–	1,001,790
Accounts receivable	902,840	342,416	77,712	414,913	450,070	164,329	2,352,280
Finance lease receivables	9,417,132	4,222,805	17,424,525	36,923,969	121,976,649	43,695,208	233,660,288
Other financial assets	219,625	218,527	5,571	230,554	15,362	697,762	1,387,401
Total non-derivative financial assets	33,822,713	13,835,140	18,613,822	41,978,170	122,442,081	44,557,299	275,249,225
Borrowings	–	30,777,789	58,703,866	125,643,051	22,848,807	1,774,155	239,747,668
Due to banks and other financial institutions	–	3,849,033	6,833,152	–	–	–	10,682,185
Bonds payable	–	2,073,308	4,944,835	14,220,022	23,762,599	2,639,540	47,640,304
Lease liabilities	214	3,554	5,039	24,873	73,941	123,533	231,154
Other financial liabilities	2,712,478	1,500,380	1,574,979	2,773,709	4,187,530	1,599,576	14,348,652
Total non-derivative financial liabilities	2,712,692	38,204,064	72,061,871	142,661,655	50,872,877	6,136,804	312,649,963
Net position	31,110,021	(24,368,924)	(53,448,049)	(100,683,485)	71,569,204	38,420,495	(37,400,738)

	31 December 2020						
	Indefinite/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Cash and bank balances	29,654,450	4,773,785	326,390	135,638	107,138	–	34,997,401
FVOCI	–	–	–	30,580	122,320	1,107,960	1,260,860
Accounts receivable	2,732,849	–	–	–	–	–	2,732,849
Finance lease receivables	2,052,318	2,451,348	15,717,615	33,183,667	107,822,133	44,551,446	205,778,527
Other financial assets	25,337	12,587	29,420	20,051	242,246	150,753	480,394
Total non-derivative financial assets	34,464,954	7,237,720	16,073,425	33,369,936	108,293,837	45,810,159	245,250,031
Borrowings	–	28,281,771	45,705,620	106,517,205	33,225,266	912,161	214,642,023
Due to banks and other financial institutions	–	300,493	597,734	–	–	–	898,227
Bonds payable	–	1,625,314	2,513,895	10,271,686	32,492,293	2,792,657	49,695,845
Lease liabilities	94	2,682	3,988	24,360	93,252	138,793	263,169
Other financial liabilities	4,544,873	383,447	691,659	973,867	4,154,923	2,292,975	13,041,744
Total non-derivative financial liabilities	4,544,967	30,593,707	49,512,896	117,787,118	69,965,734	6,136,586	278,541,008
Net position	29,919,987	(23,355,987)	(33,439,471)	(84,417,182)	38,328,103	39,673,573	(33,290,977)

(Amounts in thousands of RMB, unless otherwise stated)

50.4.3 Cash flows analysis for derivative financial instruments

The following table illustrates the details of the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that are settled on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves as at 31 December 2021 and 2020 for exchange rate as well.

50.4.3.1 Derivatives settled on a gross basis

	Within 1 months	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2021						
Cross currency swaps						
Total inflows	351,111	240,821	266,258	1,011,227	–	1,869,417
Total outflows	(349,380)	(239,552)	(253,765)	(1,016,226)	–	(1,858,923)
Total	1,731	1,269	12,493	(4,999)	–	10,494
Foreign exchange swaps						
Total inflows	245,280	–	–	–	–	245,280
Total outflows	(246,747)	–	–	–	–	(246,747)
Total	(1,467)	–	–	–	–	(1,467)

	Within 1 months	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2020						
Cross currency swaps						
Total inflows	1,683,680	949,519	3,414,317	933,498	–	6,981,014
Total outflows	(1,673,298)	(937,565)	(3,399,868)	(925,674)	–	(6,936,405)
Total	10,382	11,954	14,449	7,824	–	44,609

50.4.3.2 Derivatives settled on a net basis

	Within 1 months	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2021						
Currency forwards						
Total inflows	82,655	–	47,974	–	–	130,629
Interest rate swaps						
Total outflows	(21,442)	(91,707)	(221,891)	(211,603)	(3,562)	(550,205)

	Within 1 months	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2020						
Currency forwards						
Total outflows	219,358	96,903	6,413	–	–	322,674
Interest rate swaps						
Total outflows	(21,038)	(119,210)	(421,425)	(818,372)	(15,179)	(1,395,224)

50.5 Interest rate benchmark reform

As at 31 December 2021, the Group had certain finance lease receivables, interest-bearing bank borrowings and interest rate swaps denominated in United States dollars. The interest rates of these instruments are based on the LIBOR with a tenor of one month, three months, six months or one year, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract;
- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group); and
- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR.

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

As at 31 December 2021

	Non-derivative financial assets carrying value US$'000	Non-derivative financial liabilities carrying value US$'000	Derivatives – nominal amount US$'000
USD LIBOR (1 month)	280,097	794,000	10,000
USD LIBOR (3 months)	630,905	7,450,262	4,154,964
USD LIBOR (6 months)	–	486,500	36,500
USD LIBOR (1 year)	1,256	50,000	–
	912,258	8,780,762	4,201,464

(Amounts in thousands of RMB, unless otherwise stated)

As at 31 December 2020

	Non-derivative financial assets carrying value US$'000	Non-derivative financial liabilities carrying value US$'000	Derivatives – nominal amount US$'000
USD LIBOR (1 week)	–	70,000	–
USD LIBOR (1 month)	300,222	394,890	28,100
USD LIBOR (3 months)	524,937	7,054,468	4,450,262
USD LIBOR (6 months)	–	220,790	43,700
USD LIBOR (1 year)	6,307	–	–
	831,466	7,740,148	4,522,062

51 CAPITAL MANAGEMENT

The Group's objectives of managing its capital, which adopts a broader concept than the equity as presented on the consolidated statements of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operates;
- 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.

Capital adequacy and the utilisation of regulatory capital are closely monitored by the management in accordance with the guidelines developed by the Basel Commission and relevant regulations promulgated by the CBIRC. The Group files the required information to CBIRC quarterly. As at 31 December 2021, the capital adequacy ratio was 11.93% (31 December 2020: 12.60%).

52 FAIR VALUES OF THE FINANCIAL INSTRUMENTS

52.1 Determination of fair value and valuation techniques

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 values of financial instruments with quoted prices for identical instruments are determined by the open market quotations. And those instruments are classified as level 1. For 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 values of financial instruments when it is unable to obtain the open market quotation in active markets, including:

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

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

If those parameters used in valuation techniques for financial instruments held by the Group are substantially observable and obtainable from an 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 indexes and then adjusted for non-liquidity.

52.2 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			
	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds payable	45,045,528	45,729,239	46,221,709	47,649,865

Fair value hierarchy of bonds payable is level 2 and their fair values are 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.

(Amounts in thousands of RMB, unless otherwise stated)

52.3 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 2021 and 2020. 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 2021	Fair value as at 31 December 2020	Fair value hierarchy	Valuation technique(s) and key Input(s)
Currency forwards (Note 21)	Assets Liabilities	41,000 –	283,719 35,904	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 21)	Assets Liabilities	38,018 569,877	– 1,380,301	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 20)	Assets	12,585	9,214	Level 1	Open market quotations
Unlisted equity investments (Note 20)	Assets	143,745	207,648	Level 3	Market comparison approach. The valuation of the equity investment is based on comparing comparable listed companies in operating and financial indexes and then adjusted for non-liquidity.
Cross currency swaps (Note 21)	Assets Liabilities	15,609 5,068	44,572 2	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 22)	Assets	–	955,060	Level 2	Quoted market prices from dealers or independent pricing service vendors.
FVOCI – certificates of deposit (Note 22)	Assets	970,740	–	Level 2	Quoted market prices from dealers or independent pricing service vendors.
Foreign exchange swap (Note 21)	Liabilities	1,552	–	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.

53 EVENTS AFTER THE REPORTING PERIOD

On 2 March 2022, CDBL Funding 2, a subsidiary of the Company, issued USD700,000,000 2.75 per cent. bonds due 2025 and USD250,000,000 3.125 per cent. bonds due 2027 under the USD10,000,000,000 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.

As of this reporting date regarding to the aircraft assets leased to Russian airlines, the Group is currently following up on the possible impact of the conflict between Russia and Ukraine.

54 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

	As at 31 December 2021	As at 31 December 2020
Assets		
Cash and bank balances	24,755,525	15,742,146
Financial assets at fair value through profit or loss	156,330	216,862
Financial assets at fair value through other comprehensive income	970,740	955,060
Accounts receivable	31,446	39,077
Finance lease receivables	180,006,031	154,978,181
Amounts due from subsidiaries	7,754,901	7,876,043
Prepayments	8,047,235	10,091,157
Investments in subsidiaries	383,755	382,155
Investment properties	904,310	1,040,023
Property and equipment	793,492	889,183
Right-of-use assets	22,385	29,627
Deferred tax assets	1,426,529	1,156,635
Other assets	1,976,835	1,990,414
Total assets	227,229,514	195,386,563
Liabilities		
Borrowings	177,926,260	157,565,682
Due to banks and other financial institutions	10,657,467	895,747
Derivative financial liabilities	15,214	78,250
Accrued staff costs	106,493	88,456
Bonds payable	4,415,007	4,513,500
Tax payable	349,034	252,883
Lease liabilities	20,144	26,844
Other liabilities	11,803,825	10,679,201
Total liabilities	205,293,444	174,100,563

(Amounts in thousands of RMB, unless otherwise stated)

	As at 31 December 2021	2020
Equity		
Share capital	12,642,380	12,642,380
Capital reserve	2,418,689	2,418,689
Hedging and fair value reserve	(27,006)	(62,567)
General reserve	4,132,005	3,527,564
Retained earnings	2,770,002	2,759,934
Total equity	21,936,070	21,286,000
Total liabilities and equity	227,229,514	195,386,563

The balance sheet of the Company was approved by the board of directors on 29 March 2022 and was signed on its behalf.

MA HONG **PENG Zhong**

	Capital reserve	Hedging and fair value reserve	General reserve	Retained earnings	Total reserve
At 1 January 2021	2,418,689	(62,567)	3,527,564	2,759,934	8,643,620
Profit for the year	–	–	–	1,595,053	1,595,053
Other comprehensive income for the year	–	35,561	–	–	35,561
Dividends	–	–	–	(980,544)	(980,544)
Appropriation to general reserve	–	–	604,441	(604,441)	–
At 31 December 2021	2,418,689	(27,006)	4,132,005	2,770,002	9,293,690
At 1 January 2020	2,418,689	9,315	2,958,826	1,393,215	6,780,045
Profit for the year	–	–	–	3,257,597	3,257,597
Other comprehensive income for the year	–	(71,882)	–	–	(71,882)
Dividends	–	–	–	(1,322,140)	(1,322,140)
Appropriation to general reserve	–	–	568,738	(568,738)	–
At 31 December 2020	2,418,689	(62,567)	3,527,564	2,759,934	8,643,620

55 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised by the board of directors on 29 March 2022.

CDB LEASING (INTERNATIONAL) COMPANY LIMITED

REPORT OF THE DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

CDB LEASING (INTERNATIONAL) COMPANY LIMITED

CONTENTS

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

Principal activities

The principal activities of the Company are investment holding and the provision of ships, containers and equipment leasing services. There were no significant changes in the nature of the Company's principal activities during the year. The activities of the subsidiaries are set out in Note 25 to the consolidated financial statements.

Recommended dividend

The directors do not recommend the payment of any dividend in respect of the year.

Shares issued

Details of the shares issued in the year ended 31 December 2022 are set out in Note 24 to the consolidated financial statements.

Charitable contributions

The Company made no charitable contributions during the year.

Directors

(a) The directors of the Company during the year were:

Mr. Mo Yanfeng	(Appointed on 18 November 2019)
Ms. Yang Yuxia	(Appointed on 7 March 2022)

In accordance with article 7 of the Company's articles of association, Mr. Mo Yanfeng and Ms. Yang Yuxia will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

(b) Directors of the Company's subsidiaries

During the year and up to the date of this report, Mr. Mo Yanfeng and Ms. Yang Yuxia are also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report include: Mr. Xiong Jianfeng, Mr. Qin Jianqiang, and Mr. Liu WenJie.

Directors' interests

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its controlling company was a party and in which directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Events after the reporting period

Details of the Company's significant events after the reporting period are set out in Note 36 to the consolidated financial statements.

Auditors

Ernst & Young retire. A resolution for a new auditor's appointment will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

....

Director

16 May 2023

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent auditor's report
To the members of CDB Leasing (International) Company Limited
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the consolidated financial statements of CDB Leasing (International) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 5 to 64 which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion
We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon
The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

EY安永

Independent auditor's report (continued)
To the members of CDB Leasing (International) Company Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Certified Public Accountants
Hong Kong
16 May 2023

CDB LEASING (INTERNATIONAL) COMPANY LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022
(Amounts in RMB, unless otherwise stated)

	Notes	Year ended 31 December 2022	2021
Revenue			
Finance lease income	4	673,361,679	625,337,588
Operating lease income	4	4,993,057,328	4,490,624,769
Total revenue		5,666,419,007	5,115,962,357
Other income, gains or losses	5	1,285,117,281	903,976,909
Total revenue and other income		6,951,536,288	6,019,939,266
Expenses			
Depreciation	6	(1,441,169,010)	(899,268,373)
Interest expense	7	(1,192,442,642)	(919,637,771)
Other operating expenses	8	(879,758,851)	(637,971,358)
Net impairment losses on financial assets	9	(371,029,437)	(282,291,627)
Net impairment losses on other assets	10	(74,621,619)	(88,446,288)
Total expenses		(3,959,021,559)	(2,827,615,417)
Profit before tax		2,992,514,729	3,192,323,849
Income tax expense	12	-	-
Profit for the year attributable to owners of the Company		2,992,514,729	3,192,323,849
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges, net of tax	26	2,806,507	56,082,705
Currency translation differences	26	494,948,341	(49,572,483)
Total other comprehensive income for the year, net of tax		497,754,848	6,510,222
Total comprehensive income for the year attributable to owners of the Company, net of tax		3,490,269,577	3,198,834,071

The accompanying notes form an integral part of these consolidated financial statements.

CDB LEASING (INTERNATIONAL) COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Amounts in RMB, unless otherwise stated)

	Notes	As at 31 December 2022	As at 31 December 2021
Assets			
Cash and bank balances	13	8,147,165,606	6,078,446,457
Derivative financial assets	14	22,947,867	56,608,335
Accounts receivable	15	632,264,790	49,994,507
Finance lease receivables	16	10,078,644,477	11,692,172,604
Prepayments	17	2,088,755,094	3,180,342,620
Property and equipment	18	26,568,013,184	24,618,663,906
Other assets	19	16,147,093,777	4,754,043,202
Total assets		63,684,884,795	50,430,271,631
Liabilities			
Borrowings	20	35,021,670,284	22,644,551,814
Derivative financial liabilities	14	11,054,382	25,034,354
Bonds payable	21	18,641,058,082	21,256,121,389
Finance lease liabilities	22	524,041,697	671,286,929
Guarantee deposits from lessees		185,251,871	178,070,147
Other liabilities	23	1,150,117,854	993,785,950
Total liabilities		55,533,194,170	45,768,850,583
Equity			
Share capital	24	8,765	8,765
Other reserves	26	428,922,928	(68,831,920)
General reserve	27	704,739,805	696,671,665
Retained earnings		7,018,019,127	4,033,572,538
Total equity		8,151,690,625	4,661,421,048
Total liabilities and equity		63,684,884,795	50,430,271,631

The consolidated financial statements and the accompanying notes were approved by the Board of Directors on 16 May 2023 and were signed on its behalf.

Name of director
Director

Name of director
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
(Amounts in RMB, unless otherwise stated)

		Attributable to the equity holders of the Company				
	Notes	Share capital	Other reserves	General reserve	Retained earnings	Total equity
At 1 January 2022		8,765	(68,831,920)	696,671,665	4,033,572,538	4,661,421,048
Profit for the year		-	-	-	2,992,514,729	2,992,514,729
Other comprehensive income/(loss) for the year						
Cash flow hedges, net of tax	26	-	2,806,507	-	-	2,806,507
Currency translation differences	26	-	494,948,341	-	-	494,948,341
Total comprehensive income for the year		-	497,754,848	-	2,992,514,729	3,490,269,577
Appropriation to general reserves	27	-	-	8,068,140	(8,068,140)	-
At 31 December 2022		8,765	428,922,928	704,739,805	7,018,019,127	8,151,690,625
At 1 January 2021		8,765	(75,342,142)	619,341,691	918,578,663	1,462,586,977
Profit for the year		-	-	-	3,192,323,849	3,192,323,849
Other comprehensive income/(loss) for the year						
Cash flow hedges, net of tax	26	-	56,082,705	-	-	56,082,705
Currency translation differences	26	-	(49,572,483)	-	-	(49,572,483)
Total comprehensive income for the year		-	6,510,222	-	3,192,323,849	3,198,834,071
Appropriation to general reserves	27	-	-	77,329,974	(77,329,974)	-
At 31 December 2021		8,765	(68,831,920)	696,671,665	4,033,572,538	4,661,421,048

The accompanying notes form an integral part of these consolidated financial statements.

CDB LEASING (INTERNATIONAL) COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Amounts in RMB, unless otherwise stated)

	Notes	Year ended 31 December 2022	2021
Operating activities			
Profit before tax		2,992,514,729	3,192,323,849
Adjustments for:			
- Bonds payable interest expenses	7	475,899,678	623,352,206
- Net impairment losses on financial assets	9	371,029,437	282,291,627
- Net impairment losses on other assets	10	74,621,619	88,446,288
- Depreciation of property and equipment		1,441,169,010	899,268,373
- Gains on disposal of equipment held for operating lease businesses	5	(174,615,491)	-
- Foreign exchange (gains)/losses from derivatives		173,824,122	(118,621,451)
Changes in working capital:			
- Borrowings		11,707,029,008	1,795,488,596
- Interest receivable		(65,711,356)	(23,389,681)
- Other assets		(12,484,146,383)	(1,430,148,753)
- Guaranteed deposits from lessees		7,181,724	7,100,864
- Interest payable		125,520,019	(25,340,689)
- Accounts receivable		(14,200,072)	92,143,366
- Other liabilities		144,693,661	(527,265,068)
- Financial lease receivables		1,830,074,505	120,809,254
Cash flows from operating activities		6,604,884,210	4,976,458,781
Income tax paid		-	-
Net cash flows from operating activities		6,604,884,210	4,976,458,781
Investing activities			
Payments for property and equipment		(2,329,680,601)	(11,204,038,137)
Proceeds from disposal of property and equipment		2,174,634,384	-
Proceeds from disposal of finance investment of derivatives		(151,337,120)	332,055,170
Net cash flows used in investing activities		(306,383,337)	(10,871,982,967)
Financing activities			
Cash proceeds from bonds issued		9,752,272,208	12,082,907,675
Repayments of bonds payable		(14,086,953,983)	(10,429,854,728)
Bonds interest paid		(520,236,390)	(626,602,132)
Net cash flows from/(used in) financing activities		(4,854,918,165)	1,026,450,815
Net increase/(decrease) in cash and cash equivalents		1,443,582,708	(4,869,073,371)
Cash and cash equivalents at the beginning of the year		6,078,446,457	11,146,123,018
Effects of exchange rate changes on cash and cash equivalents		625,136,441	(198,603,190)
Cash and cash equivalents at the end of the year	13	8,147,165,606	6,078,446,457
Net cash flows from operating activities includes:			
Interest received		942,109,768	721,517,098
Interest paid, exclusive bonds payable interest expenses		(591,022,945)	(321,626,254)
Net interest received		351,086,823	399,890,844

The accompanying notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

CDB LEASING (INTERNATIONAL) COMPANY LIMITED (the "Company"), with the former name of Metro Excel Limited, is a limited liability company incorporated in Hong Kong on 3 September 2009. Its registered office is located at 21/F, Edinburgh Tower, The LandMark, 15 Queen's Road Central, Hong Kong.

On the date of incorporation, 10,000 ordinary share were issued by the Company to Sky Era Limited and GNL09 Limited at the issue price of HK$ 1 per share, of which Sky Era Limited held 9,999 shares and GNL09 Limited held 1 share. The proceeds of HK$ 10,000 (equivalent to RMB8,765) were recorded as share capital. On 25 September 2009, GNL09 Limited transferred the 1 issued share of the Company to Sky Era Limited. On 30 September 2015, Sky Era Limited transferred the 10,000 issued shares of the Company to CFAS Services Limited at nil consideration.

Pursuant to the Declaration of Trust between CFAS Services Limited and China Development Bank Financial Leasing Co., Ltd.("CDB Leasing") on 30 September 2015, CFAS Services Limited hold the issued shares of the Company on behalf of CDB Leasing.

In the opinion of the directors, the Company's parent company and ultimate beneficial owner of the Group are CDB Leasing and China Development Bank Co., Ltd ("CDB"). Both CDB and CDB Leasing are incorporated in Mainland China.

The Company and its subsidiaries (the "Group") are principally engaged in provision of ships, container and equipment leasing services.

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

These consolidated financial statements have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and certain equity investments which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018 - 2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the revised HKFRSs are described below:

Amendments to HKFRS 3: Reference to the Conceptual Framework

Amendments to HKFRS 3 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* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date.

The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

Amendments to HKAS 16: Property, Plant and Equipment: Proceeds before Intended Use

Amendments to HKAS 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 as determined by HKAS 2 Inventories, in profit or loss.

The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 37: Onerous Contracts – Cost of Fulfilling a Contract

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to HKFRSs 2018 - 2020: Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

• HKFRS 9 Financial Instruments: 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.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Annual Improvements to HKFRSs 2018 - 2020: Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 (continued)

The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

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

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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 HKFRS 16	*Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023
Amendments to HKAS 8	*Definition of Accounting Estimates*	1 January 2023
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 16

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting its accounting policy disclosures to ensure consistency with the amendments.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 8

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have significant impact on the Group's financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5.1 Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Company the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.2 Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured at fair value less costs to sell in accordance with that standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.2 Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

2.5.3 Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is shown net of value-added tax. Specific revenue recognition criteria are set out below:

- Finance lease income is recognized using the effective interest method over the term of lease.

- Operating lease income is recognized on the straight-line basis over the terms of the relevant lease.

- Interest income from a financial asset is recognized 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 management and commission fee income and gains on disposal of equipment held for operating lease businesses. Management and commission fee income is recognized 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 recognized as income when control of the related equipment has transferred, being when the equipment is delivered to the buyer and there is no unfulfilled obligation that could affect the buyer's acceptance of the equipment.

2.5.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.5 Income tax

Income taxes comprise current income tax and deferred income tax. Tax is recognized in the income statement except to the extent that it relates to items directly recognized in equity, in which cases, tax is also directly recognized in equity.

(a) Current income tax

Current income tax is calculated on the basis of the tax laws enacted or substantially enacted at the financial reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluated positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related asset is realised, or the liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised except the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

For deductible temporary differences associated with investment in subsidiaries, a deferred tax asset is recognized to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities shall be recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

Deferred income tax liabilities on taxable temporary differences arising from investments in subsidiaries are recognized, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.6 Foreign currencies

The Group's consolidated financial statements are presented in RMB, which is also the parent company's functional currency. The Company's subsidiaries choose their functional currency on the basis of the primary economic environment in which they operate.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for (i) exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation; (ii) exchange differences arising from the changes of the fair value of monetary assets classified as financial assets at fair value through other comprehensive income (other than the changes relating to the amortised cost of the monetary assets) which are recognised in other comprehensive income and accumulated in equity.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 Leases

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

(a) The Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 Leases (continued)

(b) The Group as a lessor

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

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

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

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

2.5.8 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

2.5.9 Financial instruments

Financial assets and financial liabilities are recognized 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 recognized immediately in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(a) Determination of fair value

Fair value is determined in the manner described in Note 2.5.15 Fair value measurement.

(b) 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.

(c) 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(c) Classification, recognition and measurement of financial assets (continued)

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 recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses of such financial assets shall be recognized in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial assets item and be recognized 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 recognized 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 recognized 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 HKAS 32 Financial Instruments: Presentation. When the equity instrument is derecognized, the cumulative gain or loss previously recognized 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 recognized in the statement of profit or loss. Such equity instruments do not recognise impairment losses.

(d) 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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 HKFRS 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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 HKFRS 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 operating lease receivables and other financial assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, 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.

(e) 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 recognized 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 recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (i) the carrying amount allocated to the part derecognized; and (ii) the sum of the consideration received and receivable for the part derecognized, is recognized in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(f) 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 HKFRS 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 recognized in the statement of profit or loss. The net fair value gain or loss recognized 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 HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized 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 recognized 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 recognized in profit or loss.

(g) Derecognition of financial liabilities

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Derivatives and hedge accounting

(a) Initial recognition and subsequent measurement

Derivative financial instruments are initially recognized 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 recognized 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 recognized asset or liability or an unrecognized 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 recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized 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:

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Derivatives and hedge accounting (continued)

(b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized 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 recognized 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.11 Property and equipment

Property and equipment include office equipment held for administrative purpose, and ships 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 recognized 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 derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated residual value rates and useful lives are as follows:

	Estimated residual value rates	Estimated useful life
Operating lease assets - Ships	10% - 15%	8 to 25 years
Computers and electronic equipment	5%	3 years

The gain or loss on disposal of items of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognized in the statement of profit or loss.

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.5.12 Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the Group makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

An impairment loss is recognized in the statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. The reversal of the impairment loss is credited to the statement of profit or loss in the year in which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.13 Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included consolidated statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.5.14 Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person
- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company; or

(b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Company are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Company are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.15 Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of accounting policies as set out in Note 2.5, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the consolidated financial statements that cannot be measured accurately. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, estimate and key assumptions that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognized in the consolidated financial statements:

(a) Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(b) Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as the present values of the minimum lease payments of the lease amount to at least substantially all of the fair value of the assets held for lease businesses at the inception of the leases. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statements of financial position and has instead, recognized finance lease receivables (Note 16). On the other hand, the Group includes the assets held for lease businesses under operating lease in property and equipment, and investment properties. The determination of whether the Group has transferred substantially all the risks and rewards incident to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgements by management.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(c) Depreciation of operating lease assets

The Group calculates depreciation expense of operating lease assets based on management's assumption on their useful life and residual value. The useful lives and the residual value of operating lease assets reflect the future economic benefit obtained from the use of the operating lease assets and the benefit from disposal estimated by the Group's management. The estimation may differ due to actual physical wear and tear of the assets, changes of the technology innovation and market competition.

(d) Impairment of finance lease receivables and operating lease receivables and advances for finance lease projects

The Group uses a number of models and assumptions when estimating the impairment allowance under HKFRS 9 of finance lease receivables and operating lease receivables at the balance sheet date and the operation period, for example:

- Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk are highly dependent on judgement and may have a significant impact on the ECL for lease receivables with longer remaining periods to maturity;

- Models and parameters – For finance lease receivables and advances for finance lease projects, a three-stage impairment model is used to calculate ECL. For finance lease receivables and advances for finance lease projects classified into stages 1 and 2, the risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default. For finance lease receivables and advances for finance lease projects in stage 3, the management assesses impairment losses by estimating the cash flows from finance lease receivables and advances for finance lease projects. For operating lease receivables, a simplified approach is used to calculate the ECL. The risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default

- Forward-looking information – Judgement is used to create macroeconomic forecasts and to consider the impact to ECL under multiple economic scenarios given different weights.

The Group established governance processes and controls for the measurement of ECL. Relevant disclosures are included in Note 35.2 (b) to the consolidated financial statements.

(e) Impairment of equipment held for operating lease businesses

Items of equipment held for operating lease businesses are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

(f) Fair value of financial instruments

The Group has adopted valuation models to calculate the fair value for the financial instrument without active market price. Such valuation models include discounted cash flow model, market comparison approach and other valuation models. In practice, the discounted cash flow model only uses the observable data whenever possible, however, the management still needs to make assumption regarding the factors, such as counterparty's credit risk, market volatility and correlations. The market comparison approach requires the management to determine comparable listed companies, to select market multipliers and to estimate discount for liquidity, etc. The estimated fair value of the financial instruments will be affected for any changes of the above factors.

4. REVENUE

	Year ended 31 December	
	2022	2021
Finance lease income[1]	673,361,679	625,337,588
Operating lease income	4,993,057,328	4,490,624,769
	5,666,419,007	5,115,962,357

[1] There was no finance lease income from non-performing finance lease receivables in the year of 2022 (2021: Nil).

5. OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2022	2021
Management fee income of operating lease ship business	853,295,554	620,171,699
Interest income	334,459,445	119,569,191
Gains on disposal of equipment held for operating lease businesses, net	174,615,491	-
Government grants and incentives	104,177	-
Foreign exchange gains/(loss), net	(78,905,732)	162,934,709
Others	1,548,346	1,301,310
	1,285,117,281	903,976,909

6. DEPRECIATION

	Year ended 31 December	
	2022	2021
Depreciation of property and equipment	1,441,169,010	899,268,373

7. INTEREST EXPENSE

	Year ended 31 December	
	2022	2021
Borrowings	724,172,666	308,254,134
Bonds payable	475,899,678	623,352,206
Finance lease liabilities (Note 33(b))	28,945,939	36,088,563
Less: Interest capitalised on qualifying assets[1]	(36,575,641)	(48,057,132)
	1,192,442,642	919,637,771

[1] Interest capitalised on qualifying assets in 2022, included RMB36,575,641 (2021: RMB48,057,132) on prepayment.

8. OTHER OPERATING EXPENSES

	Year ended 31 December 2022	2021
Service fees of operating lease ship business	853,615,509	620,263,245
Auditor's remuneration	4,491,078	4,403,042
Professional services fee	3,938,153	11,111,688
Other expenses	17,673,116	2,144,117
Rental expenses	40,995	49,266
	879,758,851	637,971,358

9. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December 2022	2021
Finance lease receivables	364,783,102	281,457,057
Accounts receivable	6,246,335	546,787
Others	-	287,783
	371,029,437	282,291,627

10. NET IMPAIRMENT LOSSES ON OTHER ASSETS

	Year ended 31 December 2022	2021
Operating lease assets	74,621,619	88,446,288

11. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to the Group during the year (2021: Nil).

12. INCOME TAX

	Year ended 31 December 2022	2021
Current and deferred income tax	-	-

The Group, leased the whole ships, containers and equipment to lessees, and all ships, containers and equipment were not located, used and maintained solely or mainly in Hong Kong. Thus, the lease income derived by the Group was not subject to Hong Kong profits tax.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December 2022	2021
Profit before tax	2,992,514,729	3,192,323,849
Tax at the statutory tax rate of 16.5%	493,764,930	526,733,435
Income not subject to tax	(493,764,930)	(526,733,435)
Tax charge at the effective rate of 0% (2021: 0%)	-	-

13. CASH AND BANK BALANCES

	31 December 2022	31 December 2021
Cash and bank balances	8,147,165,606	6,078,446,457

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

		As at 31 December 2022	
	Contractual/	Fair value	
	Nominal amount	Assets	Liabilities
Derivatives not under hedge accounting:			
Cross currency swaps	4,699,630,298	22,947,867	(11,054,382)

		As at 31 December 2021	
	Contractual/	Fair value	
	Nominal amount	Assets	Liabilities
Derivatives under hedge accounting:			
Cash flow hedge - interest rate swaps	4,080,448,000	-	(18,414,433)
Cash flow hedge - cross currency swaps	874,856,011	15,607,926	-
Derivatives not under hedge accounting:			
Currency forwards	1,466,411,000	41,000,409	-
Cross currency swaps	1,069,105,110	-	(5,068,050)
Foreign exchange swaps	246,823,584	-	(1,551,871)
	7,737,643,705	56,608,335	(25,034,354)

14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair values of interest rate swaps, cross currency swaps, currency forwards and foreign exchange swaps as shown above are determined with reference to marked-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.

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 Group has adopted the temporary reliefs provided by the amendments to HKFRS 9, HKAS 39 and HKFRS 7 which enable the hedge accounting of the Group to continue during the period of uncertainty, which is before the replacement of an existing interest rate benchmark with an RFR.

There is no derivatives under hedge accounting as at 31 December 2022, the table below indicates the nominal amounts and weighted average remain maturity of derivatives in hedging relationships that may be affected by the interest rate benchmark reform as at 31 December 2021, 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.

As at 31 December 2021

	Nominal amount	Weighted average remain maturity (Years)
Interest rate swaps:		
US Dollar ("USD") London Inter-bank Offered Rates ("LIBOR") (1 month)	63,757,000	0.9
USD LIBOR（3 months）	4,016,691,000	0.3
	4,080,448,000	

15. ACCOUNTS RECEIVABLE

	31 December 2022	31 December 2021
Operating lease receivables [(1)]	22,830,166	50,534,627
Advances for finance lease projects [(2)]	616,491,351	-
	639,321,517	50,534,627
Less: Allowance for impairment losses		
- Allowance for operating lease receivables	(212,844)	(540,120)
- Allowance for advances for finance lease projects	(6,843,883)	-
	(7,056,727)	(540,120)
Carrying amount of accounts receivable	632,264,790	49,994,507

(1) The operating lease receivables of the Group were accrued on a straight-line basis over the terms of the relevant leases and settled periodically based on the payment terms agreed in the lease contracts.

As at 31 December 2022, the aging of operating lease receivables based on the receivables due date and net of loss allowance was on demand and will be collected within three month.

(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 is 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 not meaningful.

As at 31 December 2022 and 2021, there were no advances for finance lease projects pledged as collateral for the Group's bank borrowings (Note 20).

Movements between stages for the years of 2022 within accounts receivable are as follows:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Gross carrying amount					
Amount as at 1 January 2022	-	-	-	50,534,627	50,534,627
New assets originated/(repayment)	590,427,273	-	-	(31,268,932)	559,158,341
Effect of foreign currency exchange differences	26,064,078	-	-	3,564,471	29,628,549
Amount as at 31 December 2022	616,491,351	-	-	22,830,166	639,321,517

Movements of allowances for impairment losses on accounts receivable during the years of 2022 are as follows:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Allowance for impairment losses					
Amount as at 1 January 2022	-	-	-	540,120	540,120
Net increase/(decrease) [(1)]	6,610,647	-	-	(364,312)	6,246,335
Effect of foreign currency exchange differences	233,236	-	-	37,036	270,272
Amount as at 31 December 2022	6,843,883	-	-	212,844	7,056,727

(1) Changes due to new assets originated and repayments and changes in PDs, EADs, and LGDs arising from regular refreshing of inputs to models in the current year.

16. FINANCE LEASE RECEIVABLES

	31 December 2022	31 December 2021
Finance lease receivables		
Not later than one year	1,646,572,023	1,544,216,264
Later than one year and not later than five years	6,599,186,018	6,048,869,331
Later than five years	6,655,764,110	8,212,853,964
Gross amount of finance lease receivables	14,901,522,151	15,805,939,559
Less: Unearned finance income	(3,878,164,315)	(3,439,139,863)
Present value of minimum finance lease receivables	11,023,357,836	12,366,799,696
Less: Allowances for impairment losses	(944,713,359)	(674,627,092)
Carrying amount of finance lease receivables	10,078,644,477	11,692,172,604
Present value of minimum finance lease receivables		
Not later than one year	921,748,259	959,705,806
Later than one year and not later than five years	4,370,987,017	4,199,207,685
Later than five years	5,730,622,560	7,207,886,205
	11,023,357,836	12,366,799,696

The Group entered into finance lease arrangements for certain of its ships, equipment and containers. The term range of finance leases entered into is from 3 to 15 years.

The finance lease receivables were mainly with floating interest rates based on the benchmark interest rate of LIBOR. The interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rates.

As at 31 December 2022 and 2021, there was no finance lease receivables pledged as collateral for the Group's bank borrowings (Note 20).

16. FINANCE LEASE RECEIVABLES (continued)

Movements between stages for the years of 2022 and 2021 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 2022	11,810,257,986	539,077,832	17,463,878	12,366,799,696
Movement within stages:				
Move to stage 3	-	(3,326,696)	3,326,696	-
Net assets originated/(repayment)	(1,812,670,731)	-	(17,403,774)	(1,830,074,505)
Transfer out	-	(550,551,833)	-	(550,551,833)
Effect of foreign currency exchange differences	1,010,850,842	14,800,697	11,532,939	1,037,184,478
Amount as at 31 December 2022	11,008,438,097	-	14,919,739	11,023,357,836

	Stage 1	Stage 2	Stage 3	Total
Present value of minimum finance lease receivables				
Amount as at 1 January 2021	12,227,075,377	533,458,052	17,872,556	12,778,405,985
New assets originated/(repayment)	(147,222,595)	18,234,930	-	(128,987,665)
Effect of foreign currency exchange differences	(269,594,796)	(12,615,150)	(408,678)	(282,618,624)
Amount as at 31 December 2021	11,810,257,986	539,077,832	17,463,878	12,366,799,696

Movements of allowances for impairment losses on finance lease receivables during the years of 2022 and 2021 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2022	394,116,544	265,170,125	15,340,423	674,627,092
Movement within stages:				
Move to stage 3	-	(3,326,696)	3,326,696	-
Net increase/(decrease) [(1)]	482,793,514	(110,217,391)	(7,793,021)	364,783,102
Transfer out	-	(164,090,475)	-	(164,090,475)
Effect of foreign currency exchange differences	53,436,959	12,464,437	3,492,244	69,393,640
Amount as at 31 December 2022	930,347,017	-	14,366,342	944,713,359

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2021	313,333,139	76,850,379	15,699,410	405,882,928
Net increase/(decrease) [(1)]	89,033,769	192,423,288	-	281,457,057
Effect of foreign currency exchange differences	(8,250,364)	(4,103,542)	(358,987)	(12,712,893)
Amount as at 31 December 2021	394,116,544	265,170,125	15,340,423	674,627,092

(1) Changes due to new assets originated and repayments and changes in PDs, EADs, and LGDs arising from regular refreshing of inputs to models in the current year.

17. PREPAYMENTS

	31 December 2022	31 December 2021
Prepayments for leasing assets	2,088,755,094	3,180,342,620

18. PROPERTY AND EQUIPMENT

	Equipment held for operating lease businesses	Computers and electronic equipment	Total
Cost			
As at 1 January 2022	26,698,656,354	12,106	26,698,668,460
Additions	3,023,420,680	-	3,023,420,680
Transfer from finance lease receivables	550,551,833	-	550,551,833
Disposals/written-off	(2,542,014,434)	-	(2,542,014,434)
Foreign currency translation	2,419,224,757	-	2,419,224,757
As at 31 December 2022	30,149,839,190	12,106	30,149,851,296
Accumulated depreciation			
As at 1 January 2022	(1,755,561,991)	(10,897)	(1,755,572,888)
Charge for the year	(1,441,169,010)	-	(1,441,169,010)
Disposals/written-off	305,853,428	-	305,853,428
Foreign currency translation	(179,583,270)	-	(179,583,270)
As at 31 December 2022	(3,070,460,843)	(10,897)	(3,070,471,740)
Accumulated impairment			
As at 1 January 2022	(324,431,666)	-	(324,431,666)
Additions	(74,621,619)	-	(74,621,619)
Transfer from finance lease receivables	(147,547,513)	-	(147,547,513)
Disposals/written-off	61,526,622	-	61,526,622
Foreign currency translation	(26,292,196)	-	(26,292,196)
As at 31 December 2022	(511,366,372)	-	(511,366,372)
Net carrying amount			
As at 1 January 2022	24,618,662,697	1,209	24,618,663,906
As at 31 December 2022	26,568,011,975	1,209	26,568,013,184

	Equipment held for operating lease businesses	Computers and electronic equipment	Total
Cost			
As at 1 January 2021	14,747,600,210	12,106	14,747,612,316
Additions	12,429,894,948	-	12,429,894,948
Foreign currency translation	(478,838,804)	-	(478,838,804)
As at 31 December 2021	26,698,656,354	12,106	26,698,668,460
Accumulated depreciation			
As at 1 January 2021	(882,538,334)	(10,897)	(882,549,231)
Charge for the year	(899,268,373)	-	(899,268,373)
Foreign currency translation	26,244,716	-	26,244,716
As at 31 December 2021	(1,755,561,991)	(10,897)	(1,755,572,888)
Accumulated impairment			
As at 1 January 2021	(240,244,574)	-	(240,244,574)
Additions	(88,446,288)	-	(88,446,288)
Foreign currency translation	4,259,196	-	4,259,196
As at 31 December 2021	(324,431,666)	-	(324,431,666)
Net carrying amount			
As at 1 January 2021	13,624,817,302	1,209	13,624,818,511
As at 31 December 2021	24,618,662,697	1,209	24,618,663,906

As at 31 December 2022, the ship with net book value of RMB13,946,189,366 (31 December 2021: RMB6,372,958,309) were pledged as collateral for the Group's bank borrowings (Note 20).

19. OTHER ASSETS

	31 December 2022	31 December 2021
Other receivables		
Due from the parent company (Note 33(c))	497,609,235	673,368,306
Due from other related company (Note 33(c))	15,423,731,717	3,825,420,000
Due from third parties	134,656,827	229,843,996
Interest receivable		
Due from other related company (Note 33(c))	91,406,530	25,454,332
Due from third parties	-	240,842
	16,147,404,309	4,754,327,476
Less: Allowances for impairment losses		
Other receivables	(310,532)	(284,274)
	16,147,093,777	4,754,043,202

20. BORROWINGS

	31 December 2022	31 December 2021
Secured bank borrowings[(1)]	13,494,583,555	8,920,083,600
Unsecured bank borrowings	21,527,086,729	13,724,468,214
	35,021,670,284	22,644,551,814

(1) Secured bank borrowings were pledged by equipment held for operating lease businesses (Note 18) and related guarantee measures are provided by the Company's parent company.

As at 31 December 2022 and 2021, the Group's borrowings were repayable as follows:

	31 December 2022	31 December 2021
Carrying amount repayable:		
Within one year	19,438,116,469	17,431,778,034
More than one year, but not exceeding two years	318,165,063	446,299,000
More than two years, but not exceeding five years	13,383,046,085	3,235,963,492
More than five years	1,882,342,667	1,530,511,288
	35,021,670,284	22,644,551,814

In addition, the Group has floating-rate borrowings which carry interest based on LIBOR and Secured Overnight Financing Rate ("SOFR").

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

	31 December 2022	31 December 2021
Effective interest rate:		
Fixed-rate borrowing	1.45%-2.95%	0.12%-0.91%
Floating-rate borrowing	1M LIBOR+0.37% to 3M LIBOR+1.20%	3M LIBOR+0.59% to 3M LIBOR+1.23%

21. BONDS PAYABLE

	31 December 2022	31 December 2021
Guaranteed unsecured bonds [(1)]	18,641,058,082	21,256,121,389

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

			As at 31 December 2022	
		Maturity (Year)	Face value	Guaranteed unsecured bonds [(1)]
Currency	Fixed Coupon Rate			
RMB	3.05% to 3.40%	2023 to 2024	900,000,000	900,000,000
HKD	1.20% to 1.40%	2023 to 2024	1,161,251,000	1,161,251,000
USD	1.20% to 3.125%	2023 to 2027	14,333,146,800	14,333,146,800
			16,394,397,800	16,394,397,800
Currency	Floating Rate SOFR +			
USD	Margin ranging from 0.85% to 1.00%	2023 to 2025	2,298,318,000	2,298,318,000
			18,692,715,800	18,692,715,800

			As at 31 December 2021	
		Maturity (Year)	Face value	Guaranteed unsecured bonds [(1)]
Currency	Fixed Coupon Rate			
RMB	3.60%	2022	270,000,000	270,000,000
HKD	1.00% to 3.30%	2022 to 2024	1,929,536,000	1,929,536,000
USD	0.80% to 3.75%	2022 to 2026	19,094,902,715	19,094,902,715
			21,294,438,715	21,294,438,715

(1) The bonds were issued by CDBL Funding 2, unconditionally and irrevocably guaranteed by the Company, with the benefit of a Keepwell and Asset Purchase Deed provided by the CDB Leasing. CDBL Funding 2 is a subsidiary of the Company.

22. FINANCE LEASE LIABILITIES

	31 December 2022	31 December 2021
Gross finance lease liabilities- minimum lease payments		
Within 1 year	168,893,644	176,191,171
1 to 5 years	391,349,744	560,243,388
	560,243,388	736,434,559
Future finance charges on finance leases	(36,201,691)	(65,147,630)
Present value of finance lease liabilities (Note 33(c))	524,041,697	671,286,929

23. OTHER LIABILITIES

	31 December 2022	31 December 2021
Interest payable	267,069,147	185,885,841
Other payables		
Due to the parent company (Note 33(c))	446,701,302	509,248,583
Due to third parties	436,347,405	298,651,526
	1,150,117,854	993,785,950

24. SHARE CAPITAL

	31 December 2022	31 December 2021
Registered, issued and fully paid:		
10,000 ordinary shares	HKD 10,000	HKD 10,000
Equivalent to RMB	8,765	8,765

25. SUBSIDIARIES

The following is a list of the subsidiaries, which are fully owned by the Company at 31 December 2022:

Name	Place of incorporation	Principal activities	Registered and issued
Top Voyage Enterprise Limited	Hong Kong	Ship leasing service	HKD 1
Well Far Limited	Hong Kong	Ship leasing service	HKD 10,000
CL Jinan Limited	Hong Kong	Ship leasing service	HKD 1
CLC Ship Chartering-II Co., limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-III Co., limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-IV Co., limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-V Co., limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-VI Co., limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-VII Co., limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering- VIII Co., limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering- IX Co., limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering- X Co., limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Maritime Container Leasing Co., Limited	Hong Kong	Container leasing service	HKD 1
Top Sailing Enterprise Limited	Hong Kong	Ship leasing service	HKD 1
Nine West Marine Limited	Hong Kong	Ship leasing service	HKD 1
Ample Pointer Limited	Hong Kong	Ship leasing service	HKD 1
Bexton limited	Hong Kong	Ship leasing service	HKD 1
Cyber Wave Limited	Hong Kong	Ship leasing service	HKD 1
CL Qingdao Limited	Hong Kong	Ship leasing service	HKD 1
GUANG JIU LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC Glowing Development Co., Limited	Hong Kong	Equipment leasing service	HKD 1
EASE BEST Limited	Hong Kong	Equipment leasing service	HKD 1
BENDERY MARITIME LIMITED	Hong Kong	Ship leasing service	HKD 1
BERMUDA MARITIME LIMITED	Hong Kong	Ship leasing service	HKD 1
BEAR MARITIME LIMITED	Hong Kong	Ship leasing service	HKD 1
SHERLOCK MARITIME LIMITED	Hong Kong	Ship leasing service	HKD 1
FRANKLIN MARITIME LIMITED	Hong Kong	Ship leasing service	HKD 1
ROME SHIPPING LIMTED	Hong Kong	Ship leasing service	HKD 1
Bell Maritime limited	Hong Kong	Ship leasing service	HKD 1

25. SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities	Registered and issued
Gold Maritime Limited	Hong Kong	Ship leasing service	HKD 1
Silver Maritime limited	Hong Kong	Ship leasing service	HKD 1
Venus Maritime Limited	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 3 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 4 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 2 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 1 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 5 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 6 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 7 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 8 LIMITED	Hong Kong	Ship leasing service	HKD 1
CDBL Ambition Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Global Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Profession Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Diversification Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Ocean Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Planet Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax I Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax II Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax III Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax IV Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax V Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Funding 2	Cayman Island	Funding	USD 50
CDBL Newcastlemax VI Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax VII Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax VIII Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax IX Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax X Limited	Hong Kong	Ship leasing service	HKD 1
CL Mars Limited	Hong Kong	Ship leasing service	HKD 1
CL Mercury Limited	Hong Kong	Ship leasing service	HKD 1
CL Jupiter limited	Hong Kong	Ship leasing service	HKD 1
CL Marina Limited	Hong Kong	Ship leasing service	HKD 1
CL Mona Limited	Hong Kong	Ship leasing service	HKD 1
CL Alice Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Belle Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Christina Co., limited	Hong Kong	Ship leasing service	HKD 1
CL Edi Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Fair Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Gemma Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Heidi Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Judy Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Kate Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Lindy Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Teresa Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Daisy Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Iris Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanjing limited	Hong Kong	Ship leasing service	HKD 1
CL Lianyungang limited	Hong Kong	Ship leasing service	HKD 1
CL Wuxi limited	Hong Kong	Ship leasing service	HKD 1
CL Zhenjiang limited	Hong Kong	Ship leasing service	HKD 1
CL Suzhou limited	Hong Kong	Ship leasing service	HKD 1
CL Nantong Limited	Hong Kong	Ship leasing service	HKD 1
CL Yangzhou limited	Hong Kong	Ship leasing service	HKD 1
CL Taizhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Huizhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Wuhan limited	Hong Kong	Ship leasing service	HKD 1

25. SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities	Registered and issued
CL Ningbo limited	Hong Kong	Ship leasing service	HKD 1
CL Nanchang limited	Hong Kong	Ship leasing service	HKD 1
CL Hefei Limited	Hong Kong	Ship leasing service	HKD 1
CL Maanshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Wuhu Limited	Hong Kong	Ship leasing service	HKD 1
CL Huangshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Anqing limited	Hong Kong	Ship leasing service	HKD 1
CL Chuzhou limited	Hong Kong	Ship leasing service	HKD 1
CL Chizhou limited	Hong Kong	Ship leasing service	HKD 1
CL Xuancheng limited	Hong Kong	Ship leasing service	HKD 1
CL Tongling limited	Hong Kong	Ship leasing service	HKD 1
CL Fuyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Wuchang Limited	Hong Kong	Ship leasing service	HKD 1
CL Jingzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Yiling Limited	Hong Kong	Ship leasing service	HKD 1
CL Xiangyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Rizhao Limited	Hong Kong	Ship leasing service	HKD 1
CL Singapore Limited	Hong Kong	Ship leasing service	HKD 1
CL Beijing Limited	Hong Kong	Ship leasing service	HKD 1
CL Dalian Limited	Hong Kong	Ship leasing service	HKD 1
CL Tianjing Limited	Hong Kong	Ship leasing service	HKD 1
CL Beilun limited	Hong Kong	Ship leasing service	HKD 1
CL Cixi Limited	Hong Kong	Ship leasing service	HKD 1
CL Fenghua Limited	Hong Kong	Ship leasing service	HKD 1
CL Yuyao Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanning Limited	Hong Kong	Ship leasing service	HKD 1
CL Ninghai Limited	Hong Kong	Ship leasing service	HKD 1
CL BRIGHT I LIMITED	Hong Kong	Ship leasing service	HKD 1
CL BRIGHT II LIMITED	Hong Kong	Ship leasing service	HKD 1
CL BRIGHT III LIMITED	Hong Kong	Ship leasing service	HKD 1
CL NEPTUNE LIMITED	Hong Kong	Ship leasing service	HKD 1
CL SATURN LIMITED	Hong Kong	Ship leasing service	HKD 1
CL Shenyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Yingkou Limited	Hong Kong	Ship leasing service	HKD 1
CL Tieling Limited	Hong Kong	Ship leasing service	HKD 1
CL Anshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Benxi Limited	Hong Kong	Ship leasing service	HKD 1
CL Fushun Limited	Hong Kong	Ship leasing service	HKD 1
CL Xiamen Limited	Hong Kong	Ship leasing service	HKD 1
CL Fuzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanping Limited	Hong Kong	Ship leasing service	HKD 1
CL Quanzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Putian Limited	Hong Kong	Ship leasing service	HKD 1
CL Ningde Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhangzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Sanming Limited	Hong Kong	Ship leasing service	HKD 1
CL Osmanthus I limited	Hong Kong	Ship leasing service	HKD 1
CL Osmanthus II limited	Hong Kong	Ship leasing service	HKD 1
CL Osmanthus III limited	Hong Kong	Ship leasing service	HKD 1
CL Linzi Limited	Hong Kong	Ship leasing service	HKD 1
CL Jicheng Limited	Hong Kong	Ship leasing service	HKD 1
CL Handan Limited	Hong Kong	Ship leasing service	HKD 1
CL Yingdu Limited	Hong Kong	Ship leasing service	HKD 1
CL Qufu Limited	Hong Kong	Ship leasing service	HKD 1
CL Gusu Limited	Hong Kong	Ship leasing service	HKD 1
CL Fanyu Limited	Hong Kong	Ship leasing service	HKD 1
CL Guangling Limited	Hong Kong	Ship leasing service	HKD 1

25. SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities	Registered and issued
CL Langya Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhaoge Limited	Hong Kong	Ship leasing service	HKD 1
CL Luzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Youzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Qinchuan Limited	Hong Kong	Ship leasing service	HKD 1
CL Xuchang Limited	Hong Kong	Ship leasing service	HKD 1
CL Wanqiu Limited	Hong Kong	Ship leasing service	HKD 1
CL Xunyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Fengtian Limited	Hong Kong	Ship leasing service	HKD 1
CL Luoyi Limited	Hong Kong	Ship leasing service	HKD 1
CL Tongqiu Limited	Hong Kong	Ship leasing service	HKD 1
CL Kaifeng Limited	Hong Kong	Ship leasing service	HKD 1
CL Luoyang Limited	Hong Kong	Ship leasing service	HKD 1
Sea 44 Leasing Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Zibo limited	Hong Kong	Ship leasing service	HKD 1
CL Weifang limited	Hong Kong	Ship leasing service	HKD 1
CL Dezhou limited	Hong Kong	Ship leasing service	HKD 1
CL Jining limited	Hong Kong	Ship leasing service	HKD 1
CL Weihai limited	Hong Kong	Ship leasing service	HKD 1
CL Heze limited	Hong Kong	Ship leasing service	HKD 1
CL MARIGOLD I LIMITED	Hong Kong	Ship leasing service	HKD 1
CL MARIGOLD II LIMITED	Hong Kong	Ship leasing service	HKD 1
CL MARIGOLD III LIMITED	Hong Kong	Ship leasing service	HKD 1
CL MARIGOLD IV LIMITED	Hong Kong	Ship leasing service	HKD 1
CL MARIGOLD V LIMITED	Hong Kong	Ship leasing service	HKD 1
CL Shantou Limited	Hong Kong	Ship leasing service	HKD 1
CL Maoming Limited	Hong Kong	Ship leasing service	HKD 1
CL Yangjiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Jiangmen Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhuhai Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhongshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Baoding Limited	Hong Kong	Ship leasing service	HKD 1
CL Cangzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Changsha Limited	Hong Kong	Ship leasing service	HKD 1
CL Chenzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Hengyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Huaihua Limited	Hong Kong	Ship leasing service	HKD 1
CL Jingdezhen Limited	Hong Kong	Ship leasing service	HKD 1
CL Jiujiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Loudi Limited	Hong Kong	Ship leasing service	HKD 1
CL Qinhuangdao Limited	Hong Kong	Ship leasing service	HKD 1
CL Shangrao Limited	Hong Kong	Ship leasing service	HKD 1
CL Shaoyang limited	Hong Kong	Ship leasing service	HKD 1
CL Tangshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Xiangtan Limited	Hong Kong	Ship leasing service	HKD 1
CL Xiangxi Limited	Hong Kong	Ship leasing service	HKD 1
CL Xinyu Limited	Hong Kong	Ship leasing service	HKD 1
CL Yichun Limited	Hong Kong	Ship leasing service	HKD 1
CL Yingtan Limited	Hong Kong	Ship leasing service	HKD 1
CL Yueyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhangjiajie Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhangjiakou limited	Hong Kong	Ship leasing service	HKD 1
CL Qingyuan Limited	Hong Kong	Ship leasing service	HKD 1
CL Yunfu Limited	Hong Kong	Ship leasing service	HKD 1
CL Anji Limited	Hong Kong	Ship leasing service	HKD 1
CL Jiande Limited	Hong Kong	Ship leasing service	HKD 1
CL Jiaxing Limited	Hong Kong	Ship leasing service	HKD 1

25. SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities	Registered and issued
CL Jinhua Limited	Hong Kong	Ship leasing service	HKD 1
CL Lishui Limited	Hong Kong	Ship leasing service	HKD 1
CL Shaoxing Limited	Hong Kong	Ship leasing service	HKD 1
CL Wenzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhoushan Limited	Hong Kong	Ship leasing service	HKD 1
CL Baoshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Chaohu Limited	Hong Kong	Ship leasing service	HKD 1
CL Chuxiong Limited	Hong Kong	Ship leasing service	HKD 1
CL Dali Limited	Hong Kong	Ship leasing service	HKD 1
CL Dongtinghu Limited	Hong Kong	Ship leasing service	HKD 1
CL Honghu Limited	Hong Kong	Ship leasing service	HKD 1
CL Jiayuguan Limited	Hong Kong	Ship leasing service	HKD 1
CL Kelamayi Limited	Hong Kong	Ship leasing service	HKD 1
CL Kunming Limited	Hong Kong	Ship leasing service	HKD 1
CL Lijiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Lincang Limited	Hong Kong	Ship leasing service	HKD 1
CL Luguhu Limited	Hong Kong	Ship leasing service	HKD 1
CL Moganshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanbeihu Limited	Hong Kong	Ship leasing service	HKD 1
CL Qiandaohu Limited	Hong Kong	Ship leasing service	HKD 1
CL Qujing limited	Hong Kong	Ship leasing service	HKD 1
CL Simao Limited	Hong Kong	Ship leasing service	HKD 1
CL Tianmushan Limited	Hong Kong	Ship leasing service	HKD 1
CL Xihu Limited	Hong Kong	Ship leasing service	HKD 1
CL Xishuangbanna Limited	Hong Kong	Ship leasing service	HKD 1
CL Yandangshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Yuxi Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhaotong limited	Hong Kong	Ship leasing service	HKD 1
CL Qiantangjiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Yongjiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Oujiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanhu Limited	Hong Kong	Ship leasing service	HKD 1
CL Jianhu Limited	Hong Kong	Ship leasing service	HKD 1
CL Vela Limited	Hong Kong	Ship leasing service	HKD 1
CL Carina Limited	Hong Kong	Ship leasing service	HKD 1
CL Dianshanhu Limited	Hong Kong	Ship leasing service	HKD 1
CL Dianchi Limited	Hong Kong	Ship leasing service	HKD 1
CL Erhai Limited	Hong Kong	Ship leasing service	HKD 1
CL Rumengling Limited	Hong Kong	Ship leasing service	HKD 1
CL Yijiangnan Limited	Hong Kong	Ship leasing service	HKD 1
CL Caisangzi Limited	Hong Kong	Ship leasing service	HKD 1
CL Dielianhua Limited	Hong Kong	Ship leasing service	HKD 1
CL Dingfengbo Limited	Hong Kong	Ship leasing service	HKD 1
CL Qinyuanchun Limited	Hong Kong	Ship leasing service	HKD 1
CL Huanxisha Limited	Hong Kong	Ship leasing service	HKD 1
CL Jiangchengzi Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhegutian Limited	Hong Kong	Ship leasing service	HKD 1
CL Shuilongyin Limited	Hong Kong	Ship leasing service	HKD 1
CL Gas Three Limited	Hong Kong	Ship leasing service	HKD 1
CL Gas Ten Limited	Hong Kong	Ship leasing service	HKD 1

26. OTHER RESERVES

	Capital reserve	Hedge and fair value reserves	Merger reserve[(1)]	Translation reserve	Total
As at 1 January 2022	44,678,918	(2,806,507)	86,253	(110,790,584)	(68,831,920)
Cash flow hedges	-	2,806,507	-	-	2,806,507
Currency translation differences	-	-	-	494,948,341	494,948,341
As at 31 December 2022	44,678,918	-	86,253	384,157,757	428,922,928
As at 1 January 2021	44,678,918	(58,889,212)	86,253	(61,218,101)	(75,342,142)
Cash flow hedges	-	56,082,705	-	-	56,082,705
Currency translation differences	-	-	-	(49,572,483)	(49,572,483)
As at 31 December 2021	44,678,918	(2,806,507)	86,253	(110,790,584)	(68,831,920)

(1) The merger reserve represented the combined share capital of the HK subsidiaries of the Company as the date of the completion of group reorganisation.

27. GENERAL RESERVE

Year ended 31 December 2022

	Opening	Additions	Closing
Reserve for general risk	696,671,665	8,068,140	704,739,805

Year ended 31 December 2021

	Opening	Additions	Closing
Reserve for general risk	619,341,691	77,329,974	696,671,665

Pursuant to the Administrative Measures for the Provision of Reserve of Financial Enterprises (Caijin[2012] No. 20) issued by the MOF, the Company and the subsidiaries maintained a general reserve at no less than 1.5% of its risk assets at the end of the reporting period.

28. RETAINED EARNINGS

The movements of retained earnings of the Group are set out below:

	2022	2021
At the beginning of the year	4,033,572,538	918,578,663
Profit for the year	2,992,514,729	3,192,323,849
Appropriation to general reserves	(8,068,140)	(77,329,974)
At the end of the year	7,018,019,127	4,033,572,538

29. CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, there were no significant legal proceedings outstanding against the Group. No provision has been made for pending assessments, lawsuits or possible violations of contracts as the outcome cannot be reasonably estimated or management believes that the probability of a loss is low or remote.

30. CAPITAL COMMITMENTS

Capital expenditures contracted by the Group as at 31 December 2022 and 2021 but are not yet to be recognized on the consolidated statements of financial position are as follows:

	31 December 2022	31 December 2021
Acquisition of equipment held for operating lease	6,398,656,604	6,873,208,622

31. FINANCE LEASE COMMITMENTS

	31 December 2022	31 December 2021
Finance lease commitments	1,508,532,360	1,656,406,860

Finance lease commitments are in relation to finance leases contracts signed by the Group as lessor are not yet effective as at 31 December 2022 and 2021.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties. Operating leases relate to leases of office properties with lease terms of 1 year. The Group does not have an option to purchase the leased asset at the expiry of the lease periods.

The Group as lessor

Leasing arrangements

As at 31 December 2022, operating leases relate to the ships owned by the Group with lease terms of between 24 months to 180 months. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

Non-cancellable operating leases receivable

As at 31 December 2022 and 2021, the Group is entitled to receive the minimum cash lease rentals under non-cancellable operating lease which fall due as follows:

	31 December 2022	31 December 2021
Within one year	1,674,757,043	1,867,237,418
In the first to second years inclusive	1,543,145,419	1,707,683,612
In the second to third years inclusive	1,371,839,602	1,615,405,761
In the third to fourth years inclusive	1,158,795,030	1,275,585,651
In the fourth to fifth years inclusive	656,665,042	855,695,741
Over five years	1,412,364,956	1,407,245,929
	7,817,567,092	8,728,854,112

33. RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Names and relationship with related parties are as below:

Name	**Relationship**
CDB	The ultimate beneficial owner
CDB Leasing	The parent company
CDB Aviation Lease Finance Designated Activity Company ("CDBALF")	Controlled by the same beneficial owner
SPVs incorporated in Mainland China	Controlled by the same beneficial owner

(a) Pricing policies

Payment of interest to related parties and other related transactions
The prices for services provided to and by related parties are determined based on open market prices and mutual agreement.

Sale of operating lease ships businesses to related parties
The transaction prices of the used ships shall be determined based on net book value in accordance with the terms and business procedures agreed by the related parties. The transaction prices of the ships under construction shall be determined based on the contract prices agreed with the shipyards and the ships shall be delivered by the shipyards directly. If the prices fluctuate in the future, the buyers shall bear the fluctuation by themselves.

33. RELATED PARTY TRANSACTIONS (continued)

The following transactions were carried out with related parties during the year:

(b) Related party transactions

Interest income	Year ended 31 December 2022	Year ended 31 December 2021
CDB	32,039	30,726
CDBALF	235,310,376	65,758,178
	235,342,415	65,788,904

Interest expense	Year ended 31 December 2022	Year ended 31 December 2021
CDB	-	16,692,816
CDB Leasing	28,945,939	36,088,563
CDBALF	-	1,847,853
	28,945,939	54,629,232

(c) Year-end balances

	31 December 2022	31 December 2021
Amounts due to/from CDB:		
Cash and bank balances	65,448,869	59,888,483
Amounts due to/from CDB Leasing:		
Other receivables	497,609,235	673,368,306
Other payables	446,701,302	509,248,583
Financial lease liabilities	524,041,697	671,286,929
Amounts due to/from CDBALF:		
Other receivables	14,973,890,000	3,825,420,000
Interest receivables	91,406,530	25,454,332
Amounts due to/from SPVs incorporated in Mainland China:		
Other receivables	449,841,717	-

(d) Key management compensation

There were no remunerations paid or payable by the Group to key management during the year ended 31 December 2022 (31 December 2021: Nil). The remunerations, which were not material in the opinion of directors of the Company, were borne by related parties of the Company.

34. FAIR VALUE HIERARCHY OF THE FINANCIAL INSTRUMENTS

34.1 Determination of fair value and valuation techniques

The following table provides the fair value measurement hierarchy of the Group's financial instruments as at 31 December 2022 and 2021:

	As at 31 December 2022			
	Level 1	Level 2	Level 3	Total
Derivatives financial assets				
- Cross currency swaps	-	22,947,867	-	22,947,867
Derivatives financial liabilities				
- Cross currency swaps	-	11,054,382	-	11,054,382

	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
Derivatives financial assets				
- Currency forwards	-	41,000,409	-	41,000,409
- Cross currency swaps	-	15,607,926	-	15,607,926
	-	56,608,335	-	56,608,335
Derivatives financial liabilities				
- Cross currency swaps	-	5,068,050	-	5,068,050
- Interest rate swaps	-	18,414,433	-	18,414,433
- Foreign exchange swaps	-	1,551,871	-	1,551,871
	-	25,034,354	-	25,034,354

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 other financial instruments – discounted cash flow analysis.

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

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

34. FAIR VALUE HIERARCHY OF THE FINANCIAL INSTRUMENTS (continued)

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

	As at 31 December			
	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds payable	18,641,058,082	17,905,203,871	21,256,121,389	21,288,833,510

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 statements of financial position approximate their fair values because majority of financial assets and liabilities are matured within one year or at floating interest rates.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and monitors the risks continuously. The major financial risks of the Group are market risk, credit risk and liquidity risk. Market risk includes currency risk and interest rate risk. The Group's overall risk management programme focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The major derivative financial instruments adopted by the Group are interest rate swaps, cross currency swaps and currency forwards. The objective for interest rate swaps is to hedge against the cash flow volatility risk caused by interest rate fluctuations of borrowings and bonds payable; the objective for cross currency swaps is to hedge against the cash flow volatility risk caused by interest rate and foreign exchange fluctuations of bonds payable; the objective for currency forwards contract is to hedge against the foreign exchange rate volatility risk caused by foreign currency risk exposure.

The board of directors of the Company established the Group's risk management strategy. The senior management established related risk management policies and procedures, for credit risk, foreign exchange risk, interest rate risk, liquidity risk, and the use of derivative and non-derivative financial instruments, according to the risk management strategy approved by the board.

35.1 Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse movements in market prices (including interest rates and exchange rates).

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would mature in a certain period or need to be repriced, and then uses the exposure information to perform sensitivity analysis under changing market interest rate and exchange rate.

(a) Foreign currency risk

The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. Most ships held under finance and operating leases that the Group has purchased are denominated in US dollars; and the corresponding finance lease receivables and operating leases receivable are denominated in US dollars; and the main sources of fund are from bank borrowings and bond issuance denominated in US dollar.

The Group's policy has been reviewed and, due to the increased volatility in USD, it had decided to hedge foreign exchange risk exposures that affect profit and loss. The Group utilises a rollover hedging strategy, such as currency forwards, to offset or limit the exposure currency risk for its immediate beneficial owner, CDB leasing Group. The maturity date of the Group's currency forwards is 4 January 2023 (2021: from 5 January 2022 to 29 July 2022).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.1 Market risk (continued)

(a) *Foreign currency risk* (continued)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is RMB:

	USD	HKD	Others	Total
31 December 2022				
Cash and bank balances	7,746,210,171	11,933	530,848	7,746,752,952
Derivative financial assets	22,947,867	-	-	22,947,867
Other financial assets	47,321,538,418	917,502	-	47,322,455,920
Total financial assets	55,090,696,456	929,435	530,848	55,092,156,739
Borrowings	21,723,939,590	-	-	21,723,939,590
Derivative financial liabilities	11,054,382	-	-	11,054,382
Other financial liabilities	17,452,406	1,072,439	-	18,524,845
Total financial liabilities	21,752,446,378	1,072,439	-	21,753,518,817
Net exposure	33,338,250,078	(143,004)	530,848	33,338,637,922
Net off-balance sheet position	(4,699,630,298)	1,167,854,423	-	(3,531,775,875)

	USD	HKD	Others	Total
31 December 2021				
Cash and bank balances	5,803,092,533	5,266	516,311	5,803,614,110
Derivative financial assets	56,608,335	-	-	56,608,335
Prepayment	272,420,910	-	-	272,420,910
Other financial assets	33,277,662,961	498,659	-	33,278,161,620
Total financial assets	39,409,784,739	503,925	516,311	39,410,804,975
Borrowings	17,878,077,034	-	-	17,878,077,034
Derivative financial liabilities	25,034,354	-	-	25,034,354
Other financial liabilities	19,133,217,227	1,581,084,948	241,931	20,714,544,106
Total financial liabilities	37,036,328,615	1,581,084,948	241,931	38,617,655,494
Net exposure	2,373,456,124	(1,580,581,023)	274,380	793,149,481
Net off-balance sheet position	(3,657,195,705)	617,579,222	-	(3,039,616,483)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is US dollar:

	RMB	HKD	Others	Total
31 December 2022				
Cash and bank balances	-	12,996	-	12,996
Other financial assets	898,402,000	759,357,790	248,740	1,658,008,530
Total financial assets	898,402,000	759,370,786	248,740	1,658,021,526
Bonds payable	898,517,651	1,160,647,921	-	2,059,165,572
Other financial liabilities	5,688,493	2,476,194	-	8,164,687
Total financial liabilities	904,206,144	1,163,124,115	-	2,067,330,259
Net exposure	(5,804,144)	(403,753,329)	248,740	(409,308,733)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.1 Market risk (continued)

(a) Foreign currency risk (continued)

	RMB	HKD	Others	Total
31 December 2021				
Cash and bank balances	-	12,590	-	12,590
Other financial assets	211,390,320	1,580,553,679	241,931	1,792,185,930
Total financial assets	211,390,320	1,580,566,269	241,931	1,792,198,520
Bonds payable	269,481,827	1,927,245,255	-	2,196,727,082
Other financial liabilities	6,551,014	6,191,673	-	12,742,687
Total financial liabilities	276,032,841	1,933,436,928	-	2,209,469,769
Net exposure	(64,642,521)	(352,870,659)	241,931	(417,271,249)

The following table indicates the potential effect on profit before tax and equity of a 5% appreciation or depreciation of USD's spot and forward exchange rates against RMB, respectively.

	Year ended 31 December	
	2022	2021
Profit before tax:		
5% appreciation	3,234,358	(28,206,673)
5% depreciation	(3,234,358)	28,206,673
Equity:		
5% appreciation	416,995,414	203,803,128
5% depreciation	(416,995,414)	(203,803,128)

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. Interest margins may increase as a result of fluctuation in market interest rates, but may reduce or create losses in the event that unexpected movements arise. Therefore, the Group primarily manages the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities.

The Group primarily manages the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities. For interest-generating assets, the Group mainly receives floating rate finance lease receivables, and it mainly receives operating lease rentals based on the higher of contracted rental premiums or rentals anchored by Baltic Exchange Supramax Index. For interest-bearing liabilities, the Group carries bank borrowings at floating rate and most bonds at fixed rates.

The floating rate contracted by the Group is LIBOR.

To deal with cash flow volatility caused by interest rate fluctuation, the Group had introduced interest rate swap contracts and cross currency swaps ("CCS") as cash flow hedge strategies. Via these contracts, the Group had effectively match the future fixed rental income, and fix the interest spread.

The interest rate swaps introduced by the Group are settled at maturity on a net basis, and the CCS introduced by the Group are settled at maturity on a gross basis. For the year ended 31 December 2022 and 2021, the Group's hedge relationship between interest rate swaps and CCS, and their designated hedged items were highly effective. The hedge ratios for the Group's hedge relationships are 1:1. The maturity date of the Group's interest rate swaps and CCS range from 3 February 2023 to 17 October 2024 (31 December 2021: 24 January 2022 to 27 January 2024).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.1 Market risk (continued)

(b) Interest rate risk (continued)

As at 31 December 2022 and 2021, the Group's assets and liabilities at carrying amounts, categorised by remaining maturity based on the earlier of contractual repricing or remaining maturity dates are as follows:

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2022						
Cash and bank balances	8,147,165,606	-	-	-	-	8,147,165,606
Derivative financial assets	-	-	-	-	22,947,867	22,947,867
Accounts receivable	-	-	-	609,647,468	22,617,322	632,264,790
Finance lease receivables	4,917,302,319	-	-	5,161,342,158	-	10,078,644,477
Other financial assets	-	-	-	-	16,147,093,777	16,147,093,777
Total financial assets	13,064,467,925	-	-	5,770,989,626	16,192,658,966	35,028,116,517
Borrowings	30,164,276,528	4,857,393,756	-	-	-	35,021,670,284
Derivative financial liabilities	-	-	-	-	11,054,382	11,054,382
Bonds payable	3,762,745,021	199,812,493	14,678,500,568	-	-	18,641,058,082
Finance lease liabilities	-	-	524,041,697	-	-	524,041,697
Guarantee deposits from lessees	-	-	-	-	185,251,871	185,251,871
Other financial liabilities	-	-	-	-	1,150,117,854	1,150,117,854
Total financial liabilities	33,927,021,549	5,057,206,249	15,202,542,265	-	1,346,424,107	55,533,194,170
Interest rate gap	(20,862,553,624)	(5,057,206,249)	(15,202,542,265)	5,770,989,626	14,846,234,859	(20,505,077,653)

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2021						
Cash and bank balances	6,078,205,615	-	-	-	240,842	6,078,446,457
Derivative financial assets	-	-	-	-	56,608,335	56,608,335
Accounts receivable	-	-	-	-	49,994,507	49,994,507
Finance lease receivables	8,056,694,866	-	-	3,635,477,738	-	11,692,172,604
Other financial assets	-	-	-	-	4,754,043,202	4,754,043,202
Total financial assets	14,134,900,481	-	-	3,635,477,738	4,860,886,886	22,631,265,105
Borrowings	19,344,047,895	3,300,503,919	-	-	-	22,644,551,814
Derivative financial liabilities	-	-	-	-	25,034,354	25,034,354
Bonds payable	6,915,798,421	6,244,002,148	8,096,320,820	-	-	21,256,121,389
Finance lease liabilities	-	-	671,286,929	-	-	671,286,929
Guarantee deposits from lessees	-	-	-	-	178,070,147	178,070,147
Other financial liabilities	-	-	-	-	993,785,950	993,785,950
Total financial liabilities	26,259,846,316	9,544,506,067	8,767,607,749	-	1,196,890,451	45,768,850,583
Interest rate gap	(12,124,945,835)	(9,544,506,067)	(8,767,607,749)	3,635,477,738	3,663,996,435	(23,137,585,478)

The following table illustrates the potential impact of a parallel upward or downward shift of 10 basis points in all financial instruments' yield rate on the Group's profit before tax and equity, based on the Group's positions of interest-generating assets, interest-bearing liabilities and interest rate swap contracts for the year of 2022 and 2021.

	Year ended 31 December	
	2022	2021
Profit before tax:		
+ 10 basis points	(20,151,187)	(14,188,517)
- 10 basis points	20,151,187	14,188,517
Equity:		
+ 10 basis points	(20,151,187)	(13,170,249)
- 10 basis points	20,151,187	13,170,249

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.2 Credit risk

Credit risk for the Group represents the risk that the counterparty fails to meet its contractual obligations at the due date. Credit risk is considered as one of the most significant risk to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from leasing business and other financial assets, which include cash and bank balances, derivative financial instruments, and other receivables.

(a) Credit risk management

The Group establishes industry risk management framework and measurements which the Group will perform research by industry, implement credit evaluation, estimate the value on lease assets, monitor lessee business status and evaluate the impact from change in technology to lease assets, to strengthen the credit risk control and management.

The Group enters into transactions only with recognized and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with which the Group has credit transactions. In addition, the Group monitors the leases receivable regularly to mitigate the risk of significant exposures from non-performing assets. The Group employs a range of policies and practices to mitigate credit risk of leasing business. The most typical of these is the taking of collateral, margin deposits and guarantees by third parties.

In 2021 and 2022, COVID-19 caused an unprecedented impact on the global economy and society, and affected the Group in a certain extent. In the face of the impact of COVID-19, the Group manages and responds actively, provides relief plans for stock customers which were impacted by the COVID-19. Facing the complicated and changeable external environment, the Group actively carries out risk investigation, conducts risk analysis and screening, comprehensively investigates the potential risks, formulates annual quality evaluation plan and takes forward-looking risk control measures to effectively buffer the influence of COVID-19.

The Group regularly evaluate the credit risk, improve the credit risk monitoring and early warning management system, and provide rescue programs to their lessees affected by the COVID-19. The Group have provided rent concessions to lessees as a result of the COVID-19 pandemic. Rent concessions mainly include deferral of payment or restructuring of rent contracts with lessees.

The credit risk on bank balances and derivative financial instruments are limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

Other receivables due from related parties (Note 33(c)) are considered to bear low credit risk.

Other receivables due from third parties, operating lease receivables and finance lease receivables, where the lessees of the Group are shipping companies and manufacturing companies, if the strategic relationship with these companies is terminated or scaled-back or if they experiences financial difficulties in payment, the Group's operating lease and finance lease service might be adversely affected in terms of recoverability of receivables. To manage the credit risk, the Group maintains frequent communications with the shipping companies to ensure the relevant co-operation is effectively and smoothly.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.2 Credit risk (continued)

(b) Expected credit loss

The Group formulates the credit losses of cash and bank balances, accounts receivable, finance lease receivables and other financial assets .

For financial assets whose impairment losses are measured using ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model (refer to Note 2.5.9(d)) to calculate their impairment allowance and recognise their ECL.

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of EAD, PD and LGD.

The Group measures the loss allowance based on 12-month expected credit losses or lifetime expected credit losses, depending on whether the credit risk has increased significantly. The parameters and assumptions involved in ECL model are described below.

(i) Exposure at Default (EAD): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

(ii) Probabilities of Default (PD): The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

(iii) Loss given Default (LGD): LGD represents the Group's expectation of the extent of loss in a defaulted exposure. LGD is expressed as a percentage loss per unit EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the financial assets.

The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

Deterioration in credit quality of financial assets as a result of the COVID-19 pandemic may have a significant impact on Group ECL measurement. The Group consider the forward-looking information in updating ECL calculations due to the COVID-19 pandemic and strengthen the evaluation of ECL. The Group take management overlay consideration for industry level risks which includes the impact of COVID-19.

Judgement of significant increase in credit risk ("SICR")

Under HKFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group considers various reasonable and supportable information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial assets. Major factors being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group set quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly includes the PD changes of the lessees, changes of credit risk categories and other indicators of SICR, etc. In the judgement of whether the credit risk has SICR after initial recognition, the Group has not rebutted the 30 days past due as presumption of SICR.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.2 Credit risk (continued)

(b) Expected credit loss (continued)

The definition of credit-impaired assets

Under HKFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets while considering quantitative and qualitative indicators. When the Group assesses whether the lessee has credit impairment, the following factors are mainly considered:

- Internal credit rating of the lessee is default grade;
- The lessee has overdue more than 60 days after the lease contract payment date;
- The lessee has significant financial difficulties;
- The lessee is likely to go bankrupt or other financial restructuring;
- The lessor gives the lessee concessions for economic or contractual reasons due to the lessee's financial difficulties, where such concessions are normally reluctant to be made by the lessor.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable event.

Forward-looking information

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macroeconomic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macroeconomic forward-looking adjustment ECL models by establishing a basket of factors, preparing data, filtering model factors and adjusting forward-looking elements. The basket of macroeconomic factors including Gross Domestic Products (GDP), Completed Investment in Fixed Assets and Newbuilding Price Index (NPI).

In 2022 and 2021, the Group used statistical analysis to determine the weights of three different scenarios, and also considered the range of possible outcomes represented by each scenario, including base, upside and downside scenarios, and determined the final macroeconomic assumptions and weights to measure the relevant expected credit loss. For GDP, the Group used an average of forecast growth rate is approximately 5.02% (China) in the base scenario for 2023.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.2 Credit risk (continued)

(b) Expected credit loss (continued)

Sensitivity analysis

Expected credit impairment allowance is sensitive to the parameters used in the model, the macroeconomic variables of the forward-looking forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Change in these input parameters, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

Assuming the weight for upside scenario rise by 10%, the weight for basic scenario fall by 10%, the expected credit impairment allowance will decrease by RMB 0.9 million (2021: RMB 11.8 million). If the weight for downside scenario increase by 10% and the weight for basic scenario decrease by 10%, then the expected credit impairment allowance will increase by RMB1.1 million (2021: RMB 8.2 million).

Credit risk exposure of financial assets

The following table presents the credit risk exposure of the financial assets under the scope of expected credit loss. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the gross carrying amount of the financial assets:

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	8,147,165,606	-	-	-	8,147,165,606
Accounts receivable	616,491,351	-	-	22,830,166	639,321,517
Finance lease receivables	11,008,438,097	-	14,919,739	-	11,023,357,836
Other financial assets	-	-	-	16,147,404,309	16,147,404,309
Less: allowances for impairment losses	(937,190,900)	-	(14,366,342)	(212,844)	(951,770,086)
	18,834,904,154	-	553,397	16,170,021,631	35,005,479,182

	31 December 2021				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	6,078,446,457	-	-	-	6,078,446,457
Accounts receivable	-	-	-	50,534,627	50,534,627
Finance lease receivables	11,810,257,986	539,077,832	17,463,878	-	12,366,799,696
Other financial assets	-	-	-	4,754,327,476	4,754,327,476
Less: allowances for impairment losses	(394,116,544)	(265,170,125)	(15,340,423)	(824,394)	(675,451,486)
	17,494,587,899	273,907,707	2,123,455	4,804,037,709	22,574,656,770

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.2 Credit risk (continued)

(b) Expected credit loss (continued)

Credit risk exposure of financial assets (continued)

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified into 4 different levels as "low risk", "medium risk", "high risk" and "default" according to the internal rating scale. "Low risk" level means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. "Medium risk" level means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. "High risk" level means that there are factors revealing significant adverse impact on the asset quality, but there is no event indicating incurred default; The criteria of "default" level are consistent with those of "credit-impaired".

Finance lease receivables:

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Credit Rating:				
Low risk	10,624,232,036	-	-	10,624,232,036
Medium risk	384,206,061	-	-	384,206,061
High risk	-	-	-	-
Default	-	-	14,919,739	14,919,739
Net amount	11,008,438,097	-	14,919,739	11,023,357,836
Less: allowances for impairment losses	(930,347,017)	-	(14,366,342)	(944,713,359)
Net carrying amount	10,078,091,080	-	553,397	10,078,644,477

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Credit Rating:				
Low risk	8,314,085,179	-	-	8,314,085,179
Medium risk	3,496,172,807	539,077,832	-	4,035,250,639
High risk	-	-	-	-
Default	-	-	17,463,878	17,463,878
Net amount	11,810,257,986	539,077,832	17,463,878	12,366,799,696
Less: allowances for impairment losses	(394,116,544)	(265,170,125)	(15,340,423)	(674,627,092)
Net carrying amount	11,416,141,442	273,907,707	2,123,455	11,692,172,604

Advances for finance lease projects in accounts receivable:

As at 31 December 2022, the credit rating of advances for finance lease projects in accounts receivable is low risk in stage 1, with a gross amount of RMB616,491,351 and an allowance for impairment losses of RMB6,843,883 (31 December 2021: nil).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.3 Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management target is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the financial demand of leasing business investment.

The major payment demand of the Group is the repayments of matured bank borrowings and withdraw request from lessees under finance leases.

The Group and the company had received financial and credit support from its parent company, CDB leasing group.

(a) *Cash flow for non-derivative financial liabilities*

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2022 and 2021. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

31 December 2022	Indefinite/ On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Borrowings	-	22,029,251,423	7,705,683,734	5,035,253,886	251,481,242	35,021,670,285
Bonds payable	-	2,695,216,944	6,017,001,876	10,985,941,833	-	19,698,160,653
Finance lease liabilities	-	168,893,644	287,308,357	104,041,387	-	560,243,388
Guarantee deposits from lessees	-	-	5,672,215	179,579,656	-	185,251,871
Other financial liabilities	474,782,569	642,602,859	4,438,901	13,316,702	14,976,823	1,150,117,854
Non-derivative financial liabilities total	474,782,569	25,535,964,870	14,020,105,083	16,318,133,464	266,458,065	56,615,444,051

31 December 2021	Indefinite/ On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Borrowings	-	18,529,588,124	2,123,174,254	2,013,878,930	275,480,006	22,942,121,314
Bonds payable	-	13,362,075,653	1,466,016,907	6,969,720,264	-	21,797,812,824
Finance lease liabilities	-	176,191,171	168,893,644	391,349,744	-	736,434,559
Guarantee deposits from lessees	27,790	-	-	15,313,888	162,728,469	178,070,147
Other financial liabilities	509,248,583	484,537,367	-	-	-	993,785,950
Non-derivative financial liabilities total	509,276,373	32,552,392,315	3,758,084,805	9,390,262,826	438,208,475	46,648,224,794

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.3 Liquidity risk (continued)

(b) Cash flow analysis for derivative financial instruments

The following table illustrates the details of the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a gross basis, and the undiscounted gross inflows and outflows on those derivatives that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves as at 31 December 2022 and 2021 for exchange rate as well.

Derivative settled on a gross basis

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
31 December 2022					
Cross currency swaps					
Total inflows	2,202,689,710	702,542,034	-	-	2,905,231,744
Total outflows	(2,208,665,075)	(682,609,307)	-	-	(2,891,274,382)
Total	(5,975,365)	19,932,727	-	-	13,957,362
31 December 2021					
Cross currency swaps					
Total inflows	858,189,904	624,145,608	387,081,629	-	1,869,417,141
Total outflows	(842,697,064)	(627,320,616)	(388,905,751)	-	(1,858,923,431)
Total	15,492,840	(3,175,008)	(1,824,122)	-	10,493,710

Derivative settled on a net basis

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
31 December 2022					
Currency forwards					
Total outflows	(132,764,100)	-	-	-	(132,764,100)
31 December 2021					
Currency forwards					
Total inflows	130,628,664	-	-	-	130,628,664
Interest rate swaps					
Total outflows	(17,844,732)	-	-	-	(17,844,732)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.4 Interest rate benchmark reform

As at 31 December 2022, the Group had certain finance lease receivables, interest-bearing bank borrowings and interest rate swaps denominated in United States dollars. The interest rates of these instruments are based on the LIBOR with a tenor of one month, *three months, six months or one year, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence* but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract;
- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group); and
- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR.

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

As at 31 December 2022

	Non-derivative financial assets carrying value USD	Non-derivative financial liabilities carrying value USD	Derivatives – nominal amount USD
USD LIBOR (1 month)	262,182,836	1,337,000,000	-
USD LIBOR (3 months)	511,291,048	722,640,964	-
	773,473,884	2,059,640,964	-

As at 31 December 2021

	Non-derivative financial assets carrying value USD	Non-derivative financial liabilities carrying value USD	Derivatives – nominal amount USD
USD LIBOR (1 month)	280,096,923	794,000,000	10,000,000
USD LIBOR (3 months)	630,905,479	2,042,991,090	630,000,000
USD LIBOR (6 months)	-	150,000,000	-
USD LIBOR (1 year)	-	50,000,000	-
	911,002,402	3,036,991,090	640,000,000

35.5 Capital risk management

The Group's objectives when managing capital (including funding from the parent company and related parties) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholder value in the long term.

The collection of finance lease receivables of the Group meets the repayment on borrowings and finance lease liabilities.

36. EVENTS AFTER THE REPORTING PERIOD

On 1 January 2023, the board of directors of the company resolved that the functional currency and presentation currency in the Company's Report of the Directors and Consolidated Financial Statements be changed from RMB to USD with effect from the financial year beginning 1 January 2023.

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2022	2021
Assets		
Cash and bank balances	7,736,359,466	5,764,865,716
Derivative financial assets	22,947,867	56,608,335
Finance lease receivables	524,843,696	672,367,273
Prepayments	-	272,420,910
Investment in subsidiaries	137,234,448	144,983,488
Property and equipment	1,211	1,211
Other assets	47,329,626,592	33,061,053,624
Total assets	55,751,013,280	39,972,300,557
Liabilities		
Borrowings	24,378,839,590	17,878,077,034
Derivative financial liabilities	11,054,382	25,034,354
Finance lease liabilities	524,041,697	671,286,929
Other liabilities	21,531,364,638	21,359,499,812
Total liabilities	46,445,300,307	39,933,898,129
Equity		
Share capital	8,765	8,765
Other reserves	267,160,674	248,746,241
General reserve	704,739,805	-
Retained earnings/(accumulated losses)	8,333,803,729	(210,352,578)
Total equity	9,305,712,973	38,402,428
Total liabilities and equity	55,751,013,280	39,972,300,557

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

	Other reserves	General reserve	Retained earnings/(accumulated losses)	Total
At 1 January 2022	248,746,241	-	(210,352,578)	38,393,663
Profit for the year	-	-	9,248,896,112	9,248,896,112
Cash flow hedge	18,414,433	-	-	18,414,433
Appropriation to general reserves	-	704,739,805	(704,739,805)	-
At 31 December 2022	267,160,674	704,739,805	8,333,803,729	9,305,704,208
At 1 January 2021	164,558,031	-	(513,057,755)	(348,499,724)
Profit for the year	-	-	302,705,177	302,705,177
Cash flow hedge	84,188,210	-	-	84,188,210
At 31 December 2021	248,746,241	-	(210,352,578)	38,393,663

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 16 May 2023.

CDB LEASING (INTERNATIONAL) COMPANY LIMITED

REPORT OF THE DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

Principal activities

The principal activities of the Company are investment holding and the provision of ships, containers and equipment leasing services. There were no significant changes in the nature of the Company's principal activities during the year. The activities of the subsidiaries are set out in Note 25 to the consolidated financial statements.

Recommended dividend

The directors do not recommend the payment of any dividend in respect of the year.

Shares issued

Details of the shares issued in the year ended 31 December 2021 are set out in Note 24 to the consolidated financial statements.

Charitable contributions

The Company made no charitable contributions during the year.

Directors

(a) The directors of the Company during the year were:

Mr. Mo Yanfeng	(Appointed on 18 November 2019)
Mr. Shan Kai	(Appointed on 18 November 2019)

Subsequent to the end of the reporting period, on 7 March 2022, Mr. Shan Kai resigned as a director of the Company and Ms. Yang Yuxia was appointed as a director of the Company.

In accordance with article 7 of the Company's articles of association, Mr. Mo Yanfeng will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

(b) Directors of the Company's subsidiaries

During the year and up to the date of this report, Mr. Mo Yanfeng and Mr. Shan Kai are also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report include: Mr. Xiong Jianfeng, Mr. Qin Jianqiang, Mr Wang bin and Mr. Liu WenJie.

Directors' interests

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its controlling company was a party and in which directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Events after the reporting period

Details of the Company's significant events after the reporting period are set out in Note 36 to the consolidated financial statements.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

....
Director

19 May 2022

EY 安永

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent Auditor's Report
To the members of CDB Leasing (International) Company Limited
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the consolidated financial statements of CDB Leasing (International) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 5 to 65 which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion
We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Consolidated Financial Statements and Auditor's Report thereon
The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Independent Auditor's Report (continued)
To the members of CDB Leasing (International) Company Limited
(Incorporated In Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Certified Public Accountants
Hong Kong
19 May 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021
(Amounts in RMB, unless otherwise stated)

	Notes	Year ended 31 December 2021	2020
Revenue			
Finance lease income	4	625,337,588	832,657,563
Operating lease income	4	4,490,624,769	951,013,090
Total revenue		5,115,962,357	1,783,670,653
Other income, gains or losses	5	903,976,909	726,918,582
Total revenue and other income		6,019,939,266	2,510,589,235
Expenses			
Depreciation	6	(899,268,373)	(504,470,585)
Interest expense	7	(919,637,771)	(875,372,005)
Other operating expenses	8	(637,971,358)	(320,568,765)
Net impairment losses on financial assets	9	(282,291,627)	(68,621,637)
Net impairment losses on other assets	10	(88,446,288)	-
Total expenses		(2,827,615,417)	(1,769,032,992)
Profit before tax		3,192,323,849	741,556,243
Income tax expense	12	-	-
Profit for the year attributable to owners of the Company		3,192,323,849	741,556,243
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges, net of tax	26	56,082,705	(21,002,467)
Currency translation differences	26	(49,572,483)	(139,303,881)
Total other comprehensive loss for the year, net of tax		6,510,222	(160,306,348)
Total comprehensive income for the year attributable to owners of the Company, net of tax		3,198,834,071	581,249,895

The accompanying notes form an integral part of these consolidated financial statements.

CDB LEASING (INTERNATIONAL) COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Amounts in RMB, unless otherwise stated)

	Notes	As at 31 December 2021	2020
Assets			
Cash and bank balances	13	6,078,446,457	11,146,123,018
Derivative financial assets	14	56,608,335	328,290,746
Operating lease receivables	15	49,994,507	-
Finance lease receivables	16	11,692,172,604	12,372,523,057
Prepayments	17	3,180,342,620	4,494,801,216
Property and equipment	18	24,618,663,906	13,624,818,511
Other assets	19	4,754,043,202	2,910,840,548
Total assets		50,430,271,631	44,877,397,096
Liabilities			
Borrowings	20	22,644,551,814	20,934,004,095
Derivative financial liabilities	14	25,034,354	138,509,601
Bonds payable	21	21,256,121,389	20,093,083,237
Finance lease liabilities	22	671,286,929	818,687,064
Guarantee deposits from lessees		178,070,147	170,969,283
Other liabilities	23	993,785,950	1,259,556,839
Total liabilities		45,768,850,583	43,414,810,119
Equity			
Share capital	24	8,765	8,765
Other reserves	26	(68,831,920)	(75,342,142)
General reserve	27	696,671,665	619,341,691
Retained earnings		4,033,572,538	918,578,663
Total equity		4,661,421,048	1,462,586,977
Total liabilities and equity		50,430,271,631	44,877,397,096

The consolidated financial statements and the accompanying notes were approved by the Board of Directors on 19 May 2022 and were signed on its behalf.

....
Name of director
Director

....
Name of director
Director

The accompanying notes form an integral part of these consolidated financial stetements.

CDB LEASING (INTERNATIONAL) COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021
(Amounts in RMB, unless otherwise stated)

	Notes	Attributable to the equity holders of the Company				
		Share capital	Other reserves	General reserve	Retained earnings	Total equity
At 1 January 2021		8,765	(75,342,142)	619,341,691	918,578,663	1,462,586,977
Profit for the year		-	-	-	3,192,323,849	3,192,323,849
Other comprehensive income/(loss) for the year		-	-	-	-	-
Cash flow hedges, net of tax	26	-	56,082,705	-	-	56,082,705
Currency translation differences	26	-	(49,572,483)	-	-	(49,572,483)
Total comprehensive income for the year		-	6,510,222	-	3,192,323,849	3,198,834,071
Appropriation to general reserves	27	-	-	77,329,974	(77,329,974)	-
At 31 December 2021		8,765	(68,831,920)	696,671,665	4,033,572,538	4,661,421,048
At 1 January 2020		8,765	84,964,206	387,667,259	408,696,852	881,337,082
Profit for the year		-	-	-	741,556,243	741,556,243
Other comprehensive income/(loss) for the year		-	-	-	-	-
Cash flow hedges, net of tax	26	-	(21,002,467)	-	-	(21,002,467)
Currency translation differences	26	-	(139,303,881)	-	-	(139,303,881)
Total comprehensive income for the year		-	(160,306,348)	-	741,556,243	581,249,895
Appropriation to general reserves	27	-	-	231,674,432	(231,674,432)	-
At 31 December 2020		8,765	(75,342,142)	619,341,691	918,578,663	1,462,586,977

The accompanying notes form an integral part of these consolidated financial statements.

CDB LEASING (INTERNATIONAL) COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(Amounts in RMB, unless otherwise stated)

	Notes	Year ended 31 December 2021	2020
Operating activities			
Profit before tax		3,192,323,849	741,556,243
Adjustments for:			
- Bonds payable interest expenses	7	623,352,206	651,820,871
- Net impairment losses on financial assets	9	282,291,627	68,621,637
- Net impairment losses on other assets	10	88,446,288	-
- Depreciation of property and equipment		899,268,373	504,470,585
- Gains on disposal of equipment held for operating lease	5	-	(147,046,998)
- Foreign exchange gains from derivatives		(118,621,451)	(253,904,385)
Changes in working capital:			
- Borrowings		1,795,488,596	14,560,763,293
- Interest receivable		(23,389,681)	(2,305,493)
- Other assets		(1,430,148,753)	(1,299,521,887)
- Guaranteed deposits from lessees		7,100,864	(36,442,766)
- Interest payable		(25,340,689)	36,510,105
- Operating lease receivables		92,143,366	-
- Other liabilities		(527,265,068)	969,621,744
- Financial lease receivables		120,809,254	652,896,380
Cash flows from operating activities		4,976,458,781	16,447,039,329
Income tax paid		-	-
Net cash inflow from operating activities		4,976,458,781	16,447,039,329
Cash flows from investing activities			
Payments for property and equipment		(11,204,038,137)	(7,968,233,077)
Proceeds from disposal of finance investment of derivatives		332,055,170	-
Net cash outflow from investing activities		(10,871,982,967)	(7,968,233,077)
Cash flows from financing activities			
Cash proceeds from bonds issued		12,082,907,675	4,355,968,133
Repayments of bonds payable		(10,429,854,728)	(3,180,358,828)
Bonds interest paid		(626,602,132)	(695,630,607)
Net cash inflow from financing activities		1,026,450,815	479,978,698
Net increase/(decrease) in cash and cash equivalents		(4,869,073,371)	8,958,784,950
Cash and cash equivalents at the beginning of the year		11,146,123,018	2,658,746,971
Effects of exchange rate changes on cash and cash equivalents		(198,603,190)	(471,408,903)
Cash and cash equivalents at the end of the year	13	6,078,446,457	11,146,123,018
Net cash from operating activities includes:			
Interest received		721,517,098	890,247,397
Interest paid, exclusive bonds payable interest expenses		(321,626,254)	(187,041,029)
Net interest received		399,890,844	703,206,368

The accompanying notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

CDB LEASING (INTERNATIONAL) COMPANY LIMITED (the "Company"), with the former name of Metro Excel Limited, is a limited liability company incorporated in Hong Kong on 3 September 2009. Its registered office is located at 21/F, Edinburgh Tower, The LandMark, 15 Queen's Road Central, Hong Kong.

On the date of incorporation, 10,000 ordinary share were issued by the Company to Sky Era Limited and GNL09 Limited at the issue price of HK$ 1 per share, of which Sky Era Limited held 9,999 shares and GNL09 Limited held 1 share. The proceeds of HK$ 10,000 (equivalent to RMB8,765) were recorded as share capital. On 25 September 2009, GNL09 Limited transferred the 1 issued share of the Company to Sky Era Limited. On 30 September 2015, Sky Era Limited transferred the 10,000 issued shares of the Company to CFAS Services Limited at nil consideration.

Pursuant to the Declaration of Trust between CFAS Services Limited and China Development Bank Financial Leasing Co., Ltd.("CDB Leasing") on 30 September 2015, CFAS Services Limited hold the issued shares of the Company on behalf of CDB Leasing.

In the opinion of the directors, the Company's parent company and ultimate beneficial owner of the Group are CDB Leasing and China Development Bank Co., Ltd ("CDB"). Both CDB and CDB Leasing are incorporated in Mainland China.

The Company and its subsidiaries (the "Group") are principally engaged in provision of ships, container and equipment leasing services.

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

These consolidated financial statements have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and certain equity investments which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform - Phase 2*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the revised HKFRSs are described below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16: Interest Rate Benchmark Reform - Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 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 risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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 HKFRS 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 Group had certain interest-bearing bank borrowings and finance lease receivables denominated in Unite Stated dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group also had several interest rate swaps whereby the Group pays interest at fixed rate and receives interest at variable rates based on LIBOR on the notional amount. For the LIBOR-based borrowings, finance lease receivables and interest rate swaps, since the interest rates of these instruments and were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings, finance lease receivables and interest rate swaps are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in note 35.4 to the financial statements.

The Group currently has applied a cash flow hedge to manage the cash flow interest rate risk of bank borrowings, denominated in United States dollars based on LIBOR, by using an interest rate swap. The Group expects to amend the formal designation of that hedging relationship upon modification of the interest rate swap. Provided that the modification or the change is a direct consequence of the interest rate benchmark reform, and the new basis for determining the contractual cash flows of the interest rate swap is economically equivalent to the previous basis immediately preceding the change, the modification or the change in the interest rate swap will not result in derecognition, and the related hedge relationship will remain and not be discontinued. The Group expects that any resulting ineffectiveness upon the modification or the change to be charged to profit or loss will be immaterial.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendment to HKFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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 HKFRS 3	*Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023
Amendments to HKAS 8	*Definition of Accounting Estimates*	1 January 2023
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018 - 2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*	1 January 2022

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3

The amendments 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 June 2018 without significantly changing its requirements. The amendments also added to an exception to the recognition principle of HKFRS 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 HKAS 37 or HK(IFRIC)-Int 21 Levies, if incurred separately. In addition, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have significant impact on the Group's financial statements.

Amendments to HKAS 16

Amendments to HKAS 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.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 37

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020

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

- HKFRS 9 Financial Instruments: 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.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5.1 Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Company the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.2 Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured at fair value less costs to sell in accordance with that standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.2 Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

2.5.3 Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is shown net of value-added tax. Specific revenue recognition criteria are set out below:

- Finance lease income is recognized using the effective interest method over the term of lease.

- Operating lease income is recognized on the straight-line basis over the terms of the relevant lease.

- Interest income from a financial asset is recognized 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 management and commission fee income and gains on disposal of equipment held for operating lease businesses. Management and commission fee income is recognized 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 recognized as income when control of the related equipment has transferred, being when the equipment is delivered to the buyer and there is no unfulfilled obligation that could affect the buyer's acceptance of the equipment.

2.5.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.5 Income tax

Income taxes comprise current income tax and deferred income tax. Tax is recognized in the income statement except to the extent that it relates to items directly recognized in equity, in which cases, tax is also directly recognized in equity.

(a) Current income tax

Current income tax is calculated on the basis of the tax laws enacted or substantially enacted at the financial reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluated positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related asset is realised, or the liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised except the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

For deductible temporary differences associated with investment in subsidiaries, a deferred tax asset is recognized to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities shall be recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

Deferred income tax liabilities on taxable temporary differences arising from investments in subsidiaries are recognized, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.6 Foreign currencies

The Group's consolidated financial statements are presented in RMB, which is also the parent company's functional currency. The Company's subsidiaries choose their functional currency on the basis of the primary economic environment in which they operate.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for (i) exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation; (ii) exchange differences arising from the changes of the fair value of monetary assets classified as financial assets at fair value through other comprehensive income (other than the changes relating to the amortised cost of the monetary assets) which are recognised in other comprehensive income and accumulated in equity.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 Leases

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

(a) The Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 Leases (continued)

(b) The Group as a lessor

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

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

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

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

2.5.8 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

2.5.9 Financial instruments

Financial assets and financial liabilities are recognized 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 recognized immediately in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(a) Determination of fair value

Fair value is determined in the manner described in Note 2.5.15 Fair value measurement.

(b) 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.

(c) 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(c) Classification, recognition and measurement of financial assets (continued)

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 recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses of such financial assets shall be recognized in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial assets item and be recognized 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 recognized 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 recognized 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 HKAS 32 Financial Instruments: Presentation. When the equity instrument is derecognized, the cumulative gain or loss previously recognized 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 recognized in the statement of profit or loss. Such equity instruments do not recognise impairment losses.

(d) 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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 HKFRS 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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 HKFRS 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 operating lease receivables and other receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, 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.

(e) 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 recognized 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 recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (i) the carrying amount allocated to the part derecognized; and (ii) the sum of the consideration received and receivable for the part derecognized, is recognized in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(f) 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 HKFRS 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 recognized in the statement of profit or loss. The net fair value gain or loss recognized 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 HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized 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 recognized 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 recognized in profit or loss.

(g) Derecognition of financial liabilities

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Derivatives and hedge accounting

(a) Initial recognition and subsequent measurement

Derivative financial instruments are initially recognized 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 recognized 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 recognized asset or liability or an unrecognized 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 recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized 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:

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Derivatives and hedge accounting (continued)

(b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized 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 recognized 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.11 Property and equipment

Property and equipment include office equipment held for administrative purpose, and ships 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 recognized 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 derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated residual value rates and useful lives are as follows:

	Estimated residual value rates	Estimated useful life
Operating lease assets - Ships	10%	12-24 years
Office equipment	5%	3 – 5 years

The gain or loss on disposal of items of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognized in the statement of profit or loss.

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.5.12 Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the Group makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

An impairment loss is recognized in the statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. The reversal of the impairment loss is credited to the statement of profit or loss in the year in which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.13 Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included consolidated statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.5.14 Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person
 (i) has control or joint control over the Company;
 (ii) has significant influence over the Company; or
 (iii) is a member of the key management personnel of the Company or of a parent of the Company; or

(b) the party is an entity where any of the following conditions applies:
 (i) the entity and the Company are members of the same group;
 (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 (iii) the entity and the Company are joint ventures of the same third party;
 (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 (vi) the entity is controlled or jointly controlled by a person identified in (a);
 (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.15 Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of accounting policies as set out in Note 2.5, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the consolidated financial statements that cannot be measured accurately. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, estimate and key assumptions that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognized in the consolidated financial statements:

(a) Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(b) Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as the present values of the minimum lease payments of the lease amount to at least substantially all of the fair value of the assets held for lease businesses at the inception of the leases. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statements of financial position and has instead, recognized finance lease receivables (Note 16). On the other hand, the Group includes the assets held for lease businesses under operating lease in property and equipment, and investment properties. The determination of whether the Group has transferred substantially all the risks and rewards incident to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgements by management.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(c) Depreciation of operating lease assets

The Group calculates depreciation expense of operating lease assets based on management's assumption on their useful life and residual value. The useful lives and the residual value of operating lease assets reflect the future economic benefit obtained from the use of the operating lease assets and the benefit from disposal estimated by the Group's management. The estimation may differ due to actual physical wear and tear of the assets, changes of the technology innovation and market competition.

(d) Impairment of finance lease receivables and operating lease receivables

The Group uses a number of models and assumptions when estimating the impairment allowance under HKFRS 9 of finance lease receivables and operating lease receivables at the balance sheet date and the operation period, for example:

- Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk are highly dependent on judgement and may have a significant impact on the ECL for finance lease receivables;

- Models and parameters – A three-stage impairment model is used to calculate ECL. For finance lease receivables classified into stages 1 and 2, the model incorporates key parameters, including probability of default, loss given default and exposure at default. For finance lease receivables in stage 3, the management assesses impairment losses by estimating the cash flows from finance lease receivables. For operating lease receivables, a simplified approach is used to calculate the ECL. The risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default

- Forward-looking information – Judgement is used to create macroeconomic forecasts and to consider the impact to ECL under multiple economic scenarios given different weights.

The Group established governance processes and controls for the measurement of ECL. Relevant disclosures are included in Note 35.2 (b) to the consolidated financial statements.

(e) Impairment of equipment held for operating lease businesses

Items of equipment held for operating lease businesses are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

(f) Fair value of financial instruments

The Group has adopted valuation models to calculate the fair value for the financial instrument without active market price. Such valuation models include discounted cash flow model and other valuation models. In practice, the discounted cash flow model only uses the observable data whenever possible, however, the management still needs to make assumption regarding the factors, such as counterparty's credit risk, market volatility and correlations. The estimated fair value of the financial instruments will be affected for any changes of the above factors.

4. REVENUE

	Year ended 31 December	
	2021	2020
Finance lease income[1]	625,337,588	832,657,563
Operating lease income	4,490,624,769	951,013,090
	5,115,962,357	1,783,670,653

[1] There was no finance lease income from non-performing finance lease receivables in the year of 2021 (2020: Nil).

5. OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2021	2020
Management fee income of operating lease ship business	620,171,699	307,935,762
Interest income	119,569,191	59,895,327
Gains on disposal of equipment held for operating lease businesses, net	-	147,046,998
Foreign exchange gains, net	162,934,709	193,175,384
Others	1,301,310	18,865,111
	903,976,909	726,918,582

6. DEPRECIATION

	Year ended 31 December	
	2021	2020
Depreciation of property and equipment	899,268,373	504,470,585

7. INTEREST EXPENSE

	Year ended 31 December	
	2021	2020
Borrowings	308,254,134	249,862,431
Bonds payable	623,352,206	651,820,871
Finance lease liabilities(Note 33(b))	36,088,563	43,363,007
Less: Interest capitalised on qualifying assets[1]	(48,057,132)	(69,674,304)
	919,637,771	875,372,005

[1] Interest capitalised on qualifying assets in 2021, included RMB48,057,132 (2020: RMB69,674,304) on prepayment.

8. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2021	2020
Service fees of operating lease ship business	620,263,245	307,935,762
Auditor's remuneration	4,403,042	3,043,937
Professional services fee	11,111,688	7,988,476
Other expenses	2,144,117	1,549,992
Rental expenses	49,266	50,598
	637,971,358	320,568,765

9. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December	
	2021	2020
Finance lease receivables	281,457,057	68,621,637
Operating lease receivables	546,787	-
Others	287,783	-
	282,291,627	68,621,637

10. NET IMPAIRMENT LOSSES ON OTHER ASSETS

	Year ended 31 December	
	2021	2020
Operating lease assets	88,446,288	-

11. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to the Group during the year (2020: Nil).

12. INCOME TAX

	Year ended 31 December 2021	2020
Current and deferred income tax	-	-

The Group, leased the whole ships, containers and equipment to lessees, and all ships, containers and equipment were not located, used and maintained solely or mainly in Hong Kong. Thus, the lease income derived by the Group was not subject to Hong Kong profits tax.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December 2021	2020
Profit before tax	3,192,323,849	741,556,243
Tax at the statutory tax rate of 16.5%	526,733,435	122,356,780
Income not subject to tax	(526,733,435)	(122,356,780)
Tax charge at the effective rate of 0% (2020: 0%)	-	-

13. CASH AND BANK BALANCES

	31 December 2021	31 December 2020
Cash and bank balances	6,078,446,457	11,146,123,018

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

	As at 31 December 2021		
	Contractual/ Nominal amount	Fair value Assets	Fair value Liabilities
Derivatives under hedge accounting:			
Cash flow hedge - interest rate swaps	4,080,448,000	-	(18,414,433)
Cash flow hedge - cross currency swaps	874,856,011	15,607,926	-
Derivatives not under hedge accounting:			
Currency forwards	1,466,411,000	41,000,409	-
Cross currency swaps	1,069,105,110	-	(5,068,050)
Foreign exchange swaps	246,823,584	-	(1,551,871)
	7,737,643,705	56,608,335	(25,034,354)

14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

		As at 31 December 2020	
	Contractual/	Fair value	
	Nominal amount	Assets	Liabilities
Derivatives under hedge accounting:			
Cash flow hedge - interest rate swaps	7,418,811,300	-	(102,602,643)
Cash flow hedge - cross currency swaps	6,666,292,898	44,572,040	(2,459)
Derivatives not under hedge accounting:			
Currency forwards	4,208,560,500	283,718,706	(35,904,499)
	18,293,664,698	328,290,746	(138,509,601)

The fair values of interest rate swaps, cross currency swaps and currency forwards and foreign exchange swaps as shown above are determined with reference to marked-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.

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 Group has adopted the temporary reliefs provided by the amendments to HKFRS 9, HKAS 39 and HKFRS 7 which enable the hedge accounting of the Group to continue during the period of uncertainty, which is before the replacement of an existing interest rate benchmark with an RFR.

The table below indicates the nominal amounts and weighted average remain 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.

As at 31 December 2021

	Nominal amount	Weighted average remain maturity (Years)
Interest rate swaps:		
USD LIBOR (1 month)	63,757,000	0.9
USD LIBOR (3 months)	4,016,691,000	0.3
	4,080,448,000	

As at 31 December 2020

	Nominal amount	Weighted average remain maturity (Years)
Interest rate swaps:		
USD LIBOR (1 month)	65,249,000	1.9
USD LIBOR (3 months)	7,353,562,300	1.0
	7,418,811,300	

15. OPERATING LEASE RECEIVABLES

	31 December 2021	31 December 2020
Operating lease receivables	50,534,627	-
Less: Allowance for impairment losses	(540,120)	-
Carrying amount of Operating lease receivables	49,994,507	-

The operating lease receivables of the Group were accrued on a straight-line basis over the terms of the relevant leases and settled periodically based on the payment terms agreed in the lease contracts.

As at 31 December 2021，the aging of operating lease receivables based on the receivables due date and net of loss allowance was on demand and will be collected within one month.

Movements between stages for the years of 2021 within operating lease receivables are as follows:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Gross carrying amount					
Amount as at 1 January 2021	-	-	-	-	-
New assets originated/(repayment)	-	-	-	52,730,705	52,730,705
Effect of foreign currency exchange differences	-	-	-	(2,196,078)	(2,196,078)
Amount as at 31 December 2021	-	-	-	50,534,627	50,534,627

Movements of allowances for impairment losses on operating lease receivables during the years of 2021 are as follows:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Allowance for impairment losses					
Amount as at 1 January 2021	-	-	-	-	-
Net increase/(decrease) [1]	-	-	-	546,787	546,787
Effect of foreign currency exchange differences	-	-	-	(6,667)	(6,667)
Amount as at 31 December 2021	-	-	-	540,120	540,120

[1] Changes due to new assets originated and repayments and changes in PDs, EADs, and LGDs arising from regular refreshing of inputs to models in the current year.

16. FINANCE LEASE RECEIVABLES

	31 December 2021	31 December 2020
Finance lease receivables		
Not later than one year	1,544,216,264	1,476,560,450
Later than one year and not later than five years	6,048,869,331	5,816,347,106
Later than five years	8,212,853,964	9,853,346,106
Gross amount of finance lease receivables	15,805,939,559	17,146,253,662
Less: Unearned finance income	(3,439,139,863)	(4,367,847,677)
Present value of minimum finance lease receivables	12,366,799,696	12,778,405,985
Less: Allowances for impairment losses	(674,627,092)	(405,882,928)
Carrying amount of finance lease receivables	11,692,172,604	12,372,523,057
Present value of minimum finance lease receivables		
Not later than one year	959,705,806	805,071,852
Later than one year and not later than five years	4,199,207,685	3,629,909,865
Later than five years	7,207,886,205	8,343,424,268
	12,366,799,696	12,778,405,985

The Group entered into finance lease arrangements for certain of its ships, equipment and containers. The term range of finance leases entered into is from 3 to 15 years.

The finance lease receivables were mainly with floating interest rates based on the benchmark interest rate of LIBOR. The interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rates.

As at 31 December 2021 and 2020, there was no finance lease receivables pledged as collateral for the Group's bank borrowings (Note 20).

16. FINANCE LEASE RECEIVABLES (continued)

Movements between stages for the years of 2021 and 2020 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 2021	12,227,075,377	533,458,052	17,872,556	12,778,405,985
New assets originated/(repayment)	(147,222,595)	18,234,930	-	(128,987,665)
Effect of foreign currency exchange differences	(269,594,796)	(12,615,150)	(408,678)	(282,618,624)
Amount as at 31 December 2021	11,810,257,986	539,077,832	17,463,878	12,366,799,696

	Stage 1	Stage 2	Stage 3	Total
Present value of minimum finance lease receivables				
Amount as at 1 January 2020	13,153,287,529	50,079,354	19,108,726	13,222,475,609
New assets originated/(repayment)	(101,791,774)	503,447,079	-	401,655,305
Effect of foreign currency exchange differences	(824,420,378)	(20,068,381)	(1,236,170)	(845,724,929)
Amount as at 31 December 2020	12,227,075,377	533,458,052	17,872,556	12,778,405,985

Movements of allowances for impairment losses on finance lease receivables during the years of 2021 and 2020 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2021	313,333,139	76,850,379	15,699,410	405,882,928
Net increase [(1)]	89,033,769	192,423,288	-	281,457,057
Effect of foreign currency exchange differences	(8,250,364)	(4,103,542)	(358,987)	(12,712,893)
Amount as at 31 December 2021	394,116,544	265,170,125	15,340,423	674,627,092

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2020	346,478,469	1,425,784	16,785,272	364,689,525
Net increase/(decrease) [(1)]	(11,366,553)	79,988,190	-	68,621,637
Effect of foreign currency exchange differences	(21,778,777)	(4,563,595)	(1,085,862)	(27,428,234)
Amount as at 31 December 2020	313,333,139	76,850,379	15,699,410	405,882,928

(1) Changes due to new assets originated and repayments and changes in PDs, EADs, and LGDs arising from regular refreshing of inputs to models in the current year.

17. PREPAYMENTS

	31 December 2021	31 December 2020
Prepayments for leasing assets	3,180,342,620	4,427,507,988
Prepayments for ship management fee	-	67,293,228
	3,180,342,620	4,494,801,216

18. PROPERTY AND EQUIPMENT

	Operating lease asset - ships	Office equipment	Total
Cost			
As at 1 January 2021	14,747,600,210	12,106	14,747,612,316
Additions	12,429,894,948	-	12,429,894,948
Foreign currency translation	(478,838,804)	-	(478,838,804)
As at 31 December 2021	26,698,656,354	12,106	26,698,668,460
Accumulated depreciation			
As at 1 January 2021	(882,538,334)	(10,897)	(882,549,231)
Charge for the year	(899,268,373)	-	(899,268,373)
Foreign currency translation	26,244,716	-	26,244,716
As at 31 December 2021	(1,755,561,991)	(10,897)	(1,755,572,888)
Accumulated impairment			
As at 1 January 2021	(240,244,574)	-	(240,244,574)
Additions	(88,446,288)	-	(88,446,288)
Foreign currency translation	4,259,196	-	4,259,196
As at 31 December 2021	(324,431,666)	-	(324,431,666)
Net carrying amount			
As at 1 January 2021	13,624,817,302	1,209	13,624,818,511
As at 31 December 2021	24,618,662,697	1,209	24,618,663,906

	Operating lease asset - ships	Office equipment	Total
Cost			
As at 1 January 2020	9,475,661,719	12,106	9,475,673,825
Additions	6,168,403,810	-	6,168,403,810
Foreign currency translation	(896,465,319)	-	(896,465,319)
As at 31 December 2020	14,747,600,210	12,106	14,747,612,316
Accumulated depreciation			
As at 1 January 2020	(421,285,696)	(10,897)	(421,296,593)
Charge for the year	(504,470,585)	-	(504,470,585)
Foreign currency translation	43,217,947	-	43,217,947
As at 31 December 2020	(882,538,334)	(10,897)	(882,549,231)
Accumulated impairment			
As at 1 January 2020	(249,865,702)	-	(249,865,702)
Foreign currency translation	9,621,128	-	9,621,128
As at 31 December 2020	(240,244,574)	-	(240,244,574)
Net carrying amount			
As at 1 January 2020	8,804,510,321	1,209	8,804,511,530
As at 31 December 2020	13,624,817,302	1,209	13,624,818,511

As at 31 December 2021, the ship with net book value of RMB 6,372,958,309 (31 December 2020: RMB 3,124,124,952) were pledged as collateral for the Group's bank borrowings (Note 20).

19. OTHER ASSETS

	31 December 2021	31 December 2020
Other receivables		
Due from the parent company (Note 33(c))	673,368,306	689,126,035
Due from other related company (Note 33(c))	3,825,420,000	2,218,566,101
Due from third parties	229,843,996	842,919
Interest receivable		
Due from other related company (Note 33(c))	25,454,332	-
Due from third parties	240,842	2,305,493
	4,754,327,476	2,910,840,548
Less: Allowances for impairment losses		
Other receivables	(284,274)	-
	4,754,043,202	2,910,840,548

20. BORROWINGS

	31 December 2021	31 December 2020
Secured bank borrowings[1]	8,920,083,600	2,357,951,639
Unsecured bank borrowings	13,724,468,214	18,576,052,456
	22,644,551,814	20,934,004,095

[1] Secured bank borrowings were pledged by equipment held for operating lease businesses (Note 18) and related guarantee measures are provided by the Company's parent company.

As at 31 December 2021 and 2020, the Group's borrowings were repayable as follows:

	31 December 2021	31 December 2020
Carrying amount repayable:		
Within one year	17,431,778,034	14,386,155,829
More than one year, but not exceeding two years	446,299,000	5,187,448,598
More than two years, but not exceeding five years	3,235,963,492	1,162,104,016
More than five years	1,530,511,288	198,295,652
	22,644,551,814	20,934,004,095

The fair values of the respective borrowings approximate their carrying amounts. All the carrying amounts of the borrowings are denominated in USD.

In addition, the Group has floating-rate borrowings which carry interest based on LIBOR.

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

	31 December 2021	31 December 2020
Effective interest rate:		
Fixed-rate borrowing	0.12%-0.91%	1.20%-1.53%
Floating-rate borrowing	LIBOR+0.59% to LIBOR+1.23%	"LIBOR+0.65% to LIBOR+1.30%"

21. BONDS PAYABLE

	31 December 2021	31 December 2020
Guaranteed unsecured bonds (1)	21,256,121,389	20,093,083,237

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

			As at 31 December 2021	
		Maturity (Year)	Face value	Guaranteed unsecured bonds (1)
Currency	Fixed Coupon Rate			
RMB	3.60%	2022	270,000,000	270,000,000
HKD	1.00% to 3.30%	2022 to 2024	1,929,536,000	1,929,536,000
USD	0.80% to 3.75%	2022 to 2026	19,094,902,715	19,094,902,715
			21,294,438,715	21,294,438,715

			As at 31 December 2020	
		Maturity (Year)	Face value	Guaranteed unsecured bonds (1)
Currency	Fixed Coupon Rate			
RMB	3.60% to 3.80%	2021 to 2022	715,000,000	715,000,000
HKD	1.35% to 3.60%	2021 to 2022	6,008,467,960	6,008,467,960
USD	1.29% to 3.75%	2021 to 2022	10,113,595,000	10,113,595,000
			16,837,062,960	16,837,062,960
Currency	Floating Rate			
USD	3-month LIBOR+ Margin 1.15%	2021	3,262,450,000	3,262,450,000
			20,099,512,960	20,099,512,960

(1) The bonds were issued by Funding 2, unconditionally and irrevocably guaranteed by the Company, with the benefit of a Keepwell and Asset Purchase Deed provided by the CDB Leasing. Funding 2 is a subsidiary of the Company.

22. FINANCE LEASE LIABILITIES

	31 December 2021	31 December 2020
Gross finance lease liabilities- minimum lease payments		
Within 1 year	176,191,171	183,488,698
1 to 5 years	560,243,388	736,434,559
	736,434,559	919,923,257
Future finance charges on finance leases	(65,147,630)	(101,236,193)
Present value of finance lease liabilities (Note 33(c))	671,286,929	818,687,064

23. OTHER LIABILITIES

	31 December 2021	31 December 2020
Interest payable	185,885,841	214,476,456
Other payables		
Due to the parent company (Note 33(c))	509,248,583	325,788,747
Due to other related company (Note 33(c))	-	652,510,413
Due to third parties	298,651,526	66,781,223
	993,785,950	1,259,556,839

24. SHARE CAPITAL

	31 December 2021	31 December 2020
Registered, issued and fully paid: 10,000 ordinary shares	HKD 10,000	HKD 10,000
Equivalent to RMB	8,765	8,765

25. SUBSIDIARIES

The following is a list of the subsidiaries, which are fully owned by the Company at 31 December 2021:

Name	Place of incorporation	Principal activities	Registered and issued
Top Voyage Enterprise Limited	Hong Kong	Ship leasing service	HKD 1
Well Far Limited	Hong Kong	Ship leasing service	HKD 10,000
CL Jinan Limited	Hong Kong	Ship leasing service	HKD 1
CLC Ship Chartering-II Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-III Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-IV Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-V Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-VI Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-VII Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-VIII Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-IX Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-X Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Maritime Container Leasing Co., Limited	Hong Kong	Container leasing service	HKD 1
Kinghood Vessel Leasing Co., Limited	Hong Kong	Ship leasing service	HKD 1
Ample Pointer Limited	Hong Kong	Ship leasing service	HKD 1
Bexton Limited	Hong Kong	Ship leasing service	HKD 1
Cyber Wave Limited	Hong Kong	Ship leasing service	HKD 1
CL Qingdao Limited	Hong Kong	Ship leasing service	HKD 1
GUANG JIU Limited	Hong Kong	Ship leasing service	HKD 1
CLC Glowing Development Co., Limited	Hong Kong	Equipment leasing service	HKD 1
EASE BEST LIMITED	Hong Kong	Equipment leasing service	HKD 1
Bell Maritime Limited	Hong Kong	Ship leasing service	HKD 1
Gold Maritime Limited	Hong Kong	Ship leasing service	HKD 1
Silver Maritime Limited	Hong Kong	Ship leasing service	HKD 1
Venus Maritime Limited	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 3 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 4 LIMITED	Hong Kong	Ship leasing service	HKD 1

25. SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities	Registered and issued
CLC VLOC – 2 LIMITED	Hong Kong	Ship leasing service	HKD 1
BENDERY MARITIME LIMITED	Hong Kong	Ship leasing service	HKD 1
BERMUDA MARITIME LIMITED	Hong Kong	Ship leasing service	HKD 1
BEAR MARITIME LIMITED	Hong Kong	Ship leasing service	HKD 1
SHERLOCK MARITIME LIMITED	Hong Kong	Ship leasing service	HKD 1
FRANKLIN MARITIME LIMITED	Hong Kong	Ship leasing service	HKD 1
Rome Shipping Limited	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 1 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 5 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 6 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 7 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 8 LIMITED	Hong Kong	Ship leasing service	HKD 1
CDBL Ambition Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Global Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Profession Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Diversification Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Ocean Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Planet Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax I Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax II Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax III Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax IV Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax V Limited	Hong Kong	Ship leasing service	HKD 1
Top Sailing Enterprise Limited	Hong Kong	Ship leasing service	HKD 1
Nine West Marine Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Funding 2	Cayman Island	Funding	USD 50
CDBL Newcastlemax VI Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax VII Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax VIII Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax IX Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax X Limited	Hong Kong	Ship leasing service	HKD 1
CL Mars Limited	Hong Kong	Ship leasing service	HKD 1
CL Mercury Limited	Hong Kong	Ship leasing service	HKD 1
CL Jupiter Limited	Hong Kong	Ship leasing service	HKD 1
CL Marina Limited	Hong Kong	Ship leasing service	HKD 1
CL Mona Limited	Hong Kong	Ship leasing service	HKD 1
CL Alice Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Belle Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Christina Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Edi Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Fair Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Gemma Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Heidi Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Judy Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Kate Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Lindy Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Teresa Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Daisy Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Iris Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanjing Limited	Hong Kong	Ship leasing service	HKD 1
CL Lianyungang Limited	Hong Kong	Ship leasing service	HKD 1
CL Wuxi Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhenjiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Suzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Nantong Limited	Hong Kong	Ship leasing service	HKD 1

25. SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities	Registered and issued
CL Yangzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Taizhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Huizhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Wuhan Limited	Hong Kong	Ship leasing service	HKD 1
CL Ningbo Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanchang Limited	Hong Kong	Ship leasing service	HKD 1
CL Hefei Limited	Hong Kong	Ship leasing service	HKD 1
CL Maanshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Wuhu Limited	Hong Kong	Ship leasing service	HKD 1
CL Huangshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Anqing Limited	Hong Kong	Ship leasing service	HKD 1
CL Chuzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Chizhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Xuancheng Limited	Hong Kong	Ship leasing service	HKD 1
CL Tongling Limited	Hong Kong	Ship leasing service	HKD 1
CL Fuyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Wuchang Limited	Hong Kong	Ship leasing service	HKD 1
CL Jingzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Yiling Limited	Hong Kong	Ship leasing service	HKD 1
CL Xiangyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Rizhao Limited	Hong Kong	Ship leasing service	HKD 1
CL Singapore Limited	Hong Kong	Ship leasing service	HKD 1
CL Beijing Limited	Hong Kong	Ship leasing service	HKD 1
CL Dalian Limited	Hong Kong	Ship leasing service	HKD 1
CL Tianjing Limited	Hong Kong	Ship leasing service	HKD 1
CL Beilun Limited	Hong Kong	Ship leasing service	HKD 1
CL Cixi Limited	Hong Kong	Ship leasing service	HKD 1
CL Fenghua Limited	Hong Kong	Ship leasing service	HKD 1
CL Yuyao Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanning Limited	Hong Kong	Ship leasing service	HKD 1
CL Ninghai Limited	Hong Kong	Ship leasing service	HKD 1
CL BRIGHT I LIMITED	Hong Kong	Ship leasing service	HKD 1
CL BRIGHT II LIMITED	Hong Kong	Ship leasing service	HKD 1
CL BRIGHT III LIMITED	Hong Kong	Ship leasing service	HKD 1
CL NEPTUNE LIMITED	Hong Kong	Ship leasing service	HKD 1
CL SATURN LIMITED	Hong Kong	Ship leasing service	HKD 1
CL Shenyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Yingkou Limited	Hong Kong	Ship leasing service	HKD 1
CL Tieling Limited	Hong Kong	Ship leasing service	HKD 1
CL Anshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Benxi Limited	Hong Kong	Ship leasing service	HKD 1
CL Fushun Limited	Hong Kong	Ship leasing service	HKD 1
CL Xiamen Limited	Hong Kong	Ship leasing service	HKD 1
CL Fuzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanping Limited	Hong Kong	Ship leasing service	HKD 1
CL Quanzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Putian Limited	Hong Kong	Ship leasing service	HKD 1
CL Ningde Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhangzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Sanming Limited	Hong Kong	Ship leasing service	HKD 1
CL Osmanthus I Limited	Hong Kong	Ship leasing service	HKD 1
CL Osmanthus II Limited	Hong Kong	Ship leasing service	HKD 1
CL Osmanthus III Limited	Hong Kong	Ship leasing service	HKD 1
CL Linzi Limited	Hong Kong	Ship leasing service	HKD 1
CL Jicheng Limited	Hong Kong	Ship leasing service	HKD 1
CL Handan Limited	Hong Kong	Ship leasing service	HKD 1

25. SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities	Registered and issued
CL Yingdu Limited	Hong Kong	Ship leasing service	HKD 1
CL Qufu Limited	Hong Kong	Ship leasing service	HKD 1
CL Gusu Limited	Hong Kong	Ship leasing service	HKD 1
CL Fanyu Limited	Hong Kong	Ship leasing service	HKD 1
CL Guangling Limited	Hong Kong	Ship leasing service	HKD 1
CL Langya Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhaoge Limited	Hong Kong	Ship leasing service	HKD 1
CL Luzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Youzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Qinchuan Limited	Hong Kong	Ship leasing service	HKD 1
CL Xuchang Limited	Hong Kong	Ship leasing service	HKD 1
CL Wanqiu Limited	Hong Kong	Ship leasing service	HKD 1
CL Xunyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Fengtian Limited	Hong Kong	Ship leasing service	HKD 1
CL Luoyi Limited	Hong Kong	Ship leasing service	HKD 1
CL Tongqiu Limited	Hong Kong	Ship leasing service	HKD 1
CL Kaifeng Limited	Hong Kong	Ship leasing service	HKD 1
CL Luoyang Limited	Hong Kong	Ship leasing service	HKD 1
SEA 44 LEASING CO., LIMITED	Hong Kong	Ship leasing service	USD 1
CL Zibo Limited	Hong Kong	Ship leasing service	HKD 1
CL Weifang Limited	Hong Kong	Ship leasing service	HKD 1
CL Dezhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Jining Limited	Hong Kong	Ship leasing service	HKD 1
CL Weihai Limited	Hong Kong	Ship leasing service	HKD 1
CL Heze Limited	Hong Kong	Ship leasing service	HKD 1
CL MARIGOLD I LIMITED	Hong Kong	Ship leasing service	HKD 1
CL MARIGOLD II LIMITED	Hong Kong	Ship leasing service	HKD 1
CL MARIGOLD III LIMITED	Hong Kong	Ship leasing service	HKD 1
CL MARIGOLD IV LIMITED	Hong Kong	Ship leasing service	HKD 1
CL MARIGOLD V LIMITED	Hong Kong	Ship leasing service	HKD 1
CL Shantou Limited	Hong Kong	Ship leasing service	HKD 1
CL Maoming Limited	Hong Kong	Ship leasing service	HKD 1
CL Yangjiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Jiangmen Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhuhai Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhongshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Baoding Limited	Hong Kong	Ship leasing service	HKD 1
CL Cangzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Changsha Limited	Hong Kong	Ship leasing service	HKD 1
CL Chenzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Hengshui Limited	Hong Kong	Ship leasing service	HKD 1
CL Hengyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Huaihua Limited	Hong Kong	Ship leasing service	HKD 1
CL Jingdezhen Limited	Hong Kong	Ship leasing service	HKD 1
CL Jiujiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Langfang Limited	Hong Kong	Ship leasing service	HKD 1
CL Loudi Limited	Hong Kong	Ship leasing service	HKD 1
CL Qinhuangdao Limited	Hong Kong	Ship leasing service	HKD 1
CL Shangrao Limited	Hong Kong	Ship leasing service	HKD 1
CL Shaoyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Tangshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Xiangtan Limited	Hong Kong	Ship leasing service	HKD 1
CL Xiangxi Limited	Hong Kong	Ship leasing service	HKD 1
CL Xingtai Limited	Hong Kong	Ship leasing service	HKD 1
CL Xinyu Limited	Hong Kong	Ship leasing service	HKD 1
CL Yichun Limited	Hong Kong	Ship leasing service	HKD 1

25. SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities	Registered and issued
CL Yingtan Limited	Hong Kong	Ship leasing service	HKD 1
CL Yueyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhangjiajie Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhangjiakou Limited	Hong Kong	Ship leasing service	HKD 1
CL Qingyuan Limited	Hong Kong	Ship leasing service	HKD 1
CL Yunfu Limited	Hong Kong	Ship leasing service	HKD 1
CL Anji Limited	Hong Kong	Ship leasing service	HKD 1
CL Jiande Limited	Hong Kong	Ship leasing service	HKD 1
CL Jiaxing Limited	Hong Kong	Ship leasing service	HKD 1
CL Jinhua Limited	Hong Kong	Ship leasing service	HKD 1
CL Lishui Limited	Hong Kong	Ship leasing service	HKD 1
CL Shaoxing Limited	Hong Kong	Ship leasing service	HKD 1
CL Wenzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhoushan Limited	Hong Kong	Ship leasing service	HKD 1
CL Akesu Limited	Hong Kong	Ship leasing service	HKD 1
CL Baoshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Hetian Limited	Hong Kong	Ship leasing service	HKD 1
CL Abazhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Bazhong Limited	Hong Kong	Ship leasing service	HKD 1
CL Chaohu Limited	Hong Kong	Ship leasing service	HKD 1
CL Chengdu Limited	Hong Kong	Ship leasing service	HKD 1
CL Chuxiong Limited	Hong Kong	Ship leasing service	HKD 1
CL Dali Limited	Hong Kong	Ship leasing service	HKD 1
CL Dongtinghu Limited	Hong Kong	Ship leasing service	HKD 1
CL Ganzizhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Guangyuan Limited	Hong Kong	Ship leasing service	HKD 1
CL Hami Limited	Hong Kong	Ship leasing service	HKD 1
CL Honghu Limited	Hong Kong	Ship leasing service	HKD 1
CL Jiayuguan Limited	Hong Kong	Ship leasing service	HKD 1
CL Jiuquan Limited	Hong Kong	Ship leasing service	HKD 1
CL Kelamayi Limited	Hong Kong	Ship leasing service	HKD 1
CL Kunming Limited	Hong Kong	Ship leasing service	HKD 1
CL Liangshanzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Lijiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Lincang Limited	Hong Kong	Ship leasing service	HKD 1
CL Lizhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Luguhu Limited	Hong Kong	Ship leasing service	HKD 1
CL Meishan Limited	Hong Kong	Ship leasing service	HKD 1
CL Mianyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Moganshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Namucuo Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanbeihu Limited	Hong Kong	Ship leasing service	HKD 1
CL Neijiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Qiandaohu Limited	Hong Kong	Ship leasing service	HKD 1
CL Qujing Limited	Hong Kong	Ship leasing service	HKD 1
CL Riyuetan Limited	Hong Kong	Ship leasing service	HKD 1
CL Simao Limited	Hong Kong	Ship leasing service	HKD 1
CL Tianmushan Limited	Hong Kong	Ship leasing service	HKD 1
CL Tulufan Limited	Hong Kong	Ship leasing service	HKD 1
CL Wulumuqi Limited	Hong Kong	Ship leasing service	HKD 1
CL Xihu Limited	Hong Kong	Ship leasing service	HKD 1
CL Xishuangbanna Limited	Hong Kong	Ship leasing service	HKD 1
CL Yandangshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Yibin Limited	Hong Kong	Ship leasing service	HKD 1
CL Yili Limited	Hong Kong	Ship leasing service	HKD 1
CL Yuxi Limited	Hong Kong	Ship leasing service	HKD 1

25. SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities	Registered and issued
CL Zhaotong Limited	Hong Kong	Ship leasing service	HKD 1
CL Zigong Limited	Hong Kong	Ship leasing service	HKD 1
CL Haidian Limited	Hong Kong	Ship leasing service	HKD 1
CL Qiantangjiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Yongjiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Oujiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanhu Limited	Hong Kong	Ship leasing service	HKD 1
CL Jianhu Limited	Hong Kong	Ship leasing service	HKD 1
CL Vela Limited	Hong Kong	Ship leasing service	HKD 1
CL Carina Limited	Hong Kong	Ship leasing service	HKD 1
CL Taihu Limited	Hong Kong	Ship leasing service	HKD 1
CL Dianshanhu Limited	Hong Kong	Ship leasing service	HKD 1
CL Hulunhu Limited	Hong Kong	Ship leasing service	HKD 1
CL Dianchi Limited	Hong Kong	Ship leasing service	HKD 1
CL Erhai Limited	Hong Kong	Ship leasing service	HKD 1
CL Qinghaihu Limited	Hong Kong	Ship leasing service	HKD 1
CL Rumengling Limited	Hong Kong	Ship leasing service	HKD 1
CL Yijiangnan Limited	Hong Kong	Ship leasing service	HKD 1
CL Caisangzi Limited	Hong Kong	Ship leasing service	HKD 1
CL Dielianhua Limited	Hong Kong	Ship leasing service	HKD 1
CL Dingfengbo Limited	Hong Kong	Ship leasing service	HKD 1
CL Qinyuanchun Limited	Hong Kong	Ship leasing service	HKD 1
CL Huanxisha Limited	Hong Kong	Ship leasing service	HKD 1
CL Jiangchengzi Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhegutian Limited	Hong Kong	Ship leasing service	HKD 1
CL Shuilongyin Limited	Hong Kong	Ship leasing service	HKD 1
CL Gas Three Limited	Hong Kong	Ship leasing service	HKD 1
CL Gas Ten Limited	Hong Kong	Ship leasing service	HKD 1

26. OTHER RESERVES

	Capital reserve	Hedge and fair value reserves	Merger reserve[1]	Translation reserve	Total
As at 1 January 2021	44,678,918	(58,889,212)	86,253	(61,218,101)	(75,342,142)
Cash flow hedges	-	56,082,705	-	-	56,082,705
Currency translation differences	-	-	-	(49,572,483)	(49,572,483)
As at 31 December 2021	44,678,918	(2,806,507)	86,253	(110,790,584)	(68,831,920)
As at 1 January 2020	44,678,918	(37,886,745)	86,253	78,085,780	84,964,206
Cash flow hedges	-	(21,002,467)	-	-	(21,002,467)
Currency translation differences	-	-	-	(139,303,881)	(139,303,881)
As at 31 December 2020	44,678,918	(58,889,212)	86,253	(61,218,101)	(75,342,142)

[1] The merger reserve represented the combined share capital of the HK subsidiaries of the Company as the date of the completion of group reorganisation.

27. GENERAL RESERVE

Year ended 31 December 2021

	Opening	Additions	Closing
Reserve for general risk	619,341,691	77,329,974	696,671,665

Year ended 31 December 2020

	Opening	Additions	Closing
Reserve for general risk	387,667,259	231,674,432	619,341,691

Pursuant to the Administrative Measures for the Provision of Reserve of Financial Enterprises (Caijin[2012] No. 20) issued by the MOF, the Company and the subsidiaries maintained a general reserve at no less than 1.5% of its risk assets at the end of the reporting period.

28. RETAINED EARNINGS

The movements of retained earnings of the Group are set out below:

	2021	2020
At the beginning of the year	918,578,663	408,696,852
Profit for the year	3,192,323,849	741,556,243
Appropriation to general reserves	(77,329,974)	(231,674,432)
At the end of the year	4,033,572,538	918,578,663

29. CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, there were no significant legal proceedings outstanding against the Group. No provision has been made for pending assessments, lawsuits or possible violations of contracts as the outcome cannot be reasonably estimated or management believes that the probability of a loss is low or remote.

30. CAPITAL COMMITMENTS

Capital expenditures contracted by the Group as at 31 December 2021 and 2020 but are not yet to be recognized on the consolidated statements of financial position are as follows:

	31 December 2021	31 December 2020
Acquisition of equipment held for operating lease	6,873,208,622	4,230,376,915

31. FINANCE LEASE COMMITMENTS

	31 December 2021	31 December 2020
Finance lease commitments	1,656,406,860	-

Finance lease commitments are in relation to finance leases contracts signed by the Group as lessor are not yet effective as at 31 December 2021.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties. Operating leases relate to leases of office properties with lease terms of 1 year. The Group does not have an option to purchase the leased asset at the expiry of the lease periods.

The Group as lessor

Leasing arrangements

As at 31 December 2021, operating leases relate to the ships owned by the Group with lease terms of between 40 months to 120 months. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

Non-cancellable operating leases receivable

As at 31 December 2021 and 2020, the Group is entitled to receive the minimum cash lease rentals under non-cancellable operating lease which fall due as follows:

	31 December 2021	31 December 2020
Within one year	1,867,237,418	1,178,498,377
In the first to second years inclusive	1,707,683,612	1,011,541,998
In the second to third years inclusive	1,615,405,761	973,164,571
In the third to fourth years inclusive	1,275,585,651	829,246,265
In the fourth to fifth years inclusive	855,695,741	482,848,115
Over five years	1,407,245,929	427,366,954
	8,728,854,112	4,902,666,280

33. RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Names and relationship with related parties are as below:

Name	**Relationship**
CDB	The ultimate beneficial owner
CDB Leasing	The parent company
CDB Aviation Lease Finance Designated Activity Company ("CDBALF")	Controlled by the same beneficial owner

(a) Pricing policies

The prices for services provided to and by related parties are determined based on open market prices and mutual agreement.

33. RELATED PARTY TRANSACTIONS (continued)

The following transactions were carried out with related parties during the year:

(b) Related party transactions

Interest income	Year ended 31 December 2021	2020
CDB	30,726	32,976
CDBALF	65,758,178	9,368,996
	65,788,904	9,401,972

Interest expense	Year ended 31 December 2021	2020
CDB	16,692,816	14,024,502
CDB Leasing	36,088,563	43,363,007
CDBALF	1,847,853	20,413
	54,629,232	57,407,922

(c) Year-end balances

	31 December 2021	31 December 2020
Amounts due to/from CDB:		
Cash and bank balances	59,888,483	713,751,821
Interest payable	-	5,546,596
Borrowings	-	2,609,366,827
Amounts due to/from CDB Leasing:		
Other receivables	673,368,306	689,126,035
Other payables	509,248,583	325,788,747
Financial lease liabilities	671,286,929	818,687,064
Amounts due to/from CDBALF:		
Other receivables	3,825,420,000	2,218,566,101
Other payables	-	652,510,413
Interest receivables	25,454,332	-

(d) Key management compensation

There were no remunerations paid or payable by the Group to key management during the year ended 31 December 2021 (31 December 2020: None). The remunerations, which were not material in the opinion of directors of the Company, were borne by related parties of the Company.

34. FAIR VALUE HIERARCHY OF THE FINANCIAL INSTRUMENTS

34.1 Determination of fair value and valuation techniques

The following table provides the fair value measurement hierarchy of the Group's financial instruments as at 31 December 2021 and 2020:

	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
Derivatives financial assets				
- Currency forwards	-	41,000,409	-	41,000,409
- Cross currency swaps	-	15,607,926	-	15,607,926
	-	56,608,335	-	56,608,335
Derivatives financial liabilities				
- Cross currency swaps	-	5,068,050	-	5,068,050
- Interest rate swaps	-	18,414,433	-	18,414,433
- Foreign exchange swaps	-	1,551,871	-	1,551,871
	-	25,034,354	-	25,034,354

	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Derivatives financial assets				
- Currency forwards	-	283,718,706	-	283,718,706
- Cross currency swaps	-	44,572,040	-	44,572,040
	-	328,290,746	-	328,290,746
Derivatives financial liabilities				
- Currency forwards	-	35,904,499	-	35,904,499
- Cross currency swaps	-	2,459	-	2,459
- Interest rate swaps	-	102,602,643	-	102,602,643
	-	138,509,601	-	138,509,601

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 other financial instruments – discounted cash flow analysis.

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

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

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

	As at 31 December			
	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds payable	21,256,121,389	21,288,833,510	20,093,083,237	20,386,020,470

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 statements of financial position approximate their fair values because majority of financial assets and liabilities are matured within one year or at floating interest rates.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and monitors the risks continuously. The major financial risks of the Group are market risk, credit risk and liquidity risk. Market risk includes currency risk and interest rate risk. The Group's overall risk management programme focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The major derivative financial instruments adopted by the Group are interest rate swaps, cross currency swaps and currency forwards. The objective for interest rate swaps is to hedge against the cash flow volatility risk caused by interest rate fluctuations of borrowings and bonds payable; the objective for cross currency swaps is to hedge against the cash flow volatility risk caused by interest rate and foreign exchange fluctuations of bonds payable; the objective for currency forwards contract is to hedge against the foreign exchange rate volatility risk caused by foreign currency risk exposure.

The board of directors of the Company established the Group's risk management strategy. The senior management established related risk management policies and procedures, for credit risk, foreign exchange risk, interest rate risk, liquidity risk, and the use of derivative and non-derivative financial instruments, according to the risk management strategy approved by the board.

35.1 Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse movements in market prices (including interest rates and exchange rates).

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would mature in a certain period or need to be repriced, and then uses the exposure information to perform sensitivity analysis under changing market interest rate and exchange rate.

(a) Foreign currency risk

The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. Most ships held under finance and operating leases that the Group has purchased are denominated in US dollars; and the corresponding finance lease receivables and operating leases receivable are denominated in US dollars; and the main sources of fund are from bank borrowings and bond issuance denominated in US dollar.

The Group's policy has been reviewed and, due to the increased volatility in USD, it had decided to hedge foreign exchange risk exposures that affect profit and loss. The Group utilises a rollover hedging strategy, such as currency forwards, to offset or limit the exposure currency risk for its immediate beneficial owner, CDB leasing Group. The maturity date of the Group's currency forwards is ranging from 5 January 2022 to 29 July 2022 (2020: from 5 January 2021 to 20 May 2021).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.1 Market risk (continued)

(a) *Foreign currency risk* (continued)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is RMB:

	USD	HKD	Others	Total
31 December 2021				
Cash and bank balances	5,803,092,533	5,266	516,311	5,803,614,110
Derivative financial assets	56,608,335	-	-	56,608,335
Prepayment	272,420,910	-	-	272,420,910
Other financial assets	33,277,662,961	498,659		33,278,161,620
Total financial assets	39,409,784,739	503,925	516,311	39,410,804,975
Borrowings	17,878,077,034	-	-	17,878,077,034
Derivative financial liabilities	25,034,354	-	-	25,034,354
Other financial liabilities	19,133,217,227	1,581,084,948	241,931	20,714,544,106
Total financial liabilities	37,036,328,615	1,581,084,948	241,931	38,617,655,494
Net exposure	2,373,456,124	(1,580,581,023)	274,380	793,149,481
Net off-balance sheet position	(3,657,195,705)	617,579,222	-	(3,039,616,483)

	USD	HKD	Others	Total
31 December 2020				
Cash and bank balances	11,003,520,084	1,480	573,895	11,004,095,459
Derivative financial assets	328,290,746	-	-	328,290,746
Other financial assets	27,775,660,559	-	-	27,775,660,559
Total financial assets	39,107,471,389	1,480	573,895	39,108,046,764
Borrowings	18,382,654,414	-	-	18,382,654,414
Derivative financial liabilities	138,509,601	-	-	138,509,601
Other financial liabilities	14,255,064,950	5,768,113,221	268,916	20,023,447,087
Total financial liabilities	32,776,228,965	5,768,113,221	268,916	38,544,611,102
Net exposure	6,331,242,424	(5,768,111,741)	304,979	563,435,662
Net off-balance sheet position	(10,874,853,398)	5,971,441,650	-	(4,903,411,748)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is US dollar:

	RMB	HKD	Others	Total
31 December 2021				
Cash and bank balances	-	12,590	-	12,590
Other financial assets	211,390,320	1,580,553,679	241,931	1,792,185,930
Total financial assets	211,390,320	1,580,566,269	241,931	1,792,198,520
Bonds payable	269,481,827	1,927,245,255	-	2,196,727,082
Other financial liabilities	6,551,014	6,191,673	-	12,742,687
Total financial liabilities	276,032,841	1,933,436,928	-	2,209,469,769
Net exposure	(64,642,521)	(352,870,659)	241,931	(417,271,249)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.1 Market risk (continued)

(a) Foreign currency risk (continued)

	RMB	HKD	Others	Total
31 December 2020				
Cash and bank balances	-	496,738	-	496,738
Other financial assets	683,020,320	5,767,102,771	268,916	6,450,392,007
Total financial assets	683,020,320	5,767,599,509	268,916	6,450,888,745
Bonds payable	712,855,132	6,002,038,322	-	6,714,893,454
Other financial liabilities	20,820,274	31,843,850	-	52,664,124
Total financial liabilities	733,675,406	6,033,882,172	-	6,767,557,578
Net exposure	(50,655,086)	(266,282,663)	268,916	(316,668,833)

The following table indicates the potential effect on profit before tax and equity of a 5% appreciation or depreciation of USD's spot and forward exchange rates against RMB, respectively.

	Year ended 31 December	
	2021	2020
Profit before tax:		
5% appreciation	(28,206,673)	(90,784,296)
5% depreciation	28,206,673	90,784,296
Equity:		
5% appreciation	203,803,128	11,444,878
5% depreciation	(203,803,128)	(11,444,878)

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. Interest margins may increase as a result of fluctuation in market interest rates, but may reduce or create losses in the event that unexpected movements arise. Therefore, the Group primarily manages the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities.

The Group primarily manages the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities. For interest-generating assets, the Group mainly receives floating rate finance lease receivables, and it mainly receives operating lease rentals based on the higher of contracted rental premiums or rentals anchored by Baltic Exchange Supramax Index. For interest-bearing liabilities, the Group carries bank borrowings at floating rate and most bonds at fixed rates.

The floating rate contracted by the Group is LIBOR.

To deal with cash flow volatility caused by interest rate fluctuation, the Group had introduced interest rate swap contracts and cross currency swaps ("CCS") as cash flow hedge strategies. Via these contracts, the Group had effectively match the future fixed rental income, and fix the interest spread.

The interest rate swaps introduced by the Group are settled at maturity on a net basis, and the CCS introduced by the Group are settled at maturity on a gross basis. For the year ended 31 December 2021 and 2020, the Group's hedge relationship between interest rate swaps and CCS, and their designated hedged items were highly effective. The hedge ratios for the Group's hedge relationships are 1:1. The maturity date of the Group's derivatives under cash flow hedge ranges from 24 January 2022 to 24 December 2022 (2020: from 19 January 2021 to 24 December 2022).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.1 Market risk (continued)

(b) *Interest rate risk (continued)*

As at 31 December 2021 and 2020, the Group's assets and liabilities at carrying amounts, categorised by remaining maturity based on the earlier of contractual repricing or remaining maturity dates are as follows:

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2021						
Cash and bank balances	6,078,205,615	-	-	-	240,842	6,078,446,457
Derivative financial assets	-	-	-	-	56,608,335	56,608,335
Operating lease receivables	-	-	-	-	49,994,507	49,994,507
Finance lease receivables	8,056,694,866	-	-	3,635,477,738	-	11,692,172,604
Other financial assets	-	-	-	-	4,754,043,202	4,754,043,202
Total financial assets	14,134,900,481	-	-	3,635,477,738	4,860,886,886	22,631,265,105
Borrowings	19,344,047,895	3,300,503,919	-	-	-	22,644,551,814
Derivative financial liabilities	-	-	-	-	25,034,354	25,034,354
Bonds payable	6,915,798,421	6,244,002,148	8,096,320,820	-	-	21,256,121,389
Finance lease liabilities	-	-	671,286,929	-	-	671,286,929
Guarantee deposits from lessees	-	-	-	-	178,070,147	178,070,147
Other financial liabilities	-	-	-	-	993,785,950	993,785,950
Total financial liabilities	26,259,846,316	9,544,506,067	8,767,607,749	-	1,196,890,451	45,768,850,583
Interest rate gap	(12,124,945,835)	(9,544,506,067)	(8,767,607,749)	3,635,477,738	3,663,996,435	(23,137,585,478)

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2020						
Cash and bank balances	11,146,123,018	-	-	-	-	11,146,123,018
Derivative financial assets	-	-	-	-	328,290,746	328,290,746
Finance lease receivables	5,857,018,309	-	156,173,656	6,359,331,092	-	12,372,523,057
Other financial assets	-	-	-	-	2,910,840,548	2,910,840,548
Total financial assets	17,003,141,327	-	156,173,656	6,359,331,092	3,239,131,294	26,757,777,369
Borrowings	10,381,385,565	10,552,618,530	-	-	-	20,934,004,095
Derivative financial liabilities	-	-	-	-	138,509,601	138,509,601
Bonds payable	2,535,674,799	8,177,182,245	9,380,226,193	-	-	20,093,083,237
Finance lease liabilities	-	-	818,687,064	-	-	818,687,064
Guarantee deposits from lessees	-	-	-	-	170,969,283	170,969,283
Other financial liabilities	-	-	-	-	1,259,556,839	1,259,556,839
Total financial liabilities	12,917,060,384	18,729,800,775	10,198,913,257	-	1,569,035,723	43,414,810,119
Interest rate gap	4,086,080,963	(18,729,800,775)	(10,042,739,601)	6,359,331,092	1,670,095,571	(16,657,032,750)

The following table illustrates the potential impact of a parallel upward or downward shift of 10 basis points in all financial instruments' yield rate on the Group's profit before tax and equity, based on the Group's positions of interest-generating assets, interest-bearing liabilities and interest rate swap contracts for the year of 2021 and 2020.

	Year ended 31 December	
	2021	2020
Profit before tax:		
+ 10 basis points	(14,188,517)	(3,448,354)
- 10 basis points	14,188,517	3,448,354
Equity:		
+ 10 basis points	(13,170,249)	3,285,366
- 10 basis points	13,170,249	(3,285,366)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.2 Credit risk

Credit risk for the Group represents the risk that the counterparty fails to meet its contractual obligations at the due date. Credit risk is considered as one of the most significant risk to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from leasing business and other financial assets, which include cash and bank balances, derivative financial instruments, and other receivables.

(a) *Credit risk management*

The Group establishes industry risk management framework and measurements which the Group will perform research by industry, implement credit evaluation, estimate the value on lease assets, monitor lessee business status and evaluate the impact from change in technology to lease assets, to strengthen the credit risk control and management.

The Group enters into transactions only with recognized and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with which the Group has credit transactions. In addition, the Group monitors the leases receivable regularly to mitigate the risk of significant exposures from non-performing assets. The Group employs a range of policies and practices to mitigate credit risk of leasing business. The most typical of these is the taking of collateral, margin deposits and guarantees by third parties.

In 2020 and 2021, COVID-19 caused an unprecedented impact on the global economy and society, and affected the Group in a certain extent. In the face of the impact of COVID-19, the Group manages and responds actively, provides relief plans for stock customers which were impacted by the COVID-19. Facing the complicated and changeable external environment, the Group actively carries out risk investigation, conducts risk analysis and screening, comprehensively investigates the potential risks, formulates annual quality evaluation plan and takes forward-looking risk control measures to effectively buffer the influence of COVID-19.

The Group regularly evaluate the credit risk, improve the credit risk monitoring and early warning management system, and provide rescue programs to their lessees affected by the COVID-19. The Group have provided rent concessions to lessees as a result of the COVID-19 pandemic. Rent concessions mainly include deferral of payment or restructuring of rent contracts with lessees.

The credit risk on bank balances and derivative financial instruments are limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

Other receivables due from related parties (Note 33(c)) are considered to bear low credit risk.

Other receivables due from third parties, operating lease receivables and finance lease receivables, where the lessees of the Group are shipping companies and manufacturing companies, if the strategic relationship with these companies is terminated or scaled-back or if they experiences financial difficulties in payment, the Group's operating lease and finance lease service might be adversely affected in terms of recoverability of receivables. To manage the credit risk, the Group maintains frequent communications with the shipping companies to ensure the relevant co-operation is effectively and smoothly.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.2 Credit risk (continued)

(b) Expected credit loss

The Group formulates the credit losses of cash and bank balances, operating lease receivables, finance lease receivables and other receivables.

For financial assets whose impairment losses are measured using ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model (refer to Note 2.5.9(d)) to calculate their impairment allowance and recognise their ECL.

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of EAD, PD and LGD.

The Group measures the loss allowance based on 12-month expected credit losses or lifetime expected credit losses, depending on whether the credit risk has increased significantly. The parameters and assumptions involved in ECL model are described below.

(i) Exposure at Default (EAD): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

(ii) Probabilities of Default (PD): The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

(iii) Loss given Default (LGD): LGD represents the Group's expectation of the extent of loss in a defaulted exposure. LGD is expressed as a percentage loss per unit EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the financial assets.

The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

Deterioration in credit quality of financial assets as a result of the COVID-19 pandemic may have a significant impact on Group ECL measurement. The Group consider the forward-looking information in updating ECL calculations due to the COVID-19 pandemic and strengthen the evaluation of ECL. The Group take management overlay consideration for industry level risks which includes the impact of COVID-19.

Judgement of significant increase in credit risk ("SICR")

Under HKFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group considers various reasonable and supportable information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial assets. Major factors being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group set quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly includes the PD changes of the lessees, changes of credit risk categories and other indicators of SICR, etc. In the judgement of whether the credit risk has SICR after initial recognition, the Group has not rebutted the 30 days past due as presumption of SICR.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.2 Credit risk (continued)

(b) Expected credit loss (continued)

The definition of credit-impaired assets

Under HKFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets while considering quantitative and qualitative indicators. When the Group assesses whether the lessee has credit impairment, the following factors are mainly considered:

- Internal credit rating of the lessee is default grade;
- The lessee has overdue more than 60 days after the lease contract payment date;
- The lessee has significant financial difficulties;
- The lessee is likely to go bankrupt or other financial restructuring;
- The lessor gives the lessee concessions for economic or contractual reasons due to the lessee's financial difficulties, where such concessions are normally reluctant to be made by the lessor.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable event.

Forward-looking information

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macroeconomic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macroeconomic forward-looking adjustment ECL models by establishing a basket of factors, preparing data, filtering model factors and adjusting forward-looking elements. The basket of macroeconomic factors including Gross Domestic Products (GDP), Completed Investment in Fixed Assets and Newbuilding Price Index (NPI):

- GDP: an average of forecast growth rate is approximately 5.40% in the base scenario for 2022;
- Completed Investment in Fixed Assets: an average of forecast growth rate is approximately 9.27% in the base scenario for 2022;
- NPI: an average of forecast value is approximately 146.97 in the base scenario for 2022.

For all the above macroeconomic factors, would be predicted to increase by 10% in the upside scenario compare to base scenario, and predicted to decrease by 10% in the downside scenario compare to base scenario.

In 2021 and 2020, the Group used statistical analysis to determine the weights of three different scenarios, and also considered the range of possible outcomes represented by each scenario, including base, upside and downside scenarios, and determined the final macroeconomic assumptions and weights to measure the relevant expected credit loss.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.2 Credit risk (continued)

(b) Expected credit loss (continued)

Sensitivity analysis

Expected credit impairment allowance is sensitive to the parameters used in the model, the macroeconomic variables of the forward-looking forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Change in these input parameters, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

Assuming the weight for upside scenario rise by 10%, the weight for basic scenario fall by 10%, the expected credit impairment allowance will decrease by RMB 11.8 million (2020: RMB 4.0 million). If the weight for downside scenario increase by 10% and the weight for basic scenario decrease by 10%, then the expected credit impairment allowance will increase by RMB 8.2 million (2020: RMB 4.8 million).

Credit risk exposure of financial assets

The following table presents the credit risk exposure of the financial assets under the scope of expected credit loss. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the gross carrying amount of the financial assets:

	31 December 2021				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	6,078,446,457	-	-	-	6,078,446,457
Operating lease receivables	-	-	-	50,534,627	50,534,627
Finance lease receivables	11,810,257,986	539,077,832	17,463,878	-	12,366,799,696
Other financial assets	-	-	-	4,754,327,476	4,754,327,476
Less: allowances for impairment losses	(394,116,544)	(265,170,125)	(15,340,423)	(824,394)	(675,451,486)
	17,494,587,899	273,907,707	2,123,455	4,804,037,709	22,574,656,770

	31 December 2020				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	11,146,123,018	-	-	-	11,146,123,018
Finance lease receivables	12,227,075,377	533,458,052	17,872,556	-	12,778,405,985
Other financial assets	-	-	-	2,910,840,548	2,910,840,548
Less: allowances for impairment losses	(313,333,139)	(76,850,379)	(15,899,410)	-	(405,882,928)
	23,059,865,258	456,607,673	2,173,146	2,910,840,548	26,429,486,623

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.2 Credit risk (continued)

(b) Expected credit loss (continued)

Credit risk exposure of financial assets (continued)

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified into 4 different levels as "low risk", "medium risk", "high risk" and "default" according to the internal rating scale. "Low risk" level means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. "Medium risk" level means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. "High risk" level means that there are factors revealing significant adverse impact on the asset quality, but there is no event indicating incurred default; The criteria of "default" level are consistent with those of "credit-impaired".

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Credit Rating:				
Low risk	8,314,085,179	-	-	8,314,085,179
Medium risk	3,496,172,807	539,077,832	-	4,035,250,639
High risk	-	-	-	-
Default	-	-	17,463,878	17,463,878
Net amount	11,810,257,986	539,077,832	17,463,878	12,366,799,696
Less: allowances for impairment losses	(394,116,544)	(265,170,125)	(15,340,423)	(674,627,092)
Net carrying amount	11,416,141,442	273,907,707	2,123,455	11,692,172,604

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Credit Rating:				
Low risk	9,050,259,926	-	-	9,050,259,926
Medium risk	3,176,815,451	533,458,052	-	3,710,273,503
High risk	-	-	-	-
Default	-	-	17,872,556	17,872,556
Net amount	12,227,075,377	533,458,052	17,872,556	12,778,405,985
Less: allowances for impairment losses	(313,333,139)	(76,850,379)	(15,699,410)	(405,882,928)
Net carrying amount	11,913,742,238	456,607,673	2,173,146	12,372,523,057

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.3 Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management terget is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the financial demand of leasing business investment.

The major payment demand of the Group is the repayments of matured bank borrowings and withdraw request from lessees under finance leases.

The Group and the company had received financial and credit support from its parent company, CDB leasing group.

(a) *Cash flow for non-derivative financial liabilities*

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2021 and 2020. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

31 December 2021	Indefinite/ On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Borrowings	-	18,529,588,124	2,123,174,254	2,013,878,930	275,480,006	22,942,121,314
Bonds payable	-	13,362,075,653	1,466,016,907	6,969,720,264	-	21,797,812,824
Finance lease liabilities	-	176,191,171	168,893,644	391,349,744	-	736,434,559
Guarantee deposits from lessees	27,790	-	-	15,313,888	162,728,469	178,070,147
Other financial liabilities	509,248,583	484,537,367	-	-	-	993,785,950
Non-derivative financial liabilities total	509,276,373	32,552,392,315	3,758,084,805	9,390,262,826	438,208,475	46,648,224,794

31 December 2020	Indefinite/ On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Borrowings	-	14,569,620,530	5,294,845,936	1,186,163,411	212,482,011	21,263,111,888
Bonds payable	-	11,002,857,033	9,594,700,089	-	-	20,597,557,122
Finance lease liabilities	-	183,488,698	176,191,171	560,243,388	-	919,923,257
Guarantee deposits from lessees	4,432,747	-	-	-	166,536,536	170,969,283
Other financial liabilities	978,299,160	281,257,679	-	-	-	1,259,556,839
Non-derivative financial liabilities total	982,731,907	26,037,223,940	15,065,737,196	1,746,406,799	379,018,547	44,211,118,389

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.3 Liquidity risk (continued)

(b) Cash flow analysis for derivative financial instruments

The following table illustrates the details of the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a gross basis, and the undiscounted gross inflows and outflows on those derivatives that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves as at 31 December 2021 and 2020 for exchange rate as well.

Derivative settled on a gross basis

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
31 December 2021					
Cross currency swaps					
Total inflows	858,189,904	624,145,608	387,081,629	-	1,869,417,141
Total outflows	(842,697,064)	(627,320,616)	(388,905,751)	-	(1,858,923,431)
Total	15,492,840	(3,175,008)	(1,824,122)	-	10,493,710
31 December 2020					
Cross currency swaps					
Total inflows	6,047,516,150	933,498,195	-	-	6,981,014,345
Total outflows	(6,010,731,156)	(925,674,408)	-	-	(6,936,405,564)
Total	36,784,994	7,823,787	-	-	44,608,781

Derivative settled on a net basis

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
31 December 2021					
Currency forwards					
Total Inflows	130,628,664	-	-	-	130,628,664
Interest rate swaps					
Total outflows	(17,844,732)	-	-	-	(17,844,732)
31 December 2020					
Currency forwards					
Total Inflows	322,673,925	-	-	-	322,673,925
Interest rate swaps					
Total outflows	(81,166,677)	(21,476,441)	-	-	(102,643,118)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

35.4 Interest rate benchmark reform

As at 31 December 2021, the Group had certain finance lease receivables, interest-bearing bank borrowings and interest rate swaps denominated in United States dollars. The interest rates of these instruments are based on the LIBOR with a tenor of one month, three months, six months or one year, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract;
- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group); and
- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR.

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

As at 31 December 2021

	Non-derivative financial assets carrying value USD	Non-derivative financial liabilities carrying value USD	Derivatives – nominal amount USD
USD LIBOR (1 month)	280,096,923	794,000,000	10,000,000
USD LIBOR (3 months)	630,905,479	2,042,991,090	630,000,000
USD LIBOR (6 months)	-	150,000,000	-
USD LIBOR (1 year)	-	50,000,000	-
	911,002,402	3,036,991,090	640,000,000

As at 31 December 2020

	Non-derivative financial assets carrying value USD	Non-derivative financial liabilities carrying value USD	Derivatives – nominal amount USD
USD LIBOR (1 week)	-	70,000,000	-
USD LIBOR (1 month)	300,221,759	285,000,000	10,000,000
USD LIBOR (3 months)	524,937,311	2,091,015,000	1,127,000,000
USD LIBOR (6 months)	-	60,000,000	-
	825,159,070	2,506,015,000	1,137,000,000

35.5 Capital risk management

The Group's objectives when managing capital (including funding from the parent company and related parties) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholder value in the long term.

The collection of finance lease receivables of the Group meets the repayment on borrowings and finance lease liabilities.

36. EVENTS AFTER THE REPORTING PERIOD

On 2 March 2022, CDBL Funding 2, a subsidiary of the Company, issued USD 700,000,000 2.75 per cent. bonds due 2025 and USD 250,000,000 3.125 per cent. bonds due 2027 under the USD 10,000,000,000 Medium Term Note Programme, unconditionally and irrevocably guaranteed by the Company with the benefit of a Keepwell and Asset Purchase Deed provided by CDB Leasing.

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2021	2020
Assets		
Cash and bank balances	5,764,865,716	10,989,753,930
Derivative financial assets	56,608,335	328,290,746
Operating lease receivables	-	-
Finance lease receivables	672,367,273	819,965,834
Prepayments	272,420,910	-
Investment in subsidiaries	144,983,488	221,301,723
Property and equipment	1,211	1,211
Other assets	33,061,053,624	27,564,428,530
Total assets	39,972,300,557	39,923,741,974
Liabilities		
Borrowings	17,878,077,034	18,382,654,414
Derivative financial liabilities	25,034,354	138,509,601
Finance lease liabilities	671,286,929	818,687,064
Other liabilities	21,359,499,812	20,932,381,854
Total liabilities	39,933,898,129	40,272,232,933
Equity		
Share capital	8,765	8,765
Other reserves	248,746,241	164,558,031
Accumulated losses	(210,352,578)	(513,057,755)
Total equity	38,402,428	(348,490,959)
Total liabilities and equity	39,972,300,557	39,923,741,974

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

	Other reserves	Accumulated losses	Total
At 1 January 2021	164,558,031	(513,057,755)	(348,499,724)
Profit for the year	-	302,705,177	302,705,177
Cash flow hedge	84,188,210	-	84,188,210
At 31 December 2021	248,746,241	(210,352,578)	38,393,663
At 1 January 2020	280,579,689	(779,890,198)	(499,310,509)
Profit for the year	-	266,832,443	266,832,443
Cash flow hedge	(116,021,658)	-	(116,021,658)
At 31 December 2020	164,558,031	(513,057,755)	(348,499,724)

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 19 May 2022.

CDB LEASING (INTERNATIONAL) COMPANY LIMITED

REPORT OF THE DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CDB LEASING (INTERNATIONAL) COMPANY LIMITED

CONTENTS

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2020.

Principal activities

The principal activities of the Company are investment holding and the provision of ships, containers and equipment leasing services. There were no significant changes in the nature of the Company's principal activities during the year. The activities of the subsidiaries are set out in Note 24 to the consolidated financial statements.

Recommended dividend

The directors do not recommend the payment of any dividend in respect of the year.

Shares issued

Details of the shares issued in the year ended 31 December 2020 are set out in Note 23 to the consolidated financial statements.

Charitable contributions

The Company made no charitable contributions during the year.

Directors

(a) The directors of the Company during the year were:

Mr. Mo Yanfeng	(Appointed on 18 November 2019)
Mr. Shan Kai	(Appointed on 18 November 2019)

In accordance with article 7 of the Company's articles of association, Mr. Mo Yanfeng and Mr. Shan kai will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

(b) Directors of the Company's subsidiaries

During the year and up to the date of this report, Mr. Mo Yanfeng and Mr. Shan Kai are also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report include: Mr. Xiong Jianfeng, Mr. Qin Jianqiang, Mr Wang bin and Mr. Liu WenJie.

Directors' interests

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its controlling company was a party and in which directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Events after the reporting period

Details of the Company's significant events after the reporting period are set out in Note 35 to the consolidated financial statements.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

....
Director

21 May 2021

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent Auditor's Report
To the members of CDB Leasing (International) Company Limited
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the consolidated financial statements of CDB Leasing (International) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 5 to 59 which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion
We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Consolidated Financial Statements and Auditor's Report thereon
The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

EY安永

Independent Auditor's Report (continued)
To the members of CDB Leasing (International) Company Limited
(Incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Certified Public Accountants
Hong Kong
21 May 2021

CDB LEASING (INTERNATIONAL) COMPANY LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020
(Amounts in RMB, unless otherwise stated)

	Notes	Year ended 31 December 2020	2019
Revenue			
Finance lease income	4	832,657,563	872,450,577
Operating lease income	4	951,013,090	759,180,153
Total revenue		1,783,670,653	1,631,630,730
Other income, gains or losses	5	726,918,582	245,066,662
Total revenue and other income		2,510,589,235	1,876,697,392
Expenses			
Depreciation	6	(504,470,585)	(281,234,201)
Interest expense	7	(875,372,005)	(803,885,067)
Other operating expenses	8	(320,568,765)	(199,752,250)
Net impairment losses on financial assets	9	(68,621,637)	17,132,470
Net impairment losses on other assets	10	-	(248,024,619)
Total expenses		(1,769,032,992)	(1,515,763,667)
Profit before tax		741,556,243	360,933,725
Income tax expense	12	-	-
Profit for the year attributable to owners of the Company		741,556,243	360,933,725
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges, net of tax	25	(21,002,467)	(38,300,194)
Currency translation differences	25	(139,303,881)	25,698,948
Total other comprehensive loss for the year, net of tax		(160,306,348)	(12,601,246)
Total comprehensive income for the year attributable to owners of the Company, net of tax		581,249,895	348,332,479

The accompanying notes form an integral part of these consolidated financial statements.

CDB LEASING (INTERNATIONAL) COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Amounts in RMB, unless otherwise stated)

	Notes	As at 31 December 2020	2019
Assets			
Cash and bank balances	13	11,146,123,018	2,658,746,971
Derivative financial assets	14	328,290,746	13,419,015
Finance lease receivables	15	12,372,523,057	12,857,786,084
Prepayments	16	4,494,801,216	4,024,127,050
Property and equipment	17	13,624,818,511	8,804,511,530
Other assets	18	2,910,840,548	740,028,085
Total assets		44,877,397,096	29,098,618,735
Liabilities			
Borrowings	19	20,934,004,095	6,677,460,967
Derivative financial liabilities	14	138,509,601	57,487,576
Bonds payable	20	20,093,083,237	19,707,732,110
Finance lease liabilities	21	818,687,064	966,237,382
Guarantee deposits from lessees		170,969,283	207,412,049
Other liabilities	22	1,259,556,839	600,951,569
Total liabilities		43,414,810,119	28,217,281,653
Equity			
Share capital	23	8,765	8,765
Other reserves	25	(75,342,142)	84,964,206
General reserves	26	619,341,691	387,667,259
Retained earnings		918,578,663	408,696,852
Total equity		1,462,586,977	881,337,082
Total liabilities and equity		44,877,397,096	29,098,618,735

The consolidated financial statements and the accompanying notes were approved by the Board of Directors on 21 May 2021 and were signed on its behalf.

Name of director
Director

Name of director
Director

The accompanying notes form an integral part of these consolidated financial statements.

CDB LEASING (INTERNATIONAL) COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020
(Amounts in RMB, unless otherwise stated)

		Attributable to the equity holders of the Company				
	Notes	Share capital	Other reserves	General reserves	Retained earnings	Total equity
At 1 January 2020		8,765	84,964,206	387,667,259	408,696,852	881,337,082
Profit for the year		-	-	-	741,556,243	741,556,243
Other comprehensive income/(loss) for the year						
Cash flow hedges, net of tax	25	-	(21,002,467)	-	-	(21,002,467)
Currency translation differences	25	-	(139,303,881)	-	-	(139,303,881)
Total comprehensive income for the year		-	(160,306,348)	-	741,556,243	581,249,895
Appropriation to general reserves	26	-	-	231,674,432	(231,674,432)	-
At 31 December 2020		8,765	(75,342,142)	619,341,691	918,578,663	1,462,586,977
At 1 January 2019		8,765	97,565,452	373,876,846	61,553,540	533,004,603
Profit for the year		-	-	-	360,933,725	360,933,725
Other comprehensive income/(loss) for the year						
Cash flow hedges, net of tax	25	-	(38,300,194)	-	-	(38,300,194)
Currency translation differences	25	-	25,698,948	-	-	25,698,948
Total comprehensive income for the year		-	(12,601,246)	-	360,933,725	348,332,479
Appropriation to general reserves	26	-	-	13,790,413	(13,790,413)	-
At 31 December 2019		8,765	84,964,206	387,667,259	408,696,852	881,337,082

The accompanying notes form an integral part of these consolidated financial statements.

CDB LEASING (INTERNATIONAL) COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
(Amounts in RMB, unless otherwise stated)

	Notes	Year ended 31 December 2020	2019
Operating activities			
Profit before tax		741,556,243	360,933,725
Adjustments for:			
- Bonds payable interest expenses	7	651,820,871	673,642,251
- Impairment losses of assets	9	68,621,637	230,892,149
- Depreciation of property and equipment		504,470,585	281,234,201
- Gains on disposal of equipment held for operating lease	5	(147,046,998)	(62,825,006)
- Foreign exchange gains from derivatives		(253,904,385)	-
Changes in working capital:			
- Borrowings		14,560,763,293	(3,695,001,624)
- Interest receivable		(2,305,493)	-
- Other assets		(1,299,521,887)	(2,826,297)
- Guaranteed deposits from lessees		(36,442,766)	(176,882,864)
- Interest payable		36,510,105	(24,443,010)
- Operating lease receivables		-	53,817,291
- Finance lease liabilities		-	(84,939,700)
- Other liabilities		969,621,744	93,342,325
- Financial lease receivables		652,896,380	1,239,272,562
Cash flows from operating activities		16,447,039,329	(1,113,783,997)
Income tax paid		-	-
Net cash inflow/(outflow) from operating activities		16,447,039,329	(1,113,783,997)
Cash flows from investing activities			
Payments for property and equipment		(7,968,233,077)	(7,482,301,859)
Proceeds from disposal of property and equipment		-	482,430,864
Net cash outflow from investing activities		(7,968,233,077)	(6,999,870,995)
Cash flows from financing activities			
Cash proceeds from bonds issued		4,355,968,133	8,176,021,003
Repayments of bonds payable		(3,180,358,828)	(557,455,785)
Bonds interest paid		(695,630,607)	(577,333,633)
Net cash inflow from financing activities		479,978,698	7,041,231,585
Net increase/(decrease) in cash and cash equivalents		8,958,784,950	(1,072,423,407)
Cash and cash equivalents at the beginning of the year		2,658,746,971	3,681,755,338
Effects of exchange rate changes on cash and cash equivalents		(471,408,903)	49,415,040
Cash and cash equivalents at the end of the year	13	11,146,123,018	2,658,746,971
Net cash from operating activities includes:			
Interest received		890,247,397	957,663,825
Interest paid, exclusive bonds payable interest expenses		(187,041,029)	(165,522,926)
Net interest received		703,206,368	792,140,899

The accompanying notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

CDB LEASING (INTERNATIONAL) COMPANY LIMITED (the "Company"), with the former name of Metro Excel Limited, is a limited liability company incorporated in Hong Kong on 3 September 2009. Its registered office is located at 21/F, Edinburgh Tower, The LandMark, 15 Queen's Road Central, Hong Kong.

On the date of incorporation, 10,000 ordinary share were issued by the Company to Sky Era Limited and GNL09 Limited at the issue price of HK$ 1 per share, of which Sky Era Limited held 9,999 shares and GNL09 Limited held 1 share. The proceeds of HK$ 10,000 (equivalent to RMB8,765) were recorded as share capital. On 25 September 2009, GNL09 Limited transferred the 1 issued share of the Company to Sky Era Limited. On 30 September 2015, Sky Era Limited transferred the 10,000 issued shares of the Company to CFAS Services Limited at nil consideration.

Pursuant to the Declaration of Trust between CFAS Services Limited and China Development Bank Financial Leasing Co., Ltd.("CDB Leasing") on 30 September 2015, CFAS Services Limited hold the issued shares of the Company on behalf of CDB Leasing.

In the opinion of the directors, the Company's parent company and ultimate beneficial owner of the Group are CDB Leasing and China Development Bank Co., Ltd ("CDB"). Both CDB and CDB Leasing are incorporated in Mainland China.

The Company and its subsidiaries (the "Group") are principally engaged in provision of ships, container and equipment leasing services.

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

These consolidated financial statements have been prepared under the historical cost convention, except for land and buildings, investment properties and certain equity investments which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's financial statements.

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

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

<u>Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework")</u>
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 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.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to HKFRS 3
Amendments to HKFRS 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 did not have any impact on the financial position and performance of the Group.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7
Amendments to HKFRS 9, HKAS 39 and HKFRS 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 14 to the financial statements.

Amendment to HKFRS 16 *Covid-19-Related Rent Concessions (early adopted)*
Amendment to HKFRS 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 HKAS 1 and HKAS 8
Amendments to HKAS 1 and HKAS 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.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied any of the new or revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2020 in these financial statements. Among these HKFRSs, the following are expected to be relevant to the Group's financial statements upon becoming effective:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	*Reference to the Conceptual Framework*	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform- Phase 2*	1 January 2021
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*	1 January 2022

Amendments to HKFRS 3

Amendments to HKFRS 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 June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. 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 HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 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 HKFRS 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.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (continued)
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 HKAS 16
Amendments to HKAS 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 HKFRSs 2018-2020
Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: 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.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5.1 Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Company the current ability to direct the relevant activities of the investee).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.1 Subsidiaries (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

2.5.2 Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured at fair value less costs to sell in accordance with that standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.2 Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

2.5.3 Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is shown net of value-added tax. Specific revenue recognition criteria are set out below:

- Finance lease income is recognized using the effective interest method over the term of lease.

- Operating lease income is recognized on the straight-line basis over the terms of the relevant lease.

- Interest income from a financial asset is recognized 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 management and commission fee income and gains on disposal of equipment held for operating lease business. Management and commission fee income is recognized 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 recognized as income when control of the related equipment has transferred, being when the equipment is delivered to the buyer and there is no unfulfilled obligation that could affect the buyer's acceptance of the equipment.

2.5.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.5 Income tax

Income taxes comprise current income tax and deferred income tax. Tax is recognized in the income statement except to the extent that it relates to items directly recognized in equity, in which cases, tax is also directly recognized in equity.

(a) Current income tax

Current income tax is calculated on the basis of the tax laws enacted or substantially enacted at the financial reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluated positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related asset is realised, or the liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised except the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

For deductible temporary differences associated with investment in subsidiaries, a deferred tax asset is recognized to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities shall be recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

Deferred income tax liabilities on taxable temporary differences arising from investments in subsidiaries are recognized, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.6 Foreign currencies

The Group's consolidated financial statements are presented in RMB, which is also the parent company's functional currency. The Company's subsidiaries choose their functional currency on the basis of the primary economic environment in which they operate.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for (I) exchange differences arising on a monetary item that forms part of the Company's net investment in a foraign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation; (II) exchange differences arising from the changes of the fair value of monetary assets classified as financial assets at fair value through other comprehensive income (other than the changes relating to the amortised cost of the monetary assets) which are recognised in other comprehensive income and accumulated in equity.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 Leases

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

(a) The Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 Leases (continued)

(b) The Group as a lessor

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

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

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

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

2.5.8 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

2.5.9 Financial instruments

Financial assets and financial liabilities are recognized 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 recognized immediately in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(a) Determination of fair value

Fair value is determined in the manner described in Note 2.5.15 Fair value measurement.

(b) 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.

(c) 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(c) Classification, recognition and measurement of financial assets (continued)

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 recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses of such financial assets shall be recognized in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial assets item and be recognized 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 recognized 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 recognized 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 HKAS 32 Financial Instruments: Presentation. When the equity instrument is derecognized, the cumulative gain or loss previously recognized 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 recognized in the statement of profit or loss. Such equity instruments do not recognise impairment losses.

(d) 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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 HKFRS 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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 HKFRS 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 other receivables, 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.

(e) 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 recognized 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 recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (i) the carrying amount allocated to the part derecognized; and (ii) the sum of the consideration received and receivable for the part derecognized, is recognized in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(f) 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 HKFRS 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 recognized in the statement of profit or loss. The net fair value gain or loss recognized 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 HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized 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 recognized 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 recognized in profit or loss.

(g) Derecognition of financial liabilities

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Derivatives and hedge accounting

(a) Initial recognition and subsequent measurement

Derivative financial instruments are initially recognized 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 recognized 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 recognized asset or liability or an unrecognized 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 recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized 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:

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Derivatives and hedge accounting (continued)

(b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized 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 recognized 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.11 Property and equipment

Property and equipment include office equipment held for administrative purpose, and ships 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 recognized 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 derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated residual value rates and useful lives are as follows:

	Estimated residual value rates	Estimated useful life
Operating lease assets - Ships	10%	20 years
Office equipment	5%	3 – 5 years

The gain or loss on disposal of items of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognized in the statement of profit or loss.

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.5.12 Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the Group makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

An impairment loss is recognized in the statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. The reversal of the impairment loss is credited to the statement of profit or loss in the year in which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.13 Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included consolidated statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.5.14 Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Company;
  (ii) has significant influence over the Company; or
  (iii) is a member of the key management personnel of the Company or of a parent of the Company; or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Company are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Company are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.15 Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of accounting policies as set out in Note 2.5, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the consolidated financial statements that cannot be measured accurately. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, estimate and key assumptions that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognized in the consolidated financial statements:

(a) Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(b) Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as the present values of the minimum lease payments of the lease amount to at least substantially all of the fair value of the assets held for lease businesses at the inception of the leases. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statements of financial position and has instead, recognized finance lease receivables (Note 15). On the other hand, the Group includes the assets held for lease businesses under operating lease in property and equipment, and investment properties. The determination of whether the Group has transferred substantially all the risks and rewards incident to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgements by management.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(c) Depreciation of operating lease assets

The Group calculates depreciation expense of operating lease assets based on management's assumption on their useful life and residual value. The useful lives and the residual value of operating lease assets reflect the future economic benefit obtained from the use of the operating lease assets and the benefit from disposal estimated by the Group's management. The estimation may differ due to actual physical wear and tear of the assets, changes of the technology innovation and market competition.

(d) Impairment of finance lease receivables

The impairment provisions for finance lease receivables are based on assumptions about expected credit losses. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. Further details of the finance lease receivables are given in Note 15 to the consolidated financial statements, respectively.

(e) Impairment of property and equipment

Items of property and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

4. REVENUE

	Year ended 31 December	
	2020	2019
Finance lease income[1]	832,657,563	872,450,577
Operating lease income	951,013,090	759,180,153
	1,783,670,653	1,631,630,730

[1] There was no finance lease income from non-performing finance lease receivables in the year of 2020 (2019: RMB4,036,258).

5. OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2020	2019
Management fee income of operating lease ship business	307,935,762	185,385,785
Interest income	59,895,327	74,376,149
Gains on disposal of equipment held for operating lease businesses, net	147,046,998	62,825,006
Foreign exchange gains/(losses), net	193,175,384	(77,809,651)
Others	18,865,111	289,373
	726,918,582	245,066,662

6. DEPRECIATION

	Year ended 31 December	
	2020	2019
Depreciation of property and equipment	504,470,585	281,234,201

7. INTEREST EXPENSE

	Year ended 31 December	
	2020	2019
Borrowings	249,862,431	177,698,077
Bonds payable	651,820,871	673,642,251
Finance lease liabilities(Note 32(b))	43,363,007	50,395,269
Less: Interest capitalised on qualifying assets[1]	(69,674,304)	(97,850,530)
	875,372,005	803,885,067

[1] Interest capitalised on qualifying assets in 2020, included RMB69,674,304 (2019: RMB97,850,530) on prepayment.

8. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2020	2019
Service fees of operating lease ship business	307,935,762	185,385,785
Auditor's remuneration	3,043,937	2,183,408
Professional services fee	7,988,476	11,185,193
Other expenses	1,549,992	916,902
Rental expenses	50,598	80,962
	320,568,765	199,752,250

9. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December	
	2020	2019
Finance lease receivables	68,621,637	(17,132,470)

10. NET IMPAIRMENT LOSSES ON OTHER ASSETS

	Year ended 31 December	
	2020	2019
Operating lease assets	-	248,024,619

11. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to the Group during the year (2019: Nil).

12. INCOME TAX

	Year ended 31 December 2020	2019
Current and deferred income tax	-	-

The Group, leased the whole ships, containers and equipment to lessees, and all ships, containers and equipment were not located, used and maintained solely or mainly in Hong Kong. Thus, the lease income derived by the Group was not subject to Hong Kong profits tax.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December 2020	2019
Profit before tax	741,556,243	360,933,725
Tax at the statutory tax rate of 16.5%	122,356,780	59,554,065
Income not subject to tax	(122,356,780)	(59,554,065)
Tax charge at the effective rate of 0% (2019: 0%)	-	-

13. CASH AND BANK BALANCES

	31 December 2020	31 December 2019
Cash and bank balances	11,146,123,018	2,658,746,971

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Contractual/ Nominal amount	As at 31 December 2020 Fair value Assets	Liabilities
Derivatives under hedge accounting:			
Cash flow hedge - interest rate swaps	7,418,811,300	-	(102,602,643)
Cash flow hedge - cross currency swaps	6,666,292,898	44,572,040	(2,459)
Derivatives not under hedge accounting:			
Currency forwards	4,208,560,500	283,718,706	(35,904,499)
	18,293,664,698	328,290,746	(138,509,601)

14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2019		
	Contractual/ Nominal amount	Fair value Assets	Fair value Liabilities
Derivatives under hedge accounting:			
Cash flow hedge - interest rate swaps	3,509,028,600	13,419,015	-
Cash flow hedge - cross currency swaps	4,424,738,423	-	(51,279,643)
Derivatives not under hedge accounting:			
Currency forwards	1,081,311,000	-	(6,207,933)
	9,015,078,023	13,419,015	(57,487,576)

The fair values of interest rate swaps, cross currency swaps and currency forwards as shown above are determined with reference to marked-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.

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.

As at 31 December 2020

	Nominal amount	Weighted average maturity (Years)
Interest rate swaps:		
USD LIBOR (1 month)	65,249,000	2.8
USD LIBOR (3 months)	7,353,562,300	2.2
	7,418,811,300	

15. FINANCE LEASE RECEIVABLES

	31 December 2020	31 December 2019
Finance lease receivables		
Not later than one year	1,476,560,450	1,688,746,403
Later than one year and not later than five years	5,816,347,106	6,169,219,315
Later than five years	9,853,346,106	11,037,072,686
Gross amount of finance lease receivables	17,146,253,662	18,895,038,404
Less: Unearned finance income	(4,367,847,677)	(5,672,562,795)
Present value of minimum finance lease receivables	12,778,405,985	13,222,475,609
Less: Allowances for impairment losses	(405,882,928)	(364,689,525)
Carrying amount of finance lease receivables	12,372,523,057	12,857,786,084
Present value of minimum finance lease receivables		
Not later than one year	805,071,852	886,215,874
Later than one year and not later than five years	3,629,909,865	3,522,670,569
Later than five years	8,343,424,268	8,813,589,166
	12,778,405,985	13,222,475,609

The Group entered into finance lease arrangements for certain of its ships, equipment and containers. The term range of finance leases entered into is from 5 to 15 years.

The finance lease receivables were mainly with floating interest rates based on the benchmark interest rate of London Inter-bank Offered Rates ("LIBOR"). The interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rates.

As at 31 December 2020 and 2019, there was no finance lease receivables pledged as collateral for the Group's bank borrowings (Note 19).

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	13,153,287,529	50,079,354	19,108,726	13,222,475,609
Net assets originated/(repayment)	(101,791,774)	503,447,079	-	401,655,305
Effect of foreign currency exchange differences	(824,420,378)	(20,068,381)	(1,236,170)	(845,724,929)
Amount as at 31 December 2020	12,227,075,377	533,458,052	17,872,556	12,778,405,985

	Stage 1	Stage 2	Stage 3	Total
Present value of minimum finance lease receivables				
Amount as at 1 January 2019	13,692,502,814	544,949,845	-	14,237,452,659
Movement within stages:				
Move to stage 2	(49,268,172)	49,268,172	-	-
Move to stage 3	(18,799,204)	-	18,799,204	-
Net assets repayment	(683,408,031)	(549,436,042)	-	(1,232,844,073)
Effect of foreign currency exchange differences	212,260,122	5,297,379	309,522	217,867,023
Amount as at 31 December 2019	13,153,287,529	50,079,354	19,108,726	13,222,475,609

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:

Allowance for impairment losses	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 January 2020	346,478,469	1,425,784	16,785,272	364,689,525
Net increase/(decrease) [1]	(11,366,553)	79,988,190	-	68,621,637
Effect of foreign currency exchange differences	(21,778,777)	(4,563,595)	(1,085,862)	(27,428,234)
Amount as at 31 December 2020	313,333,139	76,850,379	15,699,410	405,882,928

Allowance for impairment losses	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 January 2019	322,129,261	53,719,275	-	375,848,536
Movement within stages:				
Move to stage 2	(1,737,446)	1,737,446	-	-
Move to stage 3	(292,026)	-	292,026	-
Net increase/(decrease) [1]	20,918,776	(54,333,944)	16,282,698	(17,132,470)
Effect of foreign currency exchange differences	5,459,904	303,007	210,548	5,973,459
Amount as at 31 December 2019	346,478,469	1,425,784	16,785,272	364,689,525

[1] Changes due to new assets originated and repayments and changes in PDs, EADs, and LGDs arising from regular refreshing of inputs to models in the current year.

16. PREPAYMENTS

	31 December 2020	31 December 2019
Prepayments for leasing assets	4,427,507,988	4,001,814,532
Prepayments for ship management fee	67,293,228	22,312,518
	4,494,801,216	4,024,127,050

17. PROPERTY AND EQUIPMENT

	Operating lease asset - ships	Office equipment	Total
Cost			
As at 1 January 2020	9,475,661,719	12,106	9,475,673,825
Additions	6,168,403,810	-	6,168,403,810
Foreign currency translation	(896,465,319)	-	(896,465,319)
As at 31 December 2020	14,747,600,210	12,106	14,747,612,316
Accumulated depreciation			
As at 1 January 2020	(421,285,696)	(10,897)	(421,296,593)
Charge for the year	(504,470,585)	-	(504,470,585)
Foreign currency translation	43,217,947	-	43,217,947
As at 31 December 2020	(882,538,334)	(10,897)	(882,549,231)
Accumulated impairment			
As at 1 January 2020	(249,865,702)	-	(249,865,702)
Foreign currency translation	9,621,128	-	9,621,128
As at 31 December 2020	(240,244,574)	-	(240,244,574)
Net carrying amount			
As at 1 January 2020	8,804,510,321	1,209	8,804,511,530
As at 31 December 2020	13,624,817,302	1,209	13,624,818,511

	Operating lease asset - ships	Office equipment	Total
Cost			
As at 1 January 2019	4,397,026,982	12,106	4,397,039,088
Additions	5,430,241,477	-	5,430,241,477
Disposals/written-off	(470,556,225)	-	(470,556,225)
Foreign currency translation	118,949,485	-	118,949,485
As at 31 December 2019	9,475,661,719	12,106	9,475,673,825
Accumulated depreciation			
As at 1 January 2019	(187,440,872)	(10,897)	(187,451,769)
Charge for the year	(281,234,201)	-	(281,234,201)
Disposals/written-off	50,950,367	-	50,950,367
Foreign currency translation	(3,560,990)	-	(3,560,990)
As at 31 December 2019	(421,285,696)	(10,897)	(421,296,593)
Accumulated impairment			
As at 1 January 2019	-	-	-
Charge for the year	(248,024,619)	-	(248,024,619)
Foreign currency translation	(1,841,083)	-	(1,841,083)
As at 31 December 2019	(249,865,702)	-	(249,865,702)
Net carrying amount			
As at 1 January 2019	4,209,586,110	1,209	4,209,587,319
As at 31 December 2019	8,804,510,321	1,209	8,804,511,530

18. OTHER ASSETS

	31 December 2020	31 December 2019
Other receivables		
Due from the parent company (Note 32(c))	689,126,035	736,789,996
Due from other related company (Note 32(c))	2,218,566,101	-
Due from third parties	842,919	3,238,089
Interest receivable	2,305,493	-
	2,910,840,548	740,028,085

19. BORROWINGS

	31 December 2020	31 December 2019
Unsecured bank borrowings	20,934,004,095	6,677,460,967

As at 31 December 2020 and 2019, the Group's borrowings were repayable as follows:

	31 December 2020	31 December 2019
Carrying amount repayable:		
Within one year	14,386,155,829	2,225,820,322
More than one year, but not exceeding two years	5,187,448,598	-
More than two years, but not exceeding five years	1,162,104,016	4,451,640,645
More than five years	198,295,652	-
	20,934,004,095	6,677,460,967

The fair values of the respective borrowings approximate their carrying amounts. All the carrying amounts of the borrowings are denominated in USD.

In addition, the Group has floating-rate borrowings which carry interest based on LIBOR.

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	1.20%-1.53%	-
Floating-rate borrowing	"LIBOR+0.65% to LIBOR+1.30%"	"LIBOR+0.65% to LIBOR+1.25%"

20. BONDS PAYABLE

	31 December 2020	31 December 2019
Guaranteed unsecured bonds [1]	20,093,083,237	19,707,732,110

			As at 31 December 2020	
		Maturity (Year)	Face value	Guaranteed unsecured bonds
Currency	Fixed Coupon Rate			
RMB	3.60% to 3.80%	2021 to 2022	715,000,000	715,000,000
HKD	1.35% to 3.60%	2021 to 2022	6,008,467,960	6,008,467,960
USD	1.29% to 3.75%	2021 to 2022	10,113,595,000	10,113,595,000
			16,837,062,960	16,837,062,960
Currency	Floating Rate			
USD	3-month LIBOR+ Margin 1.15%	2021	3,262,450,000	3,262,450,000
			20,099,512,960	20,099,512,960

			As at 31 December 2019	
		Maturity (Year)	Face value	Guaranteed unsecured bonds
Currency	Fixed Coupon Rate			
RMB	3.60% to 3.80%	2021 to 2022	715,000,000	715,000,000
HKD	2.90% to 3.60%	2020 to 2022	3,707,633,420	3,707,633,420
USD	2.63% to 3.75%	2020 to 2022	11,859,540,000	11,859,540,000
			16,282,173,420	16,282,173,420
Currency	Floating Rate			
USD	3-month LIBOR+ Margin 1.15%	2021	3,488,100,000	3,488,100,000
			19,770,273,420	19,770,273,420

(1) The bonds were issued by Funding 2, unconditionally and irrevocably guaranteed by the Company, with the benefit of a Keepwell and Asset Purchase Deed provided by the CDB Leasing. Funding 2 is a subsidiary of the Company.

21. FINANCE LEASE LIABILITIES

	31 December 2020	31 December 2019
Gross finance lease liabilities- minimum lease payments		
Within 1 year	183,488,698	190,913,325
1 to 5 years	736,434,559	815,881,870
Over 5 years	-	104,041,387
	919,923,257	1,110,836,582
Future finance charges on finance leases	(101,236,193)	(144,599,200)
Present value of finance lease liabilities (Note 32(c))	818,687,064	966,237,382

22. OTHER LIABILITIES

	31 December 2020	31 December 2019
Interest payable	214,476,456	221,776,087
Other payables		
Due to the parent company (Note 32(c))	325,788,747	133,334,969
Due to the ultimate beneficial owner (Note 32(c))	-	148,429,119
Due to other related company (Note 32(c))	652,510,413	-
Due to third parties	66,781,223	97,411,394
	1,259,556,839	600,951,569

23. SHARE CAPITAL

	31 December 2020	31 December 2019
Registered, issued and fully paid: 10,000 ordinary shares	HKD 10,000	HKD 10,000
Equivalent to RMB	8,765	8,765

24. SUBSIDIARIES

The following is a list of the subsidiaries, which are fully owned by the Company at 31 December 2020:

Name	Place of incorporation	Principal activities	Registered and issued
Top Voyage Enterprise Limited	Hong Kong	Ship leasing service	HKD 1
Well Far Limited	Hong Kong	Ship leasing service	HKD 10,000
CL Jinan Limited [(1)]	Hong Kong	Ship leasing service	HKD 1
CLC Ship Chartering-II Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-III Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-IV Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-V Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-VI Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering-VII Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering- VIII Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering- IX Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Ship Chartering- X Co., Limited	Hong Kong	Ship leasing service	HKD 10,000
CLC Maritime Container Leasing Co., Limited	Hong Kong	Container leasing service	HKD 1
Ample Pointer Limited	Hong Kong	Ship leasing service	HKD 1
Bexton Limited	Hong Kong	Ship leasing service	HKD 1
Cyber Wave Limited	Hong Kong	Ship leasing service	HKD 1
CL Qingdao Limited [(2)]	Hong Kong	Ship leasing service	HKD 1
GUANG JIU Limited	Hong Kong	Ship leasing service	HKD 1
CLC Glowing Development Co., Limited	Hong Kong	Equipment leasing service	HKD 1
Ease Best Limited	Hong Kong	Equipment leasing service	HKD 1
Bell Maritime Limited	Hong Kong	Ship leasing service	HKD 1
Gold Maritime Limited	Hong Kong	Ship leasing service	HKD 1
Silver Maritime limited	Hong Kong	Ship leasing service	HKD 1
Venus Maritime Limited	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 3 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 4 LIMITED	Hong Kong	Ship leasing service	HKD 1

24. SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities	Registered and issued
CLC VLOC – 2 LIMITED	Hong Kong	Ship leasing service	HKD 1
Bendery Maritime Limited	Hong Kong	Ship leasing service	HKD 1
Bermuda Maritime Limited	Hong Kong	Ship leasing service	HKD 1
Bear Maritime Limited	Hong Kong	Ship leasing service	HKD 1
Sherlock Maritime Limited	Hong Kong	Ship leasing service	HKD 1
Franklin Maritime Limited	Hong Kong	Ship leasing service	HKD 1
Rome Shipping Limited	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 1 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 5 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 6 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 7 LIMITED	Hong Kong	Ship leasing service	HKD 1
CLC VLOC – 8 LIMITED	Hong Kong	Ship leasing service	HKD 1
CDBL Ambition Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Global Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Profession Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Diversification Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Ocean Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Planet Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax I Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax II Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax III Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax IV Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax V Limited	Hong Kong	Ship leasing service	HKD 1
Top Sailing Enterprise Limited	Hong Kong	Ship leasing service	HKD 1
Nine West Marine Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Funding 2	Cayman Island	Funding	USD 50
CDBL Newcastlemax VI Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax VII Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax VIII Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax IX Limited	Hong Kong	Ship leasing service	HKD 1
CDBL Newcastlemax X Limited	Hong Kong	Ship leasing service	HKD 1
CL Mars Limited	Hong Kong	Ship leasing service	HKD 1
CL Mercury Limited	Hong Kong	Ship leasing service	HKD 1
CL Jupiter Limited	Hong Kong	Ship leasing service	HKD 1
CL Marina Limited	Hong Kong	Ship leasing service	HKD 1
CL Mona Limited	Hong Kong	Ship leasing service	HKD 1
CL Alice Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Belle Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Christina Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Edi Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Fair Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Gemma Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Heidi Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Judy Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Kate Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Lindy Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Teresa Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Daisy Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Iris Co., Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanjing Limited	Hong Kong	Ship leasing service	HKD 1
CL Lianyungang Limited	Hong Kong	Ship leasing service	HKD 1
CL Wuxi Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhenjiang Limited	Hong Kong	Ship leasing service	HKD 1
CL Suzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Nantong Limited	Hong Kong	Ship leasing service	HKD 1

24. SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities	Registered and issued
CL Yangzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Taizhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Huizhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Wuhan Limited	Hong Kong	Ship leasing service	HKD 1
CL Ningbo Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanchang Limited	Hong Kong	Ship leasing service	HKD 1
CL Hefei Limited	Hong Kong	Ship leasing service	HKD 1
CL Maanshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Wuhu Limited	Hong Kong	Ship leasing service	HKD 1
CL Huangshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Anqing Limited	Hong Kong	Ship leasing service	HKD 1
CL Chuzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Chizhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Xuancheng Limited	Hong Kong	Ship leasing service	HKD 1
CL Tongling Limited	Hong Kong	Ship leasing service	HKD 1
CL Fuyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Wuchang Limited	Hong Kong	Ship leasing service	HKD 1
CL Jingzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Yiling Limited	Hong Kong	Ship leasing service	HKD 1
CL Xiangyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Rizhao Limited	Hong Kong	Ship leasing service	HKD 1
CL Singapore Limited	Hong Kong	Ship leasing service	HKD 1
CL Beijing Limited	Hong Kong	Ship leasing service	HKD 1
CL Dalian Limited	Hong Kong	Ship leasing service	HKD 1
CL Tianjing Limited	Hong Kong	Ship leasing service	HKD 1
CL Beilun Limited	Hong Kong	Ship leasing service	HKD 1
CL Cixi Limited	Hong Kong	Ship leasing service	HKD 1
CL Fenghua Limited	Hong Kong	Ship leasing service	HKD 1
CL Yuyao Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanning Limited	Hong Kong	Ship leasing service	HKD 1
CL Ninghai Limited	Hong Kong	Ship leasing service	HKD 1
CL BRIGHT I LIMITED	Hong Kong	Ship leasing service	HKD 1
CL BRIGHT II LIMITED	Hong Kong	Ship leasing service	HKD 1
CL BRIGHT III LIMITED	Hong Kong	Ship leasing service	HKD 1
CL NEPTUNE LIMITED	Hong Kong	Ship leasing service	HKD 1
CL SATURN LIMITED	Hong Kong	Ship leasing service	HKD 1
CL Shenyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Yingkou Limited	Hong Kong	Ship leasing service	HKD 1
CL Tieling Limited	Hong Kong	Ship leasing service	HKD 1
CL Anshan Limited	Hong Kong	Ship leasing service	HKD 1
CL Benxi Limited	Hong Kong	Ship leasing service	HKD 1
CL Fushun Limited	Hong Kong	Ship leasing service	HKD 1
CL Xiamen Limited	Hong Kong	Ship leasing service	HKD 1
CL Fuzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Nanping Limited	Hong Kong	Ship leasing service	HKD 1
CL Quanzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Putian Limited	Hong Kong	Ship leasing service	HKD 1
CL Ningde Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhangzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Sanming Limited	Hong Kong	Ship leasing service	HKD 1
CL Osmanthus I limited	Hong Kong	Ship leasing service	HKD 1
CL Osmanthus II limited	Hong Kong	Ship leasing service	HKD 1
CL Osmanthus III limited	Hong Kong	Ship leasing service	HKD 1
CL Linzi Limited	Hong Kong	Ship leasing service	HKD 1
CL Jicheng Limited	Hong Kong	Ship leasing service	HKD 1
CL Handan Limited	Hong Kong	Ship leasing service	HKD 1

24. SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities	Registered and issued
CL Yingdu Limited	Hong Kong	Ship leasing service	HKD 1
CL Qufu Limited	Hong Kong	Ship leasing service	HKD 1
CL Gusu Limited	Hong Kong	Ship leasing service	HKD 1
CL Fanyu Limited	Hong Kong	Ship leasing service	HKD 1
CL Guangling Limited	Hong Kong	Ship leasing service	HKD 1
CL Langya Limited	Hong Kong	Ship leasing service	HKD 1
CL Zhaoge Limited	Hong Kong	Ship leasing service	HKD 1
CL Luzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Youzhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Qinchuan Limited	Hong Kong	Ship leasing service	HKD 1
CL Xuchang Limited	Hong Kong	Ship leasing service	HKD 1
CL Wanqiu Limited	Hong Kong	Ship leasing service	HKD 1
CL Xunyang Limited	Hong Kong	Ship leasing service	HKD 1
CL Fengtian Limited	Hong Kong	Ship leasing service	HKD 1
CL Luoyi Limited	Hong Kong	Ship leasing service	HKD 1
CL Tongqiu Limited	Hong Kong	Ship leasing service	HKD 1
CL Kaifeng Limited	Hong Kong	Ship leasing service	HKD 1
CL Luoyang Limited	Hong Kong	Ship leasing service	HKD 1
Sea 44 Leasing Co., Limited	Hong Kong	Ship leasing service	USD 1
CL Zibo Limited	Hong Kong	Ship leasing service	HKD 1
CL Weifang Limited	Hong Kong	Ship leasing service	HKD 1
CL Dezhou Limited	Hong Kong	Ship leasing service	HKD 1
CL Jining Limited	Hong Kong	Ship leasing service	HKD 1
CL Weihai Limited	Hong Kong	Ship leasing service	HKD 1
CL Heze Limited	Hong Kong	Ship leasing service	HKD 1

(1) CL Jinan Limited, with the former name of CLC Ship Chartering-I Co., Limited, changed its name on 9 March 2020.

(2) CL Qingdao Limited, with the former name of CDBL Newcastlemax I Limited, changed its name on 9 March 2020.

25. OTHER RESERVES

	Capital reserve	Hedge and fair value reserves	Merger reserve(1)	Translation reserve	Total
As at 1 January 2020	44,678,918	(37,886,745)	86,253	78,085,780	84,964,206
Cash flow hedges	-	(21,002,467)	-	-	(21,002,467)
Currency translation differences	-	-	-	(139,303,881)	(139,303,881)
As at 31 December 2020	44,678,918	(58,889,212)	86,253	(61,218,101)	(75,342,142)
As at 1 January 2019	44,678,918	413,449	86,253	52,386,832	97,565,452
Cash flow hedges	-	(38,300,194)	-	-	(38,300,194)
Currency translation differences	-	-	-	25,698,948	25,698,948
As at 31 December 2019	44,678,918	(37,886,745)	86,253	78,085,780	84,964,206

(1) The merger reserve represented the combined share capital of the HK subsidiaries of the Company as the date of the completion of group reorganisation.

26. GENERAL RESERVES

Year ended 31 December 2020

	Opening	Additions	Closing
Reserve for general risk	387,667,259	231,674,432	619,341,691

Year ended 31 December 2019

	Opening	Additions	Closing
Reserve for general risk	373,876,846	13,790,413	387,667,259

Pursuant to the Administrative Measures for the Provision of Reserve of Financial Enterprises (Caijin[2012] No. 20) issued by the MOF, the Company and the subsidiaries maintained a general reserve at no less than 1.5% of its risk assets at the end of the reporting period.

27. TERMINATION OF A SUBSIDIARY

In 2020, the Company decided to deregister its fully owned subsidiary, Kinghood Vessel Leasing Co., Limited ("Kinghood"), and carried out related accounting treatment on 29 October 2020. Therefore, as of 31 December 2020, Kinghood is no longer a subsidiary of the Company. The breakdown of its assets, liabilities and equity attributable to discontinued operations as of 29 October 2020 (the termination date), were as follows:

	29 October 2020
Other assets	1,278,724
Other liabilities	83,598
Retained earnings	1,195,125
Share capital	1

28. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, there were no significant legal proceedings outstanding against the Group. No provision has been made for pending assessments, lawsuits or possible violations of contracts as the outcome cannot be reasonably estimated or management believes that the probability of a loss is low or remote.

29. CAPITAL COMMITMENTS

Capital expenditures contracted by the Group as at 31 December 2020 and 2019 but are not yet to be recognized on the consolidated statements of financial position are as follows:

	31 December 2020	31 December 2019
Acquisition of equipment held for operating lease	4,230,376,915	2,758,182,088

30. FINANCE LEASE COMMITMENTS

	31 December 2020	31 December 2019
Finance lease commitments	-	581,330,250

Finance lease commitments are in relation to finance leases contracts signed by the Group as lessor are not yet effective as at 31 December 2020 and 2019.

31. OPERATING LEASE COMMITMENTS

The Group as lessee

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties. Operating leases relate to leases of office properties with lease terms of 1 year. The Group does not have an option to purchase the leased asset at the expiry of the lease periods.

The Group as lessor

Leasing arrangements

As at 31 December 2020, operating leases relate to the ships owned by the Group with lease terms of between 3 to 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating leases receivable

As at 31 December 2020 and 2019, the Group is entitled to receive the minimum cash lease rentals under non-cancellable operating lease which fall due as follows:

	31 December 2020	31 December 2019
Within one year	1,178,498,377	592,941,525
In the first to second years inclusive	1,011,541,998	527,116,252
In the second to third years inclusive	973,164,571	360,676,837
In the third to fourth years inclusive	829,246,265	322,418,244
In the fourth to fifth years inclusive	482,848,115	215,615,648
Over five years	427,366,954	227,089,126
	4,902,666,280	2,245,857,632

32. RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Names and relationship with related parties are as below:

Name	**Relationship**
CDB	The ultimate beneficial owner
CDB Leasing	The parent company
CDB Aviation Lease Finance Designated Activity Company ("CDBALF")	Controlled by the same beneficial owner

(a) Pricing policies

The prices for services provided to and by related parties are determined based on open market prices and mutual agreement.

32. RELATED PARTY TRANSACTIONS (continued)

The following transactions were carried out with related parties during the year:

(b) Related party transactions

Interest income	Year ended 31 December 2020	2019
CDB	32,976	31,168
CDBALF	9,368,996	-

Interest expense	Year ended 31 December 2020	2019
CDB	14,024,502	47,038,058
CDB Leasing	43,363,007	50,395,269
CDBALF	20,413	-
	57,407,922	97,433,327

(c) Year-end balances

	31 December 2020	31 December 2019
Amounts due to/from CDB:		
Cash and bank balances	713,751,821	65,469,914
Interest payable	5,546,596	-
Borrowings	2,609,366,827	-
Other payables	-	148,429,119
Amounts due to/from CDB Leasing:		
Other receivables	689,126,035	736,789,996
Other payables	325,788,747	133,334,969
Financial lease liabilities	818,687,064	966,237,382
Amounts due to/from CDBALF:		
Other receivables	2,218,566,101	-
Other payables	652,510,413	-

(d) Key management compensation

There were no remunerations paid or payable by the Group to key management during the year ended 31 December 2020 (31 December 2019: None). The remunerations, which were not material in the opinion of directors of the Company, were borne by related parties of the Company.

33. FAIR VALUE HIERARCHY OF THE FINANCIAL INSTRUMENTS

33.1 Determination of fair value and valuation techniques

The following table provides the fair value measurement hierarchy of the Group's financial instruments as at 31 December 2020 and 2019:

	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Derivatives financial assets				
- Currency forwards	-	283,718,706	-	283,718,706
- Cross currency swaps	-	44,572,040	-	44,572,040
	-	328,290,746	-	328,290,746
Derivatives financial liabilities				
- Currency forwards	-	35,904,499	-	35,904,499
- Cross currency swaps	-	2,459	-	2,459
- Interest rate swaps	-	102,602,643	-	102,602,643
	-	138,509,601	-	138,509,601

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Derivatives financial assets				
- Interest rate swaps	-	13,419,015	-	13,419,015
Derivatives financial liabilities				
- Currency forwards	-	6,207,933	-	6,207,933
- Cross currency swaps	-	51,279,643	-	51,279,643
	-	57,487,576	-	57,487,576

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 other financial instruments – discounted cash flow analysis.

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

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

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

	As at 31 December			
	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds payable	20,093,083,237	20,386,020,470	19,707,732,110	19,893,338,947

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 statements of financial position approximate their fair values because majority of financial assets and liabilities are matured within one year or at floating interest rates.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and monitors the risks continuously. The major financial risks of the Group are market risk, credit risk and liquidity risk. Market risk includes currency risk and interest rate risk. The Group's overall risk management programme focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The major derivative financial instruments adopted by the Group are interest rate swaps, cross currency swaps and currency forwards. The objective for interest rate swaps is to hedge against the cash flow volatility risk caused by interest rate fluctuations of borrowings and bonds payable; the objective for cross currency swaps is to hedge against the cash flow volatility risk caused by interest rate and foreign exchange fluctuations of bonds payable; the objective for currency forwards contract is to hedge against the foreign exchange rate volatility risk caused by foreign currency risk exposure.

The board of directors of the Company established the Group's risk management strategy. The senior management established related risk management policies and procedures, for credit risk, foreign exchange risk, interest rate risk, liquidity risk, and the use of derivative and non-derivative financial instruments, according to the risk management strategy approved by the board.

34.1 Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse movements in market prices (including interest rates and exchange rates).

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would mature in a certain period or need to be repriced, and then uses the exposure information to perform sensitivity analysis under changing market interest rate and exchange rate.

(a) Foreign currency risk

The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. Most ships held under finance and operating leases that the Group has purchased are denominated in US dollars; and the corresponding finance lease receivables and operating leases receivable are denominated in US dollars; and the main sources of fund are from bank borrowings and bond issuance denominated in US dollar.

The Group's policy has been reviewed and, due to the increased volatility in USD, it had decided to hedge foreign exchange risk exposures that affect profit and loss. The Group utilises a rollover hedging strategy, such as currency forwards, to offset or limit the exposure currency risk for its immediate beneficial owner, CDB leasing Group. The maturity date of the Group's currency forwards is ranging from 29 January 2021 to 18 May 2021 (2019: 21 January 2020 to 23 November 2020).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

34.1 Market risk (continued)

(a) *Foreign currency risk* (continued)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is RMB:

	USD	HKD	Others	Total
31 December 2020				
Cash and bank balances	11,003,520,084	1,480	573,895	11,004,095,459
Derivative financial assets	328,290,746	-	-	328,290,746
Other financial assets	27,775,660,559	-	-	27,775,660,559
Total financial assets	39,107,471,389	1,480	573,895	39,108,046,764
Borrowings	18,382,654,414	-	-	18,382,654,414
Derivative financial liabilities	138,509,601	-	-	138,509,601
Other financial liabilities	14,255,064,950	5,768,113,221	268,916	20,023,447,087
Total financial liabilities	32,776,228,965	5,768,113,221	268,916	38,544,611,102
Net exposure	6,331,242,424	(5,768,111,741)	304,979	563,435,662
Net off-balance sheet position	(10,874,853,398)	5,971,441,650	-	(4,903,411,748)

	USD	HKD	Others	Total
31 December 2019				
Cash and bank balances	2,443,969,733	73	297,013	2,444,266,819
Derivative financial assets	13,419,015	-	-	13,419,015
Prepayment	1,078,431,254	-	-	1,078,431,254
Other financial assets	22,838,707,893	52,331	-	22,838,760,224
Total financial assets	26,374,527,895	52,404	297,013	26,374,877,312
Borrowings	6,677,460,967	-	-	6,677,460,967
Derivative financial liabilities	57,487,576	-	-	57,487,576
Other financial liabilities	15,727,249,316	3,580,425,252	-	19,307,674,568
Total financial liabilities	22,462,197,859	3,580,425,252	-	26,042,623,111
Net exposure	3,912,330,036	(3,580,372,848)	297,013	332,254,201
Net off-balance sheet position	(5,506,049,423)	3,681,827,225	-	(1,824,222,198)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is US dollar:

	RMB	HKD	Others	Total
31 December 2020				
Cash and bank balances	-	496,738	-	496,738
Other financial assets	683,020,320	5,767,102,771	268,916	6,450,392,007
Total financial assets	683,020,320	5,767,599,509	268,916	6,450,888,745
Bonds payable	712,855,132	6,002,038,322	-	6,714,893,454
Other financial liabilities	20,820,274	31,843,850	-	52,664,124
Total financial liabilities	733,675,406	6,033,882,172	-	6,767,557,578
Net exposure	(50,655,086)	(266,282,663)	268,916	(316,668,833)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

34.1 Market risk (continued)

(a) Foreign currency risk (continued)

	RMB	HKD	Others	Total
31 December 2019				
Cash and bank balances	-	-	261,894	261,894
Other financial assets	709,676,950	3,580,425,252	-	4,290,102,202
Total financial assets	709,676,950	3,580,425,252	261,894	4,290,364,096
Bonds payable	710,803,105	3,691,796,835	-	4,402,599,940
Other financial liabilities	20,773,945	24,108,091	-	44,882,036
Total financial liabilities	731,577,050	3,715,904,926	-	4,447,481,976
Net exposure	(21,900,100)	(135,479,674)	261,894	(157,117,880)

The following table indicates the potential effect on profit before tax and equity of a 5% appreciation or depreciation of USD's spot and forward exchange rates against RMB, respectively.

	Year ended 31 December 2020	2019
Profit before tax:		
5% appreciation	(90,784,296)	(17,752,549)
5% depreciation	90,784,296	17,752,549
Equity:		
5% appreciation	11,444,878	64,555,704
5% depreciation	(11,444,878)	(64,555,704)

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. Interest margins may increase as a result of fluctuation in market interest rates, but may reduce or create losses in the event that unexpected movements arise. Therefore, the Group primarily manages the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities.

The Group primarily manages the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities. For interest-generating assets, the Group mainly receives floating rate finance lease receivables, and it mainly receives operating lease rentals based on the higher of contracted rental premiums or rentals anchored by Baltic Exchange Supramax Index. For interest-bearing liabilities, the Group carries bank borrowings at floating rate and most bonds at fixed rates.

The floating rate contracted by the Group is London Inter Bank Offered Rate (Libor).

To deal with cash flow volatility caused by interest rate fluctuation, the Group had introduced interest rate swap contracts and cross currency swaps ("CCS") as cash flow hedge strategies. Via these contracts, the Group had effectively match the future fixed rental income, and fix the interest spread.

The interest rate swaps introduced by the Group are settled at maturity on a net basis, and the CCS introduced by the Group are settled at maturity on a gross basis. For the year ended 31 December 2020 and 2019, the Group's hedge relationship between interest rate swaps and CCS, and their designated hedged items were highly effective. The hedge ratios for the Group's hedge relationships are 1:1. The maturity date of the Group's derivatives under cash flow hedge ranges from 19 January 2021 to 29 April 2022 (2019: from 18 October 2020 to 29 April 2022).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

34.1 Market risk (continued)

(b) Interest rate risk (continued)

As at 31 December 2020 and 2019, the Group's assets and liabilities at carrying amounts, categorised by remaining maturity based on the earlier of contractual repricing or remaining maturity dates are as follows:

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2020						
Cash and bank balances	11,146,123,018	-	-	-	-	11,146,123,018
Derivative financial assets	-	-	-	-	328,290,746	328,290,746
Finance lease receivables	5,857,018,309	-	156,173,656	6,359,331,092	-	12,372,523,057
Other financial assets	-	-	-	-	2,910,840,548	2,910,840,548
Total financial assets	17,003,141,327	-	156,173,656	6,359,331,092	3,239,131,294	26,757,777,369
Borrowings	10,381,385,565	10,552,618,530	-	-	-	20,934,004,095
Derivative financial liabilities	-	-	-	-	138,509,601	138,509,601
Bonds payable	2,535,674,799	8,177,182,245	9,380,226,193	-	-	20,093,083,237
Finance lease liabilities	-	-	818,687,064	-	-	818,687,064
Guarantee deposits from lessees	-	-	-	-	170,969,283	170,969,283
Other financial liabilities	-	-	-	-	1,259,556,839	1,259,556,839
Total financial liabilities	12,917,060,364	18,729,800,775	10,198,913,257	-	1,569,035,723	43,414,810,119
Interest rate gap	4,086,080,963	(18,729,800,775)	(10,042,739,601)	6,359,331,092	1,670,095,571	(16,657,032,750)

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2019						
Cash and bank balances	2,658,746,971	-	-	-	-	2,658,746,971
Derivative financial assets	-	-	-	-	13,419,015	13,419,015
Finance lease receivables	5,466,645,631	583,407,116	227,308,900	6,580,424,437	-	12,857,786,084
Other financial assets	-	-	-	-	740,028,085	740,028,085
Total financial assets	8,125,392,602	583,407,116	227,308,900	6,580,424,437	753,447,100	16,269,980,155
Borrowings	3,199,616,713	-	3,477,844,254	-	-	6,677,460,967
Derivative financial liabilities	-	-	-	-	57,487,576	57,487,576
Bonds payable	3,477,935,466	2,999,812,918	13,229,983,726	-	-	19,707,732,110
Finance lease liabilities	-	-	572,979,788	393,257,594	-	966,237,382
Guarantee deposits from lessees	-	-	-	-	207,412,049	207,412,049
Other financial liabilities	-	-	-	-	600,951,569	600,951,569
Total financial liabilities	6,677,552,179	2,999,812,918	17,280,807,768	393,257,594	865,851,194	28,217,281,653
Interest rate gap	1,447,840,423	(2,416,405,802)	(17,053,498,868)	6,187,166,843	(112,404,094)	(11,947,301,498)

The following table illustrates the potential impact of a parallel upward or downward shift of 10 basis points in all financial instruments' yield rate on the Group's profit before tax and equity, based on the Group's positions of interest-generating assets, interest-bearing liabilities and interest rate swap contracts for the year of 2020 and 2019.

	Year ended 31 December	
	2020	2019
Profit before tax:		
+ 10 basis points	(3,448,354)	360,708
- 10 basis points	3,448,354	(360,708)
Equity:		
+ 10 basis points	3,285,366	18,607,305
- 10 basis points	(3,285,366)	(18,607,305)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

34.2 Credit risk

Credit risk for the Group represents the risk that the counterparty fails to meet its contractual obligations at the due date. Credit risk is considered as one of the most significant risk to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from leasing business and other financial assets, which include cash and bank balances, derivative financial instruments, and other receivables.

(a) Credit risk management

The Group establishes industry risk management framework and measurements which the Group will perform research by industry, implement credit evaluation, estimate the value on lease assets, monitor lessee business status and evaluate the impact from change in technology to lease assets, to strengthen the credit risk control and management.

The Group enters into transactions only with recognized and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with which the Group has credit transactions. In addition, the Group monitors the leases receivable regularly to mitigate the risk of significant exposures from non-performing assets. The Group employs a range of policies and practices to mitigate credit risk of leasing business. The most typical of these is the taking of collateral, margin deposits and guarantees by third parties.

In 2020, COVID-19 caused an unprecedented impact on the global economy and society, and affected the Group in a certain extent. In the face of the impact of COVID-19, the Group manages and responds actively, provides relief plans for stock customers which were impacted by the COVID-19. Facing the complicated and changeable external environment, the Group actively carries out risk investigation, conducts risk analysis and screening, comprehensively investigates the potential risks, formulates annual quality evaluation plan and takes forward-looking risk control measures to effectively buffer the influence of COVID-19.

The Group regularly evaluate the credit risk, improve the credit risk monitoring and early warning management system, and provide rescue programs to their lessees affected by the COVID-19. The Group have provided rent concessions to lessees as a result of the COVID-19 pandemic. Rent concessions mainly include deferral of payment or restructuring of rent contracts with lessees.

The credit risk on bank balances and derivative financial instruments are limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

Other receivables due from related parties (Note 32(c)) are considered to bear low credit risk.

Other receivables due from third parties, operating lease receivables and finance lease receivables, where the lessees of the Group are shipping companies and manufacturing companies, if the strategic relationship with these companies is terminated or scaled-back or if they experiences financial difficulties in payment, the Group's operating lease and finance lease service might be adversely affected in terms of recoverability of receivables. To manage the credit risk, the Group maintains frequent communications with the shipping companies to ensure the relevant co-operation is effectively and smoothly.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

34.2 Credit risk (continued)

(b) Expected credit loss

The Group formulates the credit losses of cash and bank balances, finance lease receivables and other receivables.

For financial assets whose impairment losses are measured using ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model (refer to Note 2.5.9(d)) to calculate their impairment allowance and recognise their ECL.

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of EAD, PD and LGD.

The Group measures the loss allowance based on 12-month expected credit losses or lifetime expected credit losses, depending on whether the credit risk has increased significantly. The parameters and assumptions involved in ECL model are described below.

(i) Exposure at Default (EAD): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

(ii) Probabilities of Default (PD): The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

(iii) Loss given Default (LGD): LGD represents the Group's expectation of the extent of loss in a defaulted exposure. LGD is expressed as a percentage loss per unit EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the financial assets.

The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

Deterioration in credit quality of financial assets as a result of the COVID-19 pandemic may have a significant impact on Group ECL measurement. The Group consider the forward-looking information in updating ECL calculations due to the COVID-19 pandemic and strengthen the evaluation of ECL. The Group take management overlay consideration for industry level risks which includes the impact of COVID-19.

Judgement of significant increase in credit risk ("SICR")

Under HKFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group considers various reasonable and supportable information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial assets. Major factors being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group set quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly includes the PD changes of the lessees, changes of credit risk categories and other indicators of SICR, etc. In the judgement of whether the credit risk has SICR after initial recognition, the Group has not rebutted the 30 days past due as presumption of SICR.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

34.2 Credit risk (continued)

(b) Expected credit loss (continued)

The definition of credit-impaired assets

Under HKFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets while considering quantitative and qualitative indicators. When the Group assesses whether the lessee has credit impairment, the following factors are mainly considered:

- Internal credit rating of the lessee is default grade;
- The lessee has overdue more than 90 days after the lease contract payment date;
- The lessee has significant financial difficulties;
- The lessee is likely to go bankrupt or other financial restructuring;
- The lessor gives the lessee concessions for economic or contractual reasons due to the lessee's financial difficulties, where such concessions are normally reluctant to be made by the lessor.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable event.

Forward-looking information

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macroeconomic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macroeconomic forward-looking adjustment ECL models by establishing a basket of factors, preparing data, filtering model factors and adjusting forward-looking elements. The basket of macroeconomic factors including Gross Domestic Products (GDP), Completed Investment in Fixed Assets and Newbuilding Price Index (NPI):

- GDP: an average of forecast growth rate is approximately 8.87% in the base scenario for 2021;
- Completed Investment in Fixed Assets: an average of forecast growth rate is approximately 7.33% in the base scenario for 2021;
- NPI: an average of forecast value is approximately 123.32 in the base scenario for 2021.

For all the above macroeconomic factors, would be predicted to increase by 10% in the upside scenario compare to base scenario, and predicted to decrease by 10% in the downside scenario compare to base scenario.

In 2020 and 2019, the Group used statistical analysis to determine the weights of 3 different scenarios, and also considered the range of possible outcomes represented by each scenario, including base, upside and downside scenarios, and determined the final macroeconomic assumptions and weights to measure the relevant expected credit loss.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

34.2 Credit risk (continued)

(b) Expected credit loss (continued)

Sensitivity analysis

Expected credit impairment allowance is sensitive to the parameters used in the model, the macroeconomic variables of the forward-looking forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Change in these input parameters, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

Assuming the weight for upside scenario rise by 10%, the weight for basic scenario fall by 10%, the expected credit impairment allowance will decrease by RMB 4.0 million (2019: RMB 3.6 million). If the weight for downside scenario increase by 10% and the weight for basic scenario decrease by 10%, then the expected credit impairment allowance will increase by RMB 4.8 million (2019: RMB 4.5 million).

Credit risk exposure of financial assets

The following table presents the credit risk exposure of the financial assets under the scope of expected credit loss. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the gross carrying amount of the financial assets:

	31 December 2020				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	11,146,123,018	-	-	-	11,146,123,018
Finance lease receivables	12,227,075,377	533,458,052	17,872,556	-	12,778,405,985
Other financial assets	-	-	-	2,910,840,548	2,910,840,548
Less: allowances for impairment losses	(313,333,139)	(76,850,379)	(15,699,410)	-	(405,882,928)
	23,059,865,256	456,607,673	2,173,146	2,910,840,548	26,429,486,623

	31 December 2019				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	2,658,746,971	-	-	-	2,658,746,971
Finance lease receivables	13,153,287,529	50,079,354	19,108,726	-	13,222,475,609
Other financial assets	-	-	-	740,028,085	740,028,085
Less: allowances for impairment losses	(346,478,469)	(1,425,784)	(16,785,272)	-	(364,689,525)
	15,465,558,031	48,653,570	2,323,454	740,028,085	16,256,561,140

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

34.2 Credit risk (continued)

(b) Expected credit loss (continued)

Credit risk exposure of financial assets (continued)

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified into 4 different levels as "low risk", "medium risk", "high risk" and "default" according to the internal rating scale. "Low risk" level means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. "Medium risk" level means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. "High risk" level means that there are factors revealing significant adverse impact on the asset quality, but there is no event indicating incurred default; The criteria of "default" level are consistent with those of "credit-impaired".

As at 31 December 2020, credit rating of the Group for finance lease receivables are as follows:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Credit Rating:				
Low risk	9,050,259,926	-	-	9,050,259,926
Medium risk	3,176,815,451	533,458,052	-	3,710,273,503
High risk	-	-	-	-
Default	-	-	17,872,556	17,872,556
Net amount	12,227,075,377	533,458,052	17,872,556	12,778,405,985
Less: allowances for impairment losses	(313,333,139)	(76,850,379)	(15,699,410)	(405,882,928)
Net carrying amount	11,913,742,238	456,607,673	2,173,146	12,372,523,057

As at 31 December 2019, credit rating of the Group for finance lease receivables are as follows:

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Credit Rating:				
Low risk	9,363,110,006	-	-	9,363,110,006
Medium risk	3,790,177,523	50,079,354	-	3,840,256,877
High risk	-	-	-	-
Default	-	-	19,108,726	19,108,726
Net amount	13,153,287,529	50,079,354	19,108,726	13,222,475,609
Less: allowances for impairment losses	(346,478,469)	(1,425,784)	(16,785,272)	(364,689,525)
Net carrying amount	12,806,809,060	48,653,570	2,323,454	12,857,786,084

No purchase credit-impaired was incurred for the year ended 31 December 2020 and 31 December 2019.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

34.3 Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management target is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the financial demand of leasing business investment.

The major payment demand of the Group is the repayments of matured bank borrowings and withdraw request from lessees under finance leases.

The Group and the company had received financial and credit support from its parent company, CDB leasing group.

(a) *Cash flow for non-derivative financial liabilities*

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2020 and 2019. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

31 December 2020	Indefinite/ On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Borrowings	-	14,569,620,530	5,294,845,936	1,186,163,411	212,482,011	21,263,111,888
Bonds payable	-	11,002,857,033	9,594,700,089	-	-	20,597,557,122
Finance lease liabilities	-	183,488,698	176,191,171	560,243,388	-	919,923,257
Guarantee deposits from lessees	4,432,747	-	-	-	166,536,536	170,969,283
Other financial liabilities	978,299,160	281,257,679	-	-	-	1,259,556,839
Non-derivative financial liabilities total	982,731,907	26,037,223,940	15,065,737,196	1,746,406,799	379,018,547	44,211,118,389

31 December 2019	Indefinite/ On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Borrowings	-	2,365,983,329	121,132,008	4,495,566,781	-	6,982,682,118
Bonds payable	-	3,450,728,623	6,795,171,512	9,976,816,709	-	20,222,716,844
Finance lease liabilities	-	190,913,325	183,488,698	632,393,172	104,041,387	1,110,836,582
Guarantee deposits from lessees	30,407	12,557,160	-	4,708,935	190,115,547	207,412,049
Other financial liabilities	207,410,610	241,991,692	151,549,267	-	-	600,951,569
Non-derivative financial liabilities total	207,441,017	6,262,174,129	7,251,341,485	5,109,485,597	294,156,934	29,124,599,162

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

34.3 Liquidity risk (continued)

(b) Cash flow analysis for derivative financial instruments

The following table illustrates the details of the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a gross basis, and the undiscounted gross inflows and outflows on those derivatives that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves as at 31 December 2020 and 2019 for exchange rate as well.

Derivative settled on a gross basis

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
31 December 2020					
Cross currency swaps					
Total inflows	6,047,516,150	933,498,195	-	-	6,981,014,345
Total outflows	(6,010,731,156)	(925,674,408)	-	-	(6,936,405,564)
Total	36,784,994	7,823,787	-	-	44,608,781
31 December 2019					
Cross currency swaps					
Total inflows	399,339,555	3,731,780,997	1,067,197,328	-	5,198,317,880
Total outflows	(417,895,240)	(3,751,938,646)	(1,080,826,284)	-	(5,250,660,170)
Total	(18,555,685)	(20,157,649)	(13,628,956)	-	(52,342,290)

Derivative settled on a net basis

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
31 December 2020					
Currency forwards					
Total inflows	322,673,925	-	-	-	322,673,925
Interest rate swaps					
Total outflows	(81,166,677)	(21,476,441)	-	-	(102,643,118)
31 December 2019					
Currency forwards					
Total outflows	(6,601,004)	-	-	-	(6,601,004)
Interest rate swaps					
Total inflows	8,920,074	3,415,576	883,919	-	13,219,569

34.4 Capital risk management

The Group's objectives when managing capital (including funding from the parent company and related parties) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholder value in the long term.

The collection of finance lease receivables of the Group meets the repayment on borrowings and finance lease liabilities.

35. 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 the Company with the benefit of a Keepwell and Asset Purchase Deed provided by CDB Leasing.

36. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2020	2019
Assets		
Cash and bank balances	10,989,753,930	2,440,433,133
Derivative financial assets	328,290,746	13,419,015
Finance lease receivables	819,965,834	967,637,053
Prepayments	-	1,078,431,254
Investment in subsidiaries	221,301,723	222,481,756
Property and equipment	1,211	1,211
Other assets	27,564,428,530	22,625,053,894
Total assets	39,923,741,974	27,347,457,316
Liabilities		
Borrowings	18,382,654,414	6,677,460,967
Derivative financial liabilities	138,509,601	57,487,576
Finance lease liabilities	818,687,064	966,237,382
Other liabilities	20,932,381,854	20,145,573,135
Total liabilities	40,272,232,933	27,846,759,060
Equity		
Share capital	8,765	8,765
Other reserves	164,558,031	280,579,689
Accumulated losses	(513,057,755)	(779,890,198)
Total equity	(348,490,959)	(499,301,744)
Total liabilities and equity	39,923,741,974	27,347,457,316

36. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

	Other reserves	Accumulated losses	Total
At 1 January 2020	280,579,689	(779,890,198)	(499,310,509)
Profit for the year	-	266,832,443	266,832,443
Cash flow hedge	(116,021,658)	-	(116,021,658)
At 31 December 2020	164,558,031	(513,057,755)	(348,499,724)
At 1 January 2019	267,351,287	(753,075,760)	(485,724,473)
Loss for the year	-	(26,814,438)	(26,814,438)
Cash flow hedge	13,228,402	-	13,228,402
At 31 December 2019	280,579,689	(779,890,198)	(499,310,509)

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 21 May 2021.

KW NOTE ISSUER

CDBL Funding 2
Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

GUARANTOR

CDB LEASING (INTERNATIONAL) COMPANY LIMITED
國銀租賃(國際)有限公司
21st Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

COMPANY

China Development Bank Financial Leasing Co., Ltd.
(國銀金融租賃股份有限公司)
CDB Financial Centre
No. 2003 Fuzhong Third Rd.
Lianhua Street
Futian District 518000, Shenzhen
PRC

TRUSTEE

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

CMU LODGING AND PAYING AGENT AND REGISTRAR IN RESPECT OF NOTES HELD IN CMU

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

REGISTRAR IN RESPECT OF NOTES HELD IN CLEARSTREAM AND EUROCLEAR

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

LEGAL ADVISERS TO THE KW NOTE ISSUER, GUARANTOR AND THE COMPANY

As to English law and Hong Kong law

King & Wood Mallesons
Level 13, Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

As to PRC law

Global Law Office
15 & 20/F, Tower 1
China Central Place
No. 81 Jianguo Road
Chaoyang District

As to Cayman Islands law

Ogier
11th Floor, Central Tower
28 Queen's Road Central
Central, Hong Kong

LEGAL ADVISERS TO THE DEALERS

As to English law and Hong Kong law

Allen & Overy
9th Floor, Three Exchange Square
Central
Hong Kong

As to PRC law

JunHe LLP
20th Floor, China Resources Building
8 Jianguomenbei Avenue
Beijing 100005
China

LEGAL ADVISER TO THE TRUSTEE

Allen & Overy LLP
50 Collyer Quay
#09-01 OUE Bayfront
Singapore
049321

AUDITORS OF THE COMPANY AND THE GUARANTOR
(For the years ended 31 December 2021 and 2022)

Ernst & Young
Certified Public Accountants
22/F Citic Tower
1 Tim Mei Avenue
Central, Hong Kong

AUDITORS OF THE COMPANY
(For the six months ended 30 June 2023)

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road
Central Hong Kong