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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

The Board of China Development Bank Financial Leasing Co., Ltd. hereby announces the audited consolidated results of the Company and its subsidiaries for the year ended December 31, 2023 together with the comparative figures in 2022, which should be read in conjunction with the following management discussion and analysis.

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

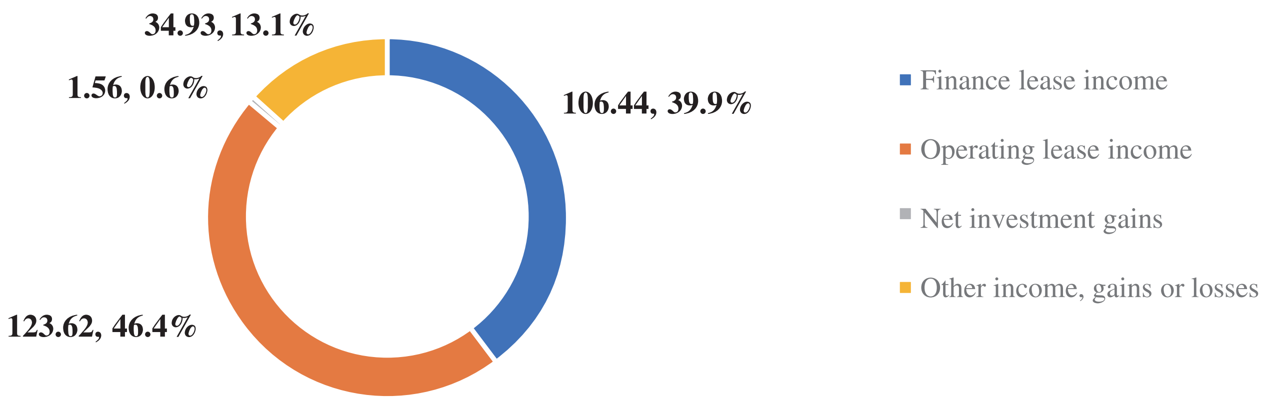
FINANCIAL HIGHLIGHTS

1. SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended December 31,				
(RMB in thousands)	**2023**	2022	2021	2020	2019
Finance lease income	**10,644,247**	10,288,623	9,813,486	9,199,844	8,287,442
Operating lease income	**12,361,652**	12,475,713	11,550,309	8,520,051	8,236,710
Total revenue	**23,005,899**	22,764,336	21,363,795	17,719,895	16,524,152
Net investment gains	**155,509**	32,489	87,279	41,189	220,355
Other income, gains or losses	**3,493,943**	2,256,632	1,864,732	1,567,632	1,598,730
Total revenue and other income	**26,655,351**	25,053,457	23,315,806	19,328,716	18,343,237
Total expenses	**(21,236,605)**	(20,095,503)	(17,780,240)	(14,745,139)	(14,350,476)
Of which: Depreciation and amortisation	**(6,097,374)**	(5,380,735)	(4,348,822)	(4,133,564)	(3,738,448)
Interest expenses	**(10,362,441)**	(8,206,689)	(8,087,780)	(6,980,798)	(7,167,284)
Net impairment losses	**(2,272,359)**	(4,256,803)	(3,510,289)	(2,281,623)	(2,037,187)
Profit before income tax	**5,418,746**	4,957,954	5,535,566	4,583,577	3,992,761
Profit for the year	**4,150,149**	3,351,073	3,922,212	3,268,321	2,938,125
Basic and diluted earnings per Share *(RMB)*	**0.33**	0.27	0.31	0.26	0.23

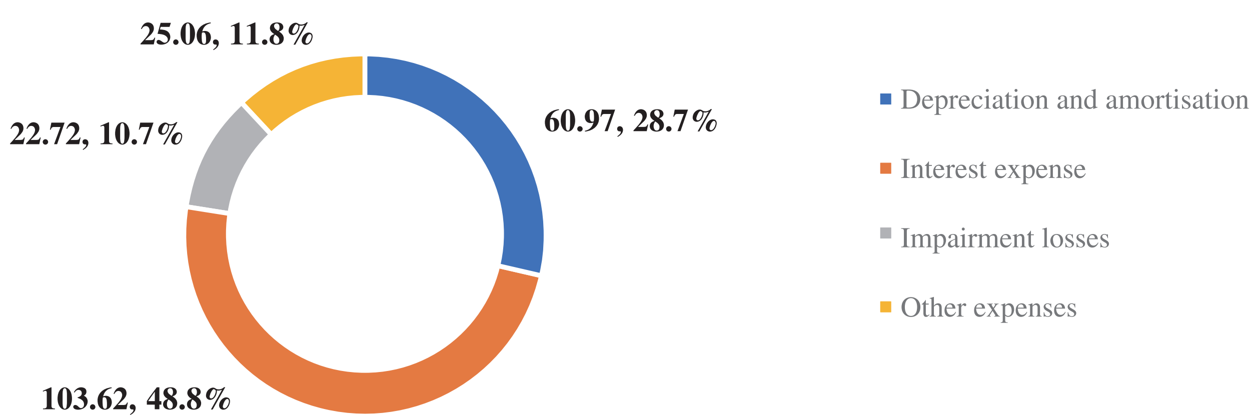
In 2023, finance lease income accounted for 39.9% of the operating income of the Group, representing a year-on-year decrease of 1.2 percentage points; operating lease income accounted for 46.4%, representing a year-on-year decrease of 3.4 percentage points; other income, gains or losses accounted for 13.1%, representing a year-on-year increase of 4.1 percentage points and net investment gains accounted for 0.6%, representing a year-on-year increase of 0.5 percentage point.

Breakdown of Operating Income in 2023
(Unit: RMB00' million, Percentage)



In 2023, interest expenses accounted for 48.8% of the operating expenses of the Group, representing a year-on-year increase of 8.0 percentage points; depreciation and amortization accounted for 28.7%, representing a year-on-year increase of 1.9 percentage points; impairment losses accounted for 10.7%, representing a year-on-year decrease of 10.5 percentage points; and other expenses accounted for 11.8%, representing a year-on-year increase of 0.6 percentage point.

Breakdown of Operating Expenses in 2023
(Unit: RMB00' million, Percentage)

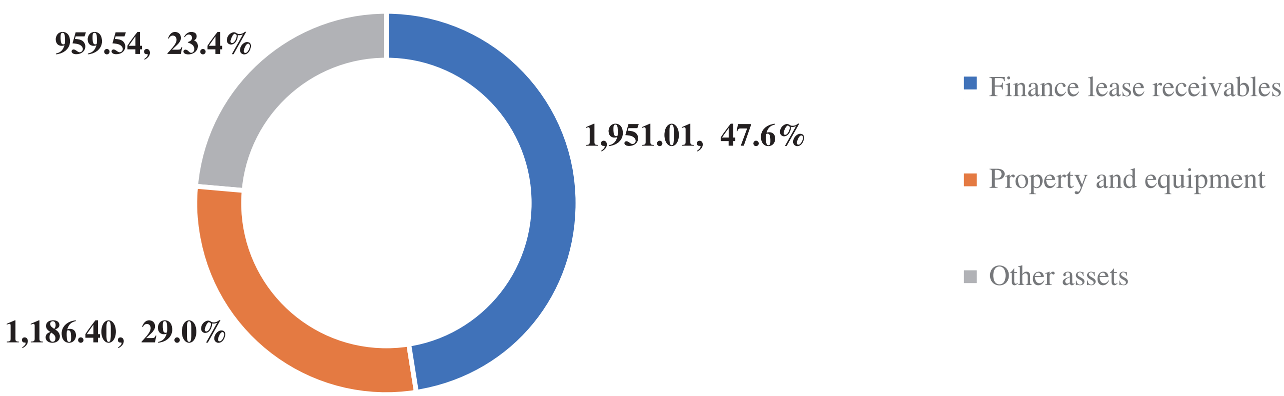


2. SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(RMB in thousands)	As of December 31, **2023**	2022	2021	2020	2019
Total assets	**409,694,903**	354,717,247	341,837,629	303,329,667	261,300,668
Of which: Cash and bank balances	**69,440,305**	29,760,725	36,833,077	34,992,986	21,528,292
Accounts receivable	**1,335,131**	3,487,733	1,245,057	1,960,650	2,168,454
Finance lease receivables	**195,101,137**	193,494,283	190,871,553	166,040,552	141,498,088
Prepayments	**12,708,141**	11,551,036	11,958,595	15,829,764	14,820,598
Property and equipment	**118,640,179**	106,524,461	92,829,721	77,088,767	73,260,791
Total liabilities	**372,413,063**	320,433,802	311,730,875	276,700,352	235,631,426
Of which: Borrowings	**295,875,445**	246,882,657	236,087,673	210,382,017	174,135,636
Bonds payable	**32,187,230**	36,872,054	45,045,528	46,221,709	42,811,268
Total equity	**37,281,840**	34,283,445	30,106,754	26,629,315	25,669,242
Net assets per share *(RMB)*	**2.95**	2.71	2.38	2.11	2.03

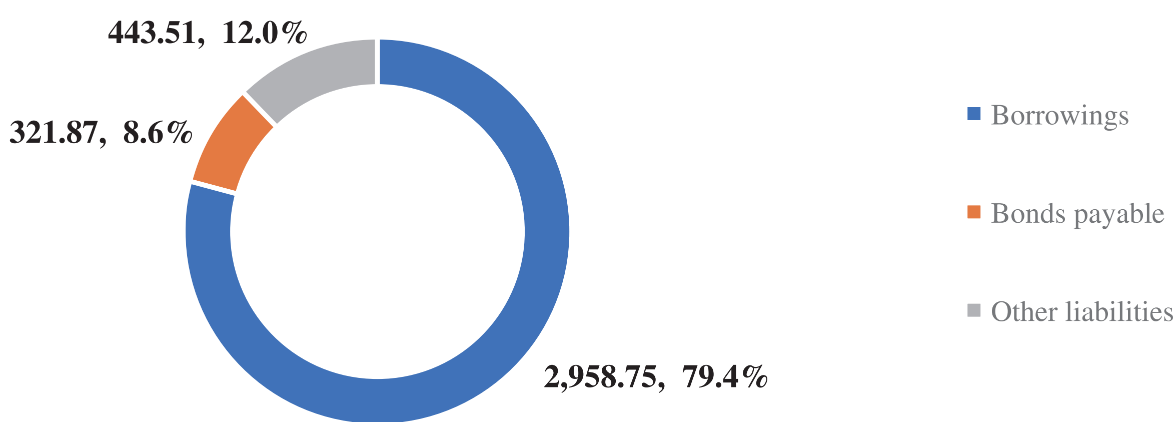
As of December 31, 2023, finance lease receivables accounted for 47.6% of the total assets of the Group, representing a decrease of 6.9 percentage points as compared with that as of the end of 2022; property and equipment accounted for 29.0%, representing a decrease of 1.0 percentage point as compared with that as of the end of 2022; and other assets accounted for 23.4%, representing an increase of 7.9 percentage points as compared with that as of the end of 2022.

Breakdown of Net Book Value of the Total Assets in 2023
(Unit: RMB00' million, Percentage)



As of December 31, 2023, borrowings accounted for 79.4% of the total liabilities of the Group, representing an increase of 2.4 percentage points as compared with that as of the end of 2022; bonds payable accounted for 8.6%, representing a decrease of 2.9 percentage points as compared with that as of the end of 2022; and other liabilities accounted for 12.0%, representing an increase of 0.5 percentage point as compared with that as of the end of 2022.

Breakdown of Net Book Value of the Total Liabilities in 2023
(Unit: RMB00' million, Percentage)



3. SELECTED FINANCIAL RATIOS

	For the year ended December 31,/As of December 31,				
	2023	2022	2021	2020	2019
Return on average total assets[1]	**1.09%**	0.96%	1.22%	1.16%	1.18%
Return on average equity[2]	**11.60%**	10.41%	13.83%	12.50%	11.78%
Cost-to-income ratio[3]	**9.55%**	9.14%	7.89%	7.14%	8.19%
Net profit margin before tax and impairment losses[4]	**33.43%**	40.48%	42.34%	38.74%	36.49%
Net profit margin[5]	**18.04%**	14.72%	18.36%	18.44%	17.78%
Non-performing asset ratio[6]	**0.60%**	0.63%	0.67%	0.80%	0.89%
Non-performing asset ratio of finance lease business[7]	**0.81%**	0.73%	0.45%	0.54%	1.58%
Gearing ratio[8]	**7.89 times**	7.75 times	8.47 times	8.36 times	7.61 times
Credit ratings					
Standard & Poor's	**A**	A	A	A	A
Moody's	**A1**	A1	A1	A1	A1
Fitch	**A+**	A+	A+	A+	A+

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

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

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

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

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

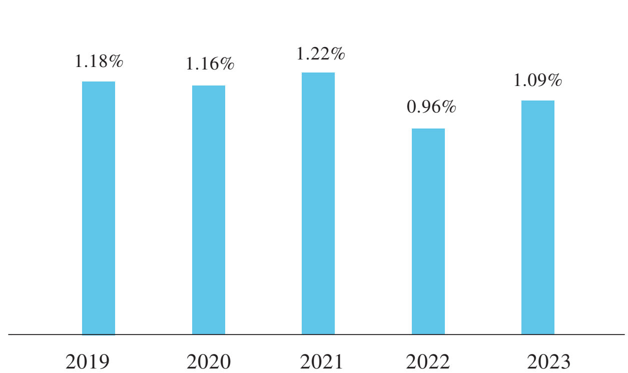
(6) Calculated based on the percentage of non-performing assets over total assets before allowance for impairment losses as of the dates indicated.

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

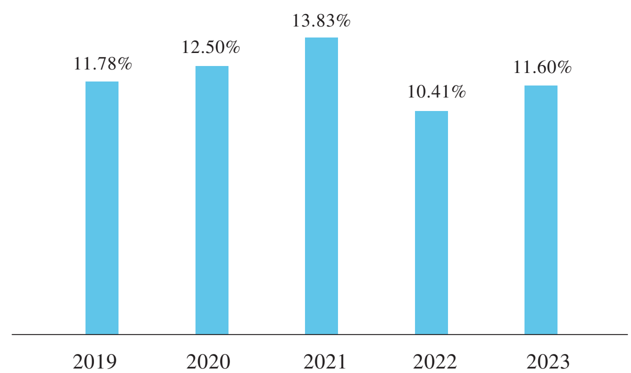
(8) Calculated by dividing net debt by total equity. Net debt is defined as total debt less cash and cash equivalents. Total debt comprises borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements and bonds payable.

In 2023, the return on average total assets of the Group was 1.09%, representing an increase of 0.13 percentage point as compared with that of last year. The return on average equity of the Group was 11.60%, representing an increase of 1.19 percentage points as compared with that of last year, mainly because net profit showed a year-on-year increase.

Return on Average Total Assets



Return on Average Equity



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

		As of December 31,				
	Regulatory requirement	**2023**	2022	2021	2020	2019
Capital adequacy indicators[1]						
Core tier-one capital adequacy ratio[2]	≥7.5%	**9.96%**	9.86%	9.40%	9.82%	10.51%
Tier-one capital adequacy ratio[3]	≥8.5%	**9.96%**	9.86%	9.40%	9.82%	10.51%
Capital adequacy ratio[4]	≥10.5%	**12.47%**	12.46%	11.93%	12.60%	11.69%
Asset quality indicators						
Ratio of allowance to non-performing finance lease related assets[5]	≥150%	**547.72%**	573.07%	847.80%	625.95%	269.61%

(1) Calculated based on the Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》)（China Banking Regulatory Commission Order [2012] No.1) published by the NFRA on June 7, 2012, which became effective on January 1, 2013. The Measures have been replaced by the Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》) (National Financial Regulatory Administration Order [2023] No.4), which was issued on October 26, 2023 and came into effect on January 1, 2024.

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS SITUATION AND COMPANY'S RESPONSE

1.1 Business Environment

1.1.1 Macro-economy

Internationally, the global economy continues to face multiple issues in 2023, including high inflation and rising interest rates. According to the World Economic Outlook Report released by the International Monetary Fund ("**IMF**") in January 2024, the global economy is expected to grow at 2.9% in 2023, below the historical (2000-2019) average of 3.8%, while regional divergence is also increasing. The average economic growth in developed countries is expected to slow from 2.6% in 2022 to 1.5% in 2023 due to policy tightening, while the economic growth rate in emerging markets and developing countries is expected to decline slightly, from 4.1% in 2022 to 4.0% in 2023.

Domestically, in 2023, in the face of the complex and severe international situation and the difficult and onerous tasks of domestic reform, development and stability, China has deepened reform and opening-up in an all-round way, stepped up macroeconomic control, focused on expanding domestic demand, optimizing the structure, boosting confidence, and preventing and resolving risks, and pushed forward China's economy in the midst of difficulties, and the main goals and tasks of economic and social development for the year had been successfully accomplished. According to the statistics from the National Bureau of Statistics and the PBOC, in 2023, China's GDP was RMB126.06 trillion, representing a year-on-year increase of 5.2%, the growth rate ranked at the top among major economies in the world. The stock of social financing scale was RMB378.09 trillion as at the end of 2023, representing a year-on-year increase of 9.5%, of which the balance of RMB loans issued to the real economy was RMB235.48 trillion, representing a year-on-year increase of 10.4%; while the balance of foreign-currency loans equivalent to RMB issued to the real economy was RMB1.66 trillion, representing a year-on-year decrease of 10.2%. Overall, in 2023, China withstood external pressures and overcame internal difficulties, and the national economy rebounded and improved, solidly promoting high-quality development with social stability maintained generally.

1.1.2 Industry Environment

In 2023, the NFRA successively issued the Notice on Further Improving the Supervision of Financial Leasing Companies, the Notice on Promoting the Standardized Operation and Compliance Management of Financial Leasing Companies, and other documents to improve the regulatory system of financial leasing companies, continue to call for a return to the origin of leasing, promote the financial leasing industry to start from serving the overall high-quality development of the economy and society, identify its functional positioning, and focus on its main responsibilities and main business, and provide distinctive financial services for the real economy. Against this background, the financial leasing industry has continued to improve in terms of compliance, and financial leasing companies have been focusing on the leasing business model with the core of "financing", giving full play to the leasing characteristics and advantages, and continuing to explore the business innovation, transformation and development to further enhance the effectiveness of the industry in serving the economic and social development of high quality.

1.2 Overview of the Company's Responses and Business Results

In 2023, the Group actively responded to changes in the internal and external situations, firmly grasped the primary task of high-quality development, adhered to the value orientation of seeking progress amidst stability, coordinated the work of stabilizing growth and promoting transformation, continued to inject financial momentum into the development of new quality productivity and increased the support for key regions and key fields by closely following the origin of leasing and focusing on "five major areas" of finance, resulting in steady growth of the leasing business, constant consolidation of internal management, continued improvement of brand value, and a more balanced development in terms of scale, quality and efficiency. In 2023, the Company's operating results have been steadily improving, with key operating indicators at a leading level in the industry. Its dominant position has been continuously consolidated, and the quality and efficiency of serving national strategies and the real economy have been further improved.

Steady progress in operating results

- Total assets reached RMB409.695 billion, representing a year-on-year increase of 15.5%;

- Operating income reached RMB26.655 billion, representing a year-on-year increase of 6.4%;

- Profit for the year reached RMB4.150 billion, representing a year-on-year increase of 23.8%;

- Average return on equity (ROE) and average return on total assets (ROA) were 11.60% and 1.09% respectively, reflecting a continuous improvement in profitability;

- As at the end of the year, the non-performing asset ratio was 0.60%, which has been kept below 1% since its listing, showing that the asset quality has remained stable; and

- The ratio of allowance to non-performing finance lease related assets was 547.72%, and the risk compensation capability was strong.

Steady Growth of Leasing Business

The Group focused on business structure optimisation and stepped up restructuring and innovation to maintain steady and orderly growth of the leasing business, with RMB99.293 billion of new business investment for the year.

- Aircraft leasing: The Group improved its business development plan, completed a capital injection of approximately US$123 million into CDB Aviation to ensure the healthy and steady development of the aviation business in the medium to long term. The Group continued to optimize its fleet structure, disposed of non-core fleet and gradually retired old aircraft to reduce risk exposure. The Group has taken proactive measures to minimize the risk of loss and successfully received approximately RMB1,562 million in insurance compensation for the aircraft stranded in Russia.

- Ship leasing: The Group dynamically adjusted the asset structure and product mix, strengthened the compliance operation foundation of the shipping business, focused on key ship types and key customers, and achieved the balanced development of the operating leasing and finance leasing businesses. The Group strengthened fleet management, with the average utilisation rate of the time charter fleet reaching 99.7% for the year, much higher than the market average. The Group continued to play its role in assisting with the structural optimisation, transformation and the upgrade of China's shipping and shipbuilding industries.

- Regional development leasing: The Group actively served the key strategic regions designated by the state, and the segment achieved new business deployment in seven key regions, including the Yangtze River Economic Belt, Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area, accounting for over 70% of all investment, including transportation, traditional manufacturing, traditional energy and other fields. The Group has conducted regional development leasing business in 29 provinces, autonomous regions and municipalities across the country.

- Inclusive finance: The Group actively practiced the political and people-oriented nature of financial work, accelerated the optimization of the layout of inclusive finance, and built the vehicle business into a new business growth pole on the basis of stabilizing the market share of construction machinery. For its passenger vehicles business servicing entities, the Group achieved an annual deployment of over 30,000 vehicles and launched first vehicle operating lease project in the industry. For its passenger vehicles business servicing consumers, the Group achieved an annual deployment of over 90,000 vehicles and launched first self-operated passenger vehicles project, which laid the foundation for its long-term development of inclusive finance business.

- Green energy and high-end equipment leasing: The Group has continued to implement its dual-carbon strategy and, on the basis of stabilizing the market share of centralized power plants, focused on transformation fields of household photovoltaic, industrial and commercial distributed photovoltaic, solar thermal and energy storage, with a total installed capacity of 8.57GW at the end of 2023. In response to the trend of industrial transformation and upgrading, the Group continued to deepen business cooperation in the fields of integrated circuits, display panels, new energy automobile manufacturing, Internet Data Center (IDC), etc., and stepped up its support for new-quality productivity to enhance the ability and efficiency of serving the real economy.

Enhancing Internal Management Continuously

In 2023, the Group took the initiative in management and made precise efforts to coordinate the close linkage between the asset side and the liability side, the synergy between the front, middle and back office, and the effective balance of volume, price and risk, so as to ensure that the annual business objectives were successfully achieved and the management quality and efficiency were steadily improved.

- Asset and liability management: The Group strengthened asset and liability management, maintained an effective balance between volume, price and risk, and kept financing costs at a low level. The Group has improved its asset and liability management systems and processes, improved internal and external pricing plans, and effectively played the central role of asset and liability management in operations and management.

- Risk management: The Group has improved its risk governance system, addressed weaknesses and identified loopholes and consolidated the foundation of risk management. The Group improved its expected and unexpected loss management program to enhance the proactiveness and foresight of risk response. The Group strengthened post-lease management, safeguarded the value and safety of assets, focused on key projects, and made every effort to facilitate resolution and collection. As of the end of 2023, the non-performing asset ratio of the Group was 0.60%, which has been consistently kept below 1% since its listing, with a significant effectiveness in risk management.

- Compliance management: The Group benchmarked against regulatory requirements to promote compliance and internal control management in a practical and in-depth manner, enhance the promotion of compliance policies and regulatory requirements, strengthen the awareness of compliance management, prevent and resolve potential compliance risks at source, create a management atmosphere of "compliance for all, compliance in everything, and compliance everywhere" through the effective linkage of systems, mechanisms and measures, so as to escort the long-term development of the Group's business.

- Data governance and system construction: By continuously improving its data governance system, the Group won the "Annual Data Governance Best Practice Award". The core leasing system was formally launched, and the asset and liability management system, group general ledger integration system and anti-money laundering system were launched for trial operation, so as to vigorously apply digital instruments to support and promote our business development.

Enhancing Brand Value Continuously

The Group insists on serving the real economy through leasing, practices the political and people-oriented nature of financial work, proactively serves the national strategic layout, and continuously improves its service level and core competitiveness by focusing on the "five major areas" of finance. While achieving growth in performance, the Group has actively assumed its environmental, social and governance ("**ESG**") responsibilities, and its social influence and brand values have continued to grow. In 2023, the Group was awarded the "2023 (6th) China Financial Leasing Award – Most Influential Financial Leasing Company" by the Global Leasing Industry Competitiveness Forum, the "2023 China Financial Institutions Gold Medal List – Best Financial Leasing Company of the Year for Inclusive Financial Services" by Financial Times, the "17th Financial Billboard • Golden Banyan Tree Award – Annual Green Finance Practice Award" by Shenzhen Special Zone Daily and other honors. The Group received an A grade in the Morgan Stanley Capital International (MSCI) ESG rating, which was the upper-middle level in the industry.

2. FINANCIAL REVIEW

2.1 Analysis of Consolidated Statement of Profit and Loss

2.1.1 Overview of Consolidated Statement of Profit and Loss

In 2023, the Group maintained a steady increase in results, with its total revenue and other income amounting to RMB26,655.4 million, representing an increase of RMB1,601.9 million, or 6.4% as compared with that of last year. Profit for the year amounted to RMB4,150.1 million, representing an increase of RMB799.0 million, or 23.8% as compared with that of last year, primarily due to the increase in the scale of the leased assets and the growth of other income, as well as the year-on-year decrease in impairment losses.

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

	For the year ended December 31,		
(RMB in millions, except percentages)	**2023**	2022	Change
Revenue			
Finance lease income	**10,644.2**	10,288.6	3.5%
Operating lease income	**12,361.7**	12,475.7	(0.9%)
Total revenue	**23,005.9**	22,764.3	1.1%
Net investment gains	**155.5**	32.5	378.5%
Other income, gains or losses	**3,494.0**	2,256.7	54.8%
Total revenue and other income	**26,655.4**	25,053.5	6.4%
Depreciation and amortization	**(6,097.4)**	(5,380.7)	13.3%
Staff costs	**(502.4)**	(546.8)	(8.1%)
Fee and commission expenses	**(85.7)**	(51.0)	68.0%
Interest expenses	**(10,362.4)**	(8,206.7)	26.3%
Other operating expenses	**(1,916.3)**	(1,653.5)	15.9%
Net impairment losses	**(2,272.4)**	(4,256.8)	(46.6%)
Total expenses	**(21,236.6)**	(20,095.5)	5.7%
Profit before income tax	**5,418.8**	4,958.0	9.3%
Income tax expense	**(1,268.7)**	(1,606.9)	(21.0%)
Profit for the year	**4,150.1**	3,351.1	23.8%

2.1.2 Total Revenue

Revenue of the Group was primarily derived from finance lease income and operating lease income. In 2023, the total revenue of the Group amounted to RMB23,005.9 million, representing an increase of RMB241.6 million, or 1.1% as compared with that of last year, primarily due to the continuous growth in the scale of lease assets.

2.1.2.1 Finance Lease Income

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

(RMB in millions, except percentages)	**For the year ended December 31, 2023**	2022	Change
Finance lease income			
Aircraft leasing	**5.9**	5.9	0.0%
Regional development leasing	**5,853.4**	6,441.1	(9.1%)
Ship leasing	**895.4**	656.8	36.3%
Inclusive finance	**1,773.1**	1,545.9	14.7%
Green energy and high-end equipment leasing	**2,116.4**	1,638.9	29.1%
Total	**10,644.2**	10,288.6	3.5%

In 2023, finance lease income of the Group amounted to RMB10,644.2 million, accounting for 46.3% of the total revenue, representing an increase of RMB355.6 million, or 3.5% as compared with that of last year, primarily due to the year-on-year increase in the scale of business segments with a relatively high yield.

With respect to aircraft leasing, in 2023, finance lease income from this segment of the Group amounted to RMB5.9 million, which was flat compared to the previous year, mainly due to the fact that the scale of finance leases in the aircraft leasing segment remained unchanged.

With respect to regional development leasing, in 2023, finance lease income from this segment of the Group amounted to RMB5,853.4 million, representing a decrease of RMB587.7 million, or 9.1% as compared with the previous year. This was mainly due to the decrease in the average asset scale of finance leases in the regional development leasing segment.

With respect to ship leasing, in 2023, finance lease income from this segment of the Group amounted to RMB895.4 million, representing an increase of RMB238.6 million, or 36.3% as compared with the previous year, mainly because most of the charter yields under ship finance leases were floating rates linked to the USD interest rate, and the yield of the ship segment increased as a result of the increase in the USD interest rate.

With respect to inclusive finance, in 2023, finance lease income from this segment of the Group amounted to RMB1,773.1 million, representing an increase of RMB227.2 million, or 14.7% as compared with that of last year, primarily due to the increase in the yield of inclusive finance business for the current year as compared with that of last year.

With respect to green energy and high-end equipment leasing, in 2023, finance lease income from this segment of the Group amounted to RMB2,116.4 million, representing an increase of RMB477.5 million, or 29.1% as compared with that of last year, primarily due to the increase in the scale of financial leasing assets in the green energy and high-end equipment leasing segment as a result of the Group's increased transformation and innovation and increased investment in new energy power plants and emerging industries.

2.1.2.2 Operating Lease Income

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

(RMB in millions, except percentages)	**For the year ended December 31,**		
	2023	2022	Change
Operating lease income			
Aircraft leasing	**8,201.0**	7,024.9	16.7%
Regional development leasing	**121.1**	128.4	(5.7%)
Ship leasing	**3,846.9**	5,320.5	(27.7%)
Inclusive finance	**142.6**	–	100.0%
Green energy and high-end equipment leasing	**50.1**	1.9	2,536.8%
Total	**12,361.7**	12,475.7	(0.9%)

In 2023, operating lease income of the Group amounted to RMB12,361.7 million, accounting for 53.7% of the total revenue, representing a decrease of RMB114.0 million, or 0.9% as compared with that of last year, primarily due to the decrease in operating lease income from ship leasing.

With respect to aircraft leasing, in 2023, operating lease income from this segment of the Group amounted to RMB8,201.0 million, representing an increase of RMB1,176.1 million, or 16.7% as compared with that of last year, primarily due to the increase in the scale of aircraft operating lease in 2023.

With respect to regional development leasing, in 2023, operating lease income from this segment of the Group amounted to RMB121.1 million, representing a decrease of RMB7.3 million, or 5.7% as compared with that of last year, primarily due to the decrease in the rental level of regional development leasing business in 2023 as compared with that of last year.

With respect to ship leasing, in 2023, operating lease income from this segment of the Group amounted to RMB3,846.9 million, representing a decrease of RMB1,473.6 million, or 27.7% as compared with that of last year, primarily due to the fact that the majority of operating lease income from this segment was linked to the Baltic Dry Index (the "**BDI Index**"), which declined compared to last year. The overall yield of this segment was still at a historically good level.

With respect to inclusive finance, in 2023, the Group developed the operating lease business of this segment, with revenue of RMB142.6 million, primarily due to the Group's increased investment in the operating lease business for vehicles.

With respect to green energy and high-end equipment leasing, in 2023, the Group developed the operating leasing business of the green energy and high-end equipment leasing segment, realised a revenue of RMB50.1 million, primarily due to the Group's increased investment in the transformation of its operating leasing business and innovative business.

2.1.2.3 Net Investment Gains

In 2023, net investment gains of the Group amounted to RMB155.5 million, representing an increase of RMB123.0 million, or 378.5% as compared with that of last year, primarily due to the increase in net investment gains from derivative financial instruments in 2023.

2.1.2.4 Other Income, Gains or Losses

In 2023, other income, gains or losses of the Group amounted to RMB3,494.0 million, representing an increase of RMB1,237.3 million or 54.8% as compared with that of last year, primarily due to the increase in income from compensation payments for aircraft insurance and interest income on financial institution deposits.

2.1.3 Cost and Expenses

In 2023, total cost and expenses of the Group amounted to RMB21,236.6 million, representing an increase of RMB1,141.1 million, or 5.7% as compared with that of last year, primarily due to the increase in interest expenses and depreciation and amortisation.

2.1.3.1 Depreciation and Amortisation

In 2023, the depreciation and amortisation expenses of the Group amounted to RMB6,097.4 million, representing an increase of RMB716.7 million, or 13.3% as compared with that of last year, primarily due to the increase in asset depreciation expense with the increase in operating lease of ship assets and aircraft assets.

2.1.3.2 Staff Costs

In 2023, staff costs of the Group amounted to RMB502.4 million, representing a decrease of RMB44.4 million, or 8.1% as compared with that of last year, primarily due to the Company's efforts to reduce costs and increase efficiency and strengthen control of staff costs in 2023.

2.1.3.3 Fee and Commission Expenses

In 2023, fee and commission expenses of the Group amounted to RMB85.7 million, representing an increase of RMB34.7 million, or 68.0% as compared with that of last year, primarily due to the increase in project supervision fees and bank charges.

2.1.3.4 Interest Expenses

In 2023, interest expenses of the Group amounted to RMB10,362.4 million, representing an increase of RMB2,155.7 million, or 26.3% as compared with that of last year, primarily due to the increase in the overall financing scale with the expansion of business scale, and the year-on-year increase in USD financing cost rate, resulting in the corresponding increase in interest expenses.

2.1.3.5 Other Operating Expenses

In 2023, other operating expenses of the Group amounted to RMB1,916.3 million, representing an increase of RMB262.8 million, or 15.9% as compared with that of last year, primarily due to the increase in expenses related to aircraft maintenance and vehicle project management.

2.1.3.6 Net Impairment Losses

In 2023, net impairment losses of the Group amounted to RMB2,272.4 million, representing a decrease of RMB1,984.4 million, or 46.6% as compared with that of last year, primarily due to the fact that the Group recorded a large impairment loss in the previous year in respect of aircraft stranded in Russia and the conversion of non-performing items under finance leases, and that no large impairment loss was recorded for the year due to the improvement in the risk situation of the lessees and the quality of the leased assets.

2.1.4 Profit before Income Tax

In 2023, profit before income tax of the Group amounted to RMB5,418.8 million, representing an increase of RMB460.8 million, or 9.3% as compared with that of last year.

2.1.5 Income Tax Expense

In 2023, income tax expense of the Group amounted to RMB1,268.7 million, representing a decrease of RMB338.2 million, or 21.0% as compared with that of last year, primarily due to the decrease in profit from business segment with high tax rate.

2.1.6 Profit for the Year

In 2023, profit for the year of the Group amounted to RMB4,150.1 million, representing an increase of RMB799.0 million, or 23.8% as compared with that of last year.

2.2 Analysis on the Consolidated Statement of Financial Position

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

(RMB in millions, except percentages)	**As of December 31,** **2023**	2022	Change
Assets			
Cash and bank balances	**69,440.3**	29,760.7	133.3%
Financial assets at fair value through profit or loss	**156.5**	131.9	18.7%
Derivative financial assets	**675.9**	840.8	(19.6%)
Financial assets at fair value through other comprehensive income	**3,001.2**	1,465.0	104.9%
Accounts receivable	**1,335.1**	3,487.7	(61.7%)
Finance lease receivables	**195,101.1**	193,494.3	0.8%
Assets held-for-sale	**–**	364.6	(100.0%)
Prepayments	**12,708.1**	11,551.0	10.0%
Investment properties	**1,089.5**	1,041.9	4.6%
Property and equipment	**118,640.2**	106,524.5	11.4%
Deferred tax assets	**2,131.7**	1,831.0	16.4%
Right-of-use assets	**174.3**	141.2	23.4%
Other assets	**5,241.0**	4,082.6	28.4%
Total assets	**409,694.9**	354,717.2	15.5%
Liabilities			
Borrowings	**295,875.4**	246,882.7	19.8%
Due to banks and other financial institutions	**12,509.0**	11,230.7	11.4%
Financial assets sold under repurchase agreements	**2,556.9**	429.9	494.8%
Derivative financial liabilities	**246.3**	28.3	770.3%
Accrued staff costs	**282.5**	263.8	7.1%
Bonds payable	**32,187.2**	36,872.1	(12.7%)
Tax payable	**446.6**	769.1	(41.9%)
Lease liabilities	**192.3**	147.2	30.6%
Deferred tax liabilities	**1,108.7**	1,541.1	(28.1%)
Other liabilities	**27,008.2**	22,268.9	21.3%
Total liabilities	**372,413.1**	320,433.8	16.2%
Total equity	**37,281.8**	34,283.4	8.7%

2.2.1 Total Assets

The principal components of the Group's assets were cash and bank balances, accounts receivable, finance lease receivables, prepayments and property and equipment. As of December 31, 2023, these assets accounted for 97.0% of the total assets. As of December 31, 2023, total assets of the Group amounted to RMB409,694.9 million, representing an increase of RMB54,977.7 million, or 15.5% as compared with that as of the end of last year, primarily due to the growth of the scale of leased assets and cash and bank balances.

2.2.1.1 Cash and Bank Balances

As of December 31, 2023, cash and bank balances of the Group amounted to RMB69,440.3 million, representing an increase of RMB39,679.6 million, or 133.3% as compared with that as of the end of last year, primarily due to the need for carrying out business activities, thus the Company replenished the working capital reserves.

2.2.1.2 Accounts Receivable

The Group's accounts receivable included operating lease receivables, advances for finance lease projects and other accounts receivable. Operating lease receivables refer to the operating lease rentals receivable provided as of December 31, 2023. Advances for finance lease projects represent prepayments under leases for which payments have been made but the leased assets are under construction and the ownership of the leased assets has not yet been acquired.

As of December 31, 2023, accounts receivable of the Group amounted to RMB1,335.1 million, representing a decrease of RMB2,152.6 million or 61.7% as compared with that as of the end of last year, primarily due to the decrease in balances of advances for finance lease projects after the commencement of them.

2.2.1.3 Finance Lease Receivables

	As of December 31,		
(RMB in millions, except percentages)	**2023**	2022	Change
Finance lease receivables – gross	**242,256.6**	235,776.7	2.7%
Less: unearned finance income	**(38,130.9)**	(33,743.8)	13.0%
Finance lease receivables – net	**204,125.7**	202,032.9	1.0%
Less: allowance for impairment losses	**(9,024.6)**	(8,538.6)	5.7%
Finance lease receivables – net value	**195,101.1**	193,494.3	0.8%

As of December 31, 2023, finance lease receivables of the Group amounted to RMB195,101.1 million, representing an increase of RMB1,606.8 million, or 0.8% as compared with that as of the end of last year, primarily due to the continuous growth in the scale of the Group's finance lease business.

2.2.1.4 Prepayments

As of December 31, 2023, balance of the prepayments of the Group amounted to RMB12,708.1 million, representing an increase of RMB1,157.1 million, or 10.0% as compared with that as of the end of last year, primarily due to the new purchase orders of aircraft and payments related to vehicle projects, which resulted in an increase in balance of prepayments.

2.2.1.5 Property and Equipment

Property and equipment were composed of equipment held for operating lease businesses and property and equipment held for administrative purposes. As of December 31, 2023, equipment held for operating lease businesses of the Group amounted to RMB118,044.2 million, representing an increase of RMB12,245.1 million, or 11.6% as compared with that as of the end of last year, primarily due to the increase in the scale of aircraft, ships, vehicles and other assets for operating lease.

As of December 31, 2023, property and equipment held for administrative purposes of the Group amounted to RMB596.0 million, representing a decrease of RMB129.4 million, or 17.8% as compared with that as of the end of last year, primarily due to the transfer of some property and equipment held for administrative purposes to investment properties and the decrease in net value of property and equipment held for administrative purposes with depreciation.

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

	As of December 31,		
(RMB in millions, except percentages)	**2023**	2022	Change
Property and equipment			
Equipment held for operating lease businesses	**118,044.2**	105,799.1	11.6%
Property and equipment held for administrative purposes	**596.0**	725.4	(17.8%)
Property and equipment – net value	**118,640.2**	106,524.5	11.4%

2.2.1.6 Other Assets

Other assets mainly included Straightline lease asset, other receivables, maintenance right assets, prepaid expense, deductible value-added tax and land use rights, etc. As of December 31, 2023, other assets of the Group amounted to RMB5,241.0 million, representing an increase of RMB1,158.4 million, or 28.4% as compared with that as of the end of last year.

2.2.2 Leased Assets

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

	As of December 31,		
(RMB in millions, except percentages)	**2023**	2022	Change
Finance lease related assets			
Finance lease receivables	**195,101.1**	193,494.3	0.8%
Accounts receivable – advances for finance lease projects	**537.0**	2,460.9	(78.2%)
Total	**195,638.1**	195,955.2	(0.2%)

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

	As of December 31,		
(RMB in millions, except percentages)	**2023**	2022	Change
Operating lease assets			
Investment properties	**1,089.5**	1,041.9	4.6%
Property and equipment – equipment held for operating lease businesses	**118,044.2**	105,799.1	11.6%
Total	**119,133.7**	106,841.0	11.5%

Finance lease related assets and operating lease assets of the Group represented a year-on-year decrease of 0.2% and a year-on-year increase of 11.5%, respectively. In 2023, the balance of leased assets of the Group maintained a steady growth trend on a year-on-year basis.

2.2.3 Total Liabilities

As of December 31, 2023, total liabilities of the Group amounted to RMB372,413.1 million, representing an increase of RMB51,979.3 million, or 16.2% as compared with that as of the end of last year, primarily due to the growth in the scale of liabilities commensurate with that of assets.

2.2.3.1 Borrowings

As of December 31, 2023, the balance of borrowings of the Group amounted to RMB295,875.4 million, representing an increase of RMB48,992.7 million, or 19.8% as compared with that as of the end of last year, primarily due to the increase in financing to support the development of business scale.

2.2.3.2 Bonds Payable

As of December 31, 2023, the balance of bonds payable of the Group amounted to RMB32,187.2 million, representing a decrease of RMB4,684.9 million, or 12.7% as compared with that as of the end of last year, primarily due to larger scale of bonds falling due than the scale of those newly issued in 2023, resulting in a year-on-year decrease in the year-end balance of bonds.

2.2.3.3 Other Liabilities

As of December 31, 2023, the balance of other liabilities of the Group amounted to RMB27,008.2 million, representing an increase of RMB4,739.3 million, or 21.3% as compared with that as of the end of last year, primarily due to the increase in balance of accounts payable.

2.3 Analysis on the Statement of Cash Flows

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

(RMB in millions, except percentages)	**For the year ended December 31, 2023**	2022	Change
Net cash flows from operating activities	**66,826.4**	16,999.8	293.1%
Net cash flows used in investing activities	**(35,322.4)**	(8,789.3)	301.9%
Net cash flows used in financing activities	**(7,488.5)**	(14,466.5)	(48.2%)
Net increase/(decrease) in cash and cash equivalents	**24,015.5**	(6,256.0)	483.9%

In 2023, the net cash flows from operating activities of the Group amounted to RMB66,826.4 million, representing an increase of 293.1% as compared with that of last year, primarily due to the increase in borrowings of the Group in 2023 compared with that of 2022, which led to the increase in net cash inflow. The net cash flows used in investing activities of the Group amounted to RMB35,322.4 million, representing an increase of 301.9% as compared with that of last year, primarily due to the increase in large amount of fixed deposit and purchase of property and equipment. In addition, in 2023, the net cash flows used in financing activities of the Group amounted to RMB7,488.5 million, representing a decrease of 48.2% as compared with that of last year, primarily due to the decrease in the payment made by the Group for repayment of bonds as compared with that of 2022.

3. BUSINESS OPERATION

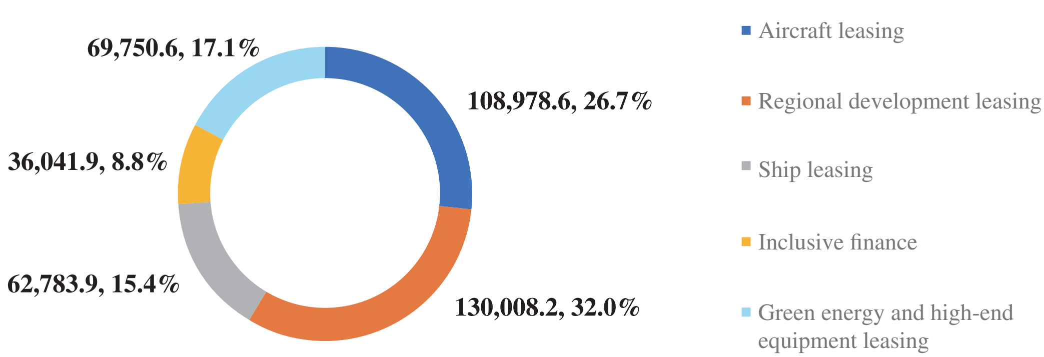
The business segments of the Group consist of aircraft leasing, regional development leasing, ship leasing, inclusive finance and green energy and high-end equipment leasing. In 2023, the Group steadily developed the aircraft leasing and ship leasing businesses, continued to deepen regional development leasing business, and actively expanded the inclusive finance and green energy and high-end equipment leasing business, maintaining a trend of steady and reasonable business growth throughout the year. In 2023, the total new lease financing to lessees of the Group amounted to RMB99,292.9 million, among which the lease financing to lessees in aircraft leasing, regional development leasing, ship leasing, inclusive finance and green energy and high-end equipment leasing were RMB14,826.8 million, RMB31,736.6 million, RMB8,001.3 million, RMB21,411.4 million and RMB23,316.8 million, respectively.

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

	As of December 31,			
(RMB in millions, except percentages)	**2023**		2022	
Segment assets	**Amount**	**Proportion**	Amount	Proportion
Aircraft leasing	**108,978.6**	**26.7%**	93,375.0	26.5%
Regional development leasing	**130,008.2**	**32.0%**	131,065.4	37.1%
Ship leasing	**62,783.9**	**15.4%**	49,684.6	14.1%
Inclusive finance	**36,041.9**	**8.8%**	35,638.7	10.1%
Green energy and high-end equipment leasing	**69,750.6**	**17.1%**	43,122.5	12.2%
Total	**407,563.2**	**100.0%**	352,886.2	100.0%

Breakdown of Assets of Each Business Segment in 2023

(Unit: RMB million, Percentage)

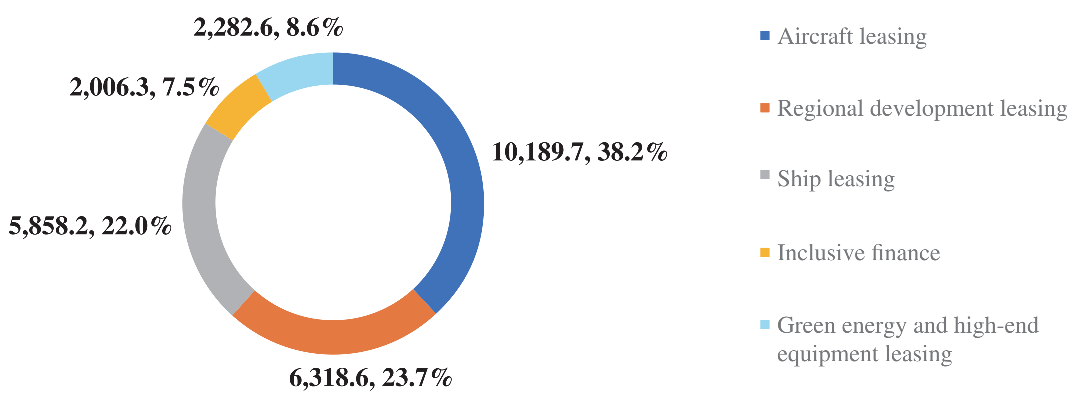


The following table sets forth the revenue and other income of each business segment for the years indicated:

(RMB in millions, except percentages)	**For the year ended December 31,**			
	2023		2022	
Segment revenue and other income	**Amount**	**Proportion**	Amount	Proportion
Aircraft leasing	**10,189.7**	**38.2%**	7,828.0	31.2%
Regional development leasing	**6,318.6**	**23.7%**	6,847.4	27.3%
Ship leasing	**5,858.2**	**22.0%**	7,058.9	28.3%
Inclusive finance	**2,006.3**	**7.5%**	1,615.3	6.4%
Green energy and high-end equipment leasing	**2,282.6**	**8.6%**	1,703.9	6.8%
Total	**26,655.4**	**100.0%**	25,053.5	100.0%

Breakdown of Revenue and Other Income of Each Business Segment in 2023

(Unit: RMB million, Percentage)



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

(RMB in millions)	**For the year ended December 31,**	
Segment profit/(loss) before income tax	**2023**	2022
Aircraft leasing	**365.1**	(1,713.0)
Regional development leasing	**2,403.6**	2,383.6
Ship leasing	**1,114.0**	2,869.5
Inclusive finance	**1,400.0**	685.1
Green energy and high-end equipment leasing	**136.0**	732.8
Total	**5,418.7**	4,958.0

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

Segment profit/(loss) margin before income tax[1]	For the year ended December 31, 2023	2022
Aircraft leasing	**4.45%**	(24.37%)
Regional development leasing	**40.23%**	36.28%
Ship leasing	**23.49%**	48.01%
Inclusive finance	**73.08%**	44.32%
Green energy and high-end equipment leasing	**6.28%**	44.66%

(1) Segment profit/(loss) 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.

The following table sets forth the return on assets before income tax of each business segment for the years indicated:

Segment return on assets before income tax[1]	For the year ended December 31, 2023	2022
Aircraft leasing	**0.36%**	(1.93%)
Regional development leasing	**1.84%**	1.73%
Ship leasing	**1.98%**	5.90%
Inclusive finance	**3.91%**	1.96%
Green energy and high-end equipment leasing	**0.24%**	2.01%

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

3.1 Aircraft Leasing

The International Air Transport Association (IATA) indicated that the strong post-pandemic rebound in air travel continued throughout 2023, edging even closer to matching pre-pandemic demand. Globally, total traffic in 2023 (measured in revenue passenger kilometers or RPKs) rose 36.9% compared to 2022, reaching 94.1% of pre-pandemic (2019) levels. Although the economic and geopolitical environment brings several challenges to the global airline industry's performance, both Boeing and Airbus still forecast that traffic will grow annually by 4.0% and 3.6% respectively for the next twenty years. Within that timeframe, the global in-service-fleet will have reached 48,575 aircraft according to Boeing and 40,850 aircraft as projected by Airbus, underscoring the fact that the aviation industry demonstrated resilience after unprecedented disruption.

In 2023, with an international leasing business platform, professional team, good relationships with aircraft manufactures and a well-diversified customer network, the Group seized opportunities during the industry's post-pandemic recovery, built a fleet comprising next-generation, mainstream narrow-body aircraft and continued to increase the Group's competitiveness in the industry.

During 2023, the Group's highlights are:

- Signed new lease transactions (including order placement, sale-lease-back, portfolio acquisition, remarketing and extension) for a total of 54 aircraft with 24 customers;

- Acquired 31 aircraft on operating lease, including 17 via direct OEM orders, 5 via sale-lease-back and 9 via portfolio acquisition;

- Signed financing transactions for US$4 billion; and

- Added 5 new lessees.

As of December 31, 2023, total assets of the aircraft leasing segment of the Group amounted to RMB108,978.6 million, representing an increase of RMB15,603.6 million, or 16.7% compared to that as of December 31, 2022, and the total revenue and other income of the aircraft leasing segment amounted to RMB10,189.7 million, representing an increase of RMB2,361.7 million, or 30.2% compared to last year. Profit before income tax from this segment was RMB365.1 million, and loss before income tax of this segment was RMB1,713.0 million in 2022, the significant increase in profit was primarily due to an increase in operating income of the segment generated in 2023.

In 2023, the net lease yield of the operating leased aircraft was 5.8%[1], the lease yield of the finance leased aircraft was 1.3%[2], the annualized return before tax on average total aircraft leasing assets was 0.36%, an increase of 2.3 percentage points compared to 2022.

As of December 31, 2023, the Group had a total portfolio of 380 aircraft, consisting of 293 owned aircraft and 87 committed aircraft. Our aircraft leasing business covers 66 lessees in 35 countries and regions. As of December 31, 2023, 290 owned aircraft of the Group were held for operating lease and 3 owned aircraft of the Group were under finance lease. As of December 31, 2023, the weighted average age by aircraft value[3] of the Group's owned aircraft held for operating lease was 5.1 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.

The Group's owned and in-service fleet mainly includes narrow-body aircraft types comprising the Airbus A320ceo and A320neo family and Boeing 737NG and 737MAX family, and wide-body types such as Airbus A330ceo, A330neo and A350, and Boeing 777-300ER and 787-9. As of December 31, 2023, the Group's aircraft fleet consists of 77% narrow-body aircraft, 19% wide-body aircraft and 4% freighters and regional aircraft by aircraft value. As of December 31, 2023, the net book value of the Group's owned aircraft was US$11,714.6 million.

The Group's orderbook contains next-generation, liquid, narrow-body types. As of December 31, 2023, the Group has committed to purchasing 79 narrow-body aircraft under its direct OEM orders, including 35 aircraft from Boeing and 44 aircraft from Airbus, and these aircraft are scheduled to be delivered between 2024 and 2027. The Group also has contractual commitments to acquire a further 5 aircraft under sale-lease-back transactions and 3 aircraft from portfolio acquisition. The aggregate future capital expenditure commitments were RMB23,218.3 million.

1 The calculation is net lease income of aircraft operating lease business divided by average monthly balance of operating lease assets. Net lease income equals aircraft operating lease income plus maintenance income less interest expenses of the aircraft operating lease business.

2 The calculation is lease income divided by average monthly balance of aircraft finance lease assets. As of December 31, 2023, only three finance leased aircraft remained, therefore the impact of finance lease on revenue is immaterial.

3 For operating lease, aircraft value equals the sum of aircraft net book value and aircraft intangible value; for finance lease, aircraft value equals finance lease receivable.

The following table sets forth the composition of the Group's fleet and committed aircraft as of December 31, 2023:

Aircraft Type	Owned aircraft	Committed aircraft	Total
A320-200	39	1	40
A321-200	8	–	8
A330-200	7	–	7
A330-300	19	–	19
A330-900	5	1	6
A350-900	3	–	3
A320neo	68	19	87
A321neo	35	31	66
Airbus Total	**184**	**52**	**236**
737-800	47	–	47
777-300ER	1	–	1
737 Max 8	34	35	69
787-9	2	–	2
Boeing Total	**84**	**35**	**119**
E190-100LR	19	–	19
Embraer Total	**19**	**–**	**19**
Freighters	**6**	**–**	**6**
Total	**293**	**87**	**380**

Two of the above six Freighters are under conversion and scheduled for delivery in 2024.

In addition to the above committed aircraft, the Group has 100 non-binding entitlements with other OEMs, 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.

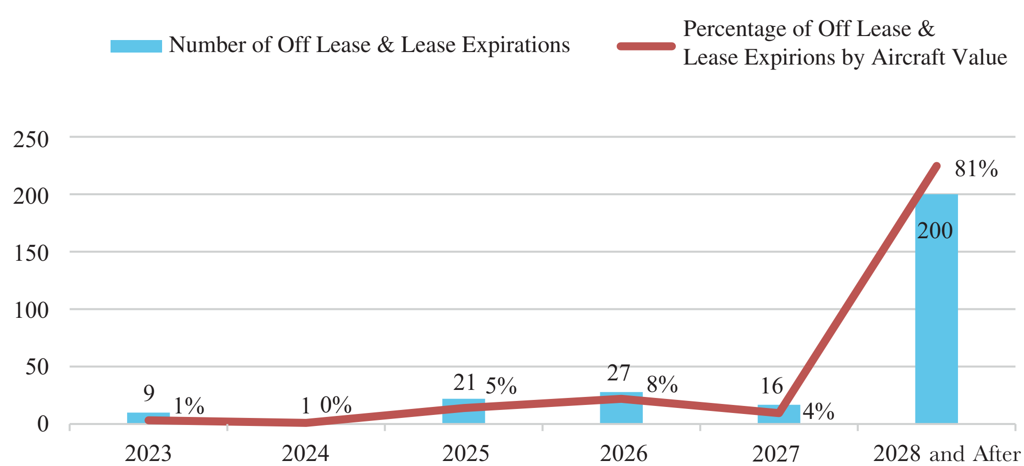
Among 87 committed aircraft as of December 31, 2023 (including aircraft under direct OEM orders, sale-lease-back and portfolio acquisition), 25 were scheduled for delivery in 2024, 34 in 2025 and 28 from 2026 onwards.

As of December 31, 2023, among 79 aircraft committed to be purchased directly from OEMs, 30 were committed for lease, of which 20 were scheduled for delivery in 2024 and 10 in 2025.

As of December 31, 2023, the Group was committed to sale-lease-back transactions covering 5 aircraft and 3 aircraft via portfolio acquisition, of which 5 were scheduled for delivery in 2024 and 3 in 2025.

The following chart sets forth the breakdown of the number of aircraft and percentage of aircraft value balance as of December 31, 2023 of those off-lease aircraft and aircraft under operating lease with scheduled leases expiring in the future, excluding any aircraft for which the Group has a sale commitment, to be converted to finance lease, under teardown or freighter conversion, unable to remarket due to bankruptcy proceedings and the Russian-Ukraine conflict.

Off Lease and Lease Expirations



During 2023, the Group signed lease extensions for 14 aircraft and new leases for 6 remarketed aircraft.

During 2023, the Group sold 9 aircraft and other assets in total with a net book value on disposal of assets of US$145.9 million and a loss on disposal of US$6.3 million, in order to optimize its fleet structure and dispose of non-core aircraft. The Group received a total of approximately RMB1,562 million insurance settlement for five aircraft previously leased to Russian airlines in 2023. The Group's owned aircraft under operating lease was 93.6% fleet utilization due to the impact of aircraft detained in Russia and Go First's bankruptcy.

The following table sets forth a breakdown of the Group's revenue and assets of aircraft leasing by region of lessee for 2023:

Region	Percentage of lease revenue in 2023	Percentage of aircraft value as of December 31, 2023
The PRC	25.9%	22.9%
Asia Pacific (excluding the PRC)	27.2%	18.8%
Europe	21.4%	19.8%
Americas	19.0%	24.5%
Middle East	5.9%	8.9%
Africa	0.6%	0.4%
Off-lease/Under teardown	–	4.7%
Total	**100.0%**	**100.0%**

The following table sets forth a breakdown of the Group's owned aircraft by manufacturer as of December 31, 2023:

Manufacturer	Percentage by aircraft value as of December 31, 2023
Airbus	72.3%
Boeing	26.3%
Others	1.4%
Total	**100.0%**

3.2 *Regional Development Leasing*

Our State insisted on implementing its strategies including major regional strategies and regional synergistic development aiming at the goal of high-quality economic development, and key regions have become important growth poles for China's economy. In 2023, the Group continued to enhance its ability to serve China's regional development, focusing on strategies such as Beijing-Tianjin-Hebei synergistic development, development of the Yangtze River Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area construction, Yangtze River Delta integrated development, ecological protection and high-quality development of the Yellow River Basin and the rise of Central China, helped the transformation and upgraded economic and social development through financial leasing, and further improved the quality and effectiveness of its services to regional strategies. In 2023, the Group's regional development leasing segment achieved new investment of RMB31,736.6 million.

The Group provided regional development leasing services to 29 provinces, autonomous regions and municipalities directly in the nationwide. The Group focused on key regions and major regional strategies and increased its resources and capital investment. In 2023, among the regional development leasing segment, the cumulative new investment in Beijing-Tianjin-Hebei region, Yangtze River Economic Belt and Guangdong-Hong Kong-Macao Greater Bay Area amounted to more than RMB13.0 billion, accounting for above 40% of the total investment in the segment. As of December 31, 2023, the balance of assets of such segment in the Beijing-Tianjin-Hebei region amounted to RMB10,672.5 million, the balance of assets in the Yangtze River Economic Belt region amounted to RMB66,408.8 million, and the balance of assets in the Guangdong-Hong Kong-Macao Greater Bay Area amounted to RMB6,784.9 million, with the asset balances of the above three significant regions accounting for approximately 64.5% of the segment's assets.

As of December 31, 2023, the total assets of the Group's regional development leasing segment amounted to RMB130,008.2 million, representing a decrease of RMB1,057.2 million, or 0.8%, as compared with that as of December 31, 2022. In 2023, the revenue and other income of this segment amounted to RMB6,318.6 million, representing a decrease of RMB528.8 million, or 7.7% over that of the previous year, mainly due to the decrease in asset scale and revenue of this segment as compared with that of the last year. Profit before income tax of this segment amounted to RMB2,403.6 million, representing an increase of RMB20.0 million, or 0.8% over that of last year. The slight increase in profit was mainly benefited from the decrease in the cost of RMB financing during this year.

3.3 Ship Leasing

In 2023, the global shipping market experienced issues such as geopolitical conflicts, economic fluctuations and supply chain restructuring, and the growth rate of shipping trade slowed down, coupled with the acceleration of the supply of capacity, and the Clarkson Shipping Revenue Index averaged USD23,629 per day for the year, which was 63% of the average of USD37,253 per day in 2022. The BDI Index is still 33% above its average over the past decade, despite being impacted by the significantly weaker overall performance of bulk carriers than in 2022 and the normalization of supply and demand in the container market. The performance of each segment of the shipping market varied in 2023, with the refined oil product shipping market fluctuating at high level rates due to strong demand as a result of the Russia-Ukraine conflict and refinery capacity adjustments. The bulk carrier shipping market had a significant downward trend, with a short uptrend at the end of the year due to the drought in the Panama Canal. The freight rates of container shipping market declined due to the large number of new ship deliveries, but freight rates were elevated at the end of the year amidst tensions in the Red Sea. The LNG shipping market overall run at high level, the charter rate fell back sharply at the end of the year due to the northern hemisphere weather.

The Group paid close attention to the dynamic changes of the shipping market, based on its own specialized judgment and market operation ability, increased business innovation, dynamically adjusted its asset structure and product structure, and focused on key ship types and key customers to achieve balanced development and positive interaction between operating leasing and financial leasing business, and helped optimize the structure and transformation and upgraded China's shipping industry and shipbuilding industry. The Group successfully completed the delivery of 18 new-built vessels throughout the year and sold 5 vessels under operating leases through a market-based approach. The Group promoted the optimization of the charter structure of the vessels in operation, which strengthened the profitability of the vessel business in the stage of downturn of the market. In 2023, the average utilization rate of the Group's managed charter fleet was as high as 99.7%, much higher than the market average. In 2023, the Group's ship leasing segment achieved new investment of RMB8,001.3 million.

As of December 31, 2023, the Group had a total of 228 ships in operation, among which there were 29 ships under finance lease and 199 ships under operating leasing; in the operating fleet, there were 163 bulk carriers, 38 product tankers, 17 container ships, 9 LNG ships and 1 passenger cruise ship. In terms of vessel age, the average age of 228 vessels in operation of the Group is 6.4 years, including bulk carriers with an average age of 5.8 years, product tankers with an average age of 7.2 years, container ships with an average age of 9.2 years, LNG ships with an average age of 8.6 years and passenger cruise ship with an average age of 7.2 years. The Group maintained a relatively new age structure, which gave its operating vessels a strong competitive advantage in terms of economy, safety and environmental protection.

Asset structure of the Group's vessels in operation as of December 31, 2023 is as follows:

Type	Operating lease (ships)	Finance lease (ships)	Total (ships)	Average ship age (years)	Note
Bulk carrier	155	8	163	5.8	Another 14 new ships were under construction
Container ship	–	17	17	9.2	
Product tanker	38	–	38	7.2	Another 11 new ships were under construction
LNG ship	5	4	9	8.6	Another 2 new ships were under construction
Passenger cruise ship	1	–	1	7.2	Joint leasing program
Total	**199**	**29**	**228**	**6.4**	

As of December 31, 2023, the total assets of the ship leasing business of the Group amounted to RMB62,783.9 million, representing an increase of RMB13,099.3 million, or 26.4% as compared with that as of the end of last year, of which the ship leasing related assets amounted to RMB49,478.2 million (the balance of finance lease related assets amounted to RMB12,908.0 million, the balance of operating lease related assets amounted to RMB33,922.4 million, and the balance of prepayments amounted to RMB2,647.8 million), and other related assets amounted to RMB13,305.7 million. In 2023, the revenue and other income of the ship leasing business of the Group amounted to RMB5,858.2 million, representing a decrease of RMB1,200.7 million, or 17.0% from last year. The profit before income tax of this segment amounted to RMB1,114.0 million, representing a decrease of RMB1,755.5 million, or 61.2% over that of the previous year, mainly due to the decline in the BDI Index compared with last year, the year-on-year decrease in ship operating lease income and the increase in USD financing costs, which led to a larger decline in profit, but the overall yield of this segment was still at a historically good level.

3.4 Inclusive Finance

In 2023, the Group implemented the spirit of the Central Financial Work Conference, continued to facilitate the development of inclusive finance business, gradually flowed financial water to the real economy, and practiced the political and people-oriented nature of financial work. During the Reporting Period, the Group realized the first vehicle operating lease business, and made a breakthrough of "double ten billion" in the volume of passenger car C-end leasing business and asset balance of passenger cars. During the year, the Group's inclusive finance segment realized new investment of RMB21,411.4 million.

As of December 31, 2023, the total assets of the Group's inclusive finance business amounted to RMB36,041.9 million, representing an increase of RMB403.2 million, or 1.1% from that as of the end of the previous year. Revenue and other income from inclusive finance business for the year amounted to RMB2,006.3 million, representing an increase of RMB391.0 million, or 24.2% from that of the previous year. The Group's inclusive finance business achieved a profit before income tax of RMB1,400.0 million, representing an increase of RMB714.9 million, or 104.3% over that of the previous year, mainly due to the increase in profit as lower risks in the inclusive finance segment and reversal of provisions.

3.4.1 Vehicle Leasing

According to the statistics of China Association of Automobile Manufacturers, in 2023, the national automobile production and sales completed 30.2 million and 30.1 million units respectively, representing an increase of 11.6% and 12.0% on a year-on-year basis, which recorded a new historically high.

In 2023, the Group realized the landing of operating leasing business in the field of vehicle travel and logistics, guided enterprises to participate in the whole chain of low-carbon and environmental protection, and improved the level of green and low-carbon development of inclusive finance by providing financial support for the two new energy tracks of city distribution logistics and online ride hailing. The Group has been deeply engaged in the field of vehicle retailing, studying innovative business models for passenger cars and promoting the transformation and innovation of the vehicle retailing business. The Group has also explored the financial needs of various links in the automobile industry chain, further expanded the scope of financial services for the benefit of the general public. In addition, the Group adhered to the principle of prudent risk control and promoted the optimization and upgrading of the big data risk control system to safeguard the steady development of the passenger car customers business. In 2023, the new investment of the Group's vehicle leasing business amounted to approximately RMB16.5 billion with more than 120,000 new vehicles, directly or indirectly benefiting more than 90,000 end customers.

As of December 31, 2023, the Group's assets related to vehicle leasing business amounted to RMB19,939.9 million, representing an increase of RMB5,150.3 million, or 34.8% from December 31, 2022 and accounting for 55.3% of the assets of the inclusive finance segment, which was an improvement in the structure balance of the segment.

3.4.2 Construction Machinery Leasing

In 2023, under the multiple factors such as the slowdown of domestic macroeconomic growth and the insufficient effective project operation rate, China's construction machinery industry was still in a downward cycle, the domestic market was still in the bottoming out stage, and the export market declined in the short term. The Group continued to pay attention to the cyclical problems of the industry, consolidated the strategic cooperative relationship with the leading enterprises in the industry, and jointly strengthened the risk control. In 2023, the Group's construction machinery leasing business had new investment of approximately RMB4.9 billion with nearly 9,000 sets of new equipment, directly or indirectly benefiting over 500 end customers.

As of December 31, 2023, the Group's assets related to construction machinery leasing business amounted to RMB16,102.0 million, representing a decrease of RMB4,747.1 million, or 22.8% from December 31, 2022 and accounting for 44.7% of the assets of the inclusive finance segment.

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

(RMB in millions, except percentages)	**Net book value of assets related to leasing business as of December 31, 2023**	**Percentage of net book value of assets related to leasing business as of December 31, 2023**
Vehicle leasing	19,939.9	55.3%
Construction machinery leasing	16,102.0	44.7%
Total	**36,041.9**	**100.0%**

3.5 *Green Energy and High-end Equipment Leasing*

In 2023, the Group implemented the requirements of national green finance and industrial transformation and upgrading, and solidly enhanced the effectiveness of its services to the development of the real economy. Focusing on the national "dual-carbon" strategy, the Group stepped up the development of projects in the transformation areas of distributed photovoltaic, energy storage, solar thermal, small and medium-sized hydropower, etc., and realized an additional investment of more than RMB15 billion in the green energy business throughout the year. By the end of 2023, the Group's installed capacity of new energy power stations amounted to 8.57GW, including 2.74GW of wind power, 5.73GW of photovoltaic and 0.1GW of solar thermal power; and installed capacity of new-type energy storage amounted to 480MW.h. The Group has focused on key areas, supported the transformation and upgrading of advanced industries, and continued to increase its business investment in advanced manufacturing areas such as the IC industry, the manufacturing of new-energy automobiles, batteries production, and the production of shield machines, and realized investment in high-end equipment leasing business of over RMB8 billion throughout the year. In 2023, the Company realized new investment of RMB23,316.8 million around the green energy and high-end equipment leasing segment.

As of December 31, 2023, the total assets of the green energy and high-end equipment leasing segment amounted to RMB69,750.6 million, representing an increase of RMB26,628.1 million, or 61.7%, as compared to the end of the previous year. In 2023, revenue and other gains of the segment amounted to RMB2,282.6 million, representing an increase of RMB578.7 million, or 34.0%, as compared to the previous year. In 2023, profit before income tax for the segment amounted to RMB136.0 million, representing a decrease of RMB596.8 million, or 81.4% as compared with last year, which was mainly due to the year-on-year increase in the provisions for this segment and a year-on-year decrease in the profit before income tax resulting from the increase in investment scale and the provisions for this segment affected by the adjustment of the macro-economic forward-looking factor in this year.

The following table sets out the net book value and proportion of the assets in relation to the green energy and high-end equipment leasing business of the Group as of the dates indicated:

(RMB in millions, except percentages)	**Net book value of assets related to leasing business as of December 31, 2023**	**Percentage of net book value of assets related to leasing business as of December 31, 2023**
Green energy leasing	43,172.0	61.9%
High-end equipment leasing	26,578.6	38.1%
Total	**69,750.6**	**100.0%**

4. FINANCING

Benefiting from high credit ratings ("A1" by Moody's, "A" by Standard & Poor's, and "A+" by Fitch), the Group continuously enhanced its funding capability, diversified its financing channels. The Group continued to deepen its cooperation with domestic and overseas banks and other financial institutions to ensure that there would be sufficient funds available for business development. As of December 31, 2023, the Group had established business relationships with 160 banks and was granted credit facilities amounting to a total of approximately RMB767.43 billion including unused credit facilities of approximately RMB448.68 billion. In 2023, in a complex and changeable macroeconomic and financial environment both domestically and internationally, the Group actively grasped the market trend, adjusted the financing strategy in time, constantly broadened its financing channels, and further optimized the debt duration structure and enhanced the stability of debts.

In terms of RMB financing, the Group continued to explore financing channels, proactively optimized the maturity structure, and enhanced the stability and safety of the debt. In terms of USD financing, due to the continuous raising interest rate by the US Fed, the USD benchmark interest rate rose rapidly and stayed up high. The Group closely followed the changes in the macroeconomic situation, flexibly adjusted financing strategy and effectively controlled financing costs. As for interest rate structure, the Group continued to maintain the original strategy for the risk management on interest rate, and actively managed the matching of assets and liabilities in terms of interest structure. As for the structure of exchange rates, the Group continued to maintain its original strategy for the risk management on exchange rates and maintained the matching of currency between assets and liabilities, which greatly reduced the impact of market exchange rate fluctuations on the Company.

In 2023, the financing sources of the Group mainly included bank borrowings and issuance of bonds. As of December 31, 2023, the Group's borrowings and bonds payable balances were RMB295,875.4 million and RMB32,187.2 million, respectively.

5. RISK MANAGEMENT

The Group is exposed to various risks in its ordinary course of business, including credit risk, market risk, liquidity risk, operational risk, information technology ("**IT**") risk and reputational risk, etc. The Group carries out risk management with the strategic objectives as supporting for sustainable development of the business and enhancing the Group's value, and has established and continually improved a comprehensive risk management system with a feature of "all round and comprehensive process with participation of all personnel", and 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", so as to achieve an appropriate balance between risks and benefits.

The Group adopts the hierarchical management based on the "three layers of defence": Business lines, as the first layer of defence of comprehensive risks prevention, assume direct responsibilities of risk management. Risk management lines, as the second layer of defence of comprehensive risks prevention, assume responsibilities of formulating policies and process, daily monitoring and management of the risks. The Internal Audit Department, as the third layer of defence of comprehensive risks prevention, assumes responsibilities of auditing the performance of business lines and risk management lines. Each department of the above three layers of defence should undertake their own responsibilities, strengthen communication and information transmission, enhance coordination and collaboration and improve risk management and control.

In 2023, the Group adopted a moderate strategy in relation to risk preference. With regard to the selection of industries, the Group preferred industries and fields with mature business models, generating economies of scale and equipped with excellent asset quality. In terms of customer selection, the Group preferred large enterprises, leading enterprises in the industry, or listed companies with high quality. In terms of leased assets operation, the Group conducted 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 assets.

In 2023, the Group strengthened strategic coordination within the Group system, deepened research on risk strategies, formulated differentiated risk preference and management strategies for different types of risks and business segments, and continued to improve the risk appetite management system. We improved the risk indicators, limits and early warning management system, strengthened the monitoring capacity building, and enhanced the foresight, domain-wide and proactive nature of risk prevention and control. The quality and efficiency of overall risk management was further enhanced by establishing a risk identification and assessment mechanism as well as a consolidated management evaluation mechanism, deepening the risk management and control of the aviation subsidiaries, and improving the weaknesses of various types of risk management. We continuously improved the overall risk management reporting system, kept pace with the times to analyse topics and highlight key points, and revealed the risk situation in a timely, in-depth and objective manner. We strengthened business continuity management and monitoring to improve its business security capabilities. 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.

5.1 Credit Risk

Credit risk refers to the risk of loss suffered by the Group due to the failure of fulfilment of contractual obligations by counterparties when due. Credit risk is currently the major risk faced by the Group. In 2023, the Group maintained a "prudent" risk appetite for credit risk.

In 2023, the Group strictly adhered to the risk bottom line, strengthened risk analysis and control, coordinated the mitigation of key non-performing and risky items, conducted risk identification and assessment for its existing businesses, and enhanced the foresight, timeliness and predictability of credit risk control.

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

(RMB in millions)	**As of December 31, 2023**	2022
Financial assets		
Cash and bank balances	**69,440.3**	29,760.7
Financial assets at fair value through profit or loss	**49.2**	–
Derivative financial assets	**675.9**	840.8
Accounts receivable	**1,335.1**	3,487.7
Finance lease receivables	**195,101.1**	193,494.3
Financial assets at fair value through other comprehensive income	**3,001.2**	1,465.0
Other financial assets	**1,253.0**	1,469.8
Total	**270,855.8**	230,518.3

5.1.1 Asset Quality

The Group evaluates asset quality and adjusts asset categories quarterly based on the asset risk degree, and adopts measures to mitigate risks for the projects with overdue rent and material risks in a timely manner. From the third quarter of 2023, the Group conducted asset classification in accordance with the newly issued "Measures for the Risk Classification of Financial Assets of Commercial Banks" by the NFRA. In addition, the Group formulated the financial assets impairment policies in accordance with the statutory requirements relating to the asset quality classification of the China banking industry, international accounting standards and the accompanying guidance.

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

	As of December 31,	
(RMB in millions, except percentages)	**2023**	2022
Five-category		
Normal	**266,013.0**	351,372.9
Special mention	**12,233.9**	17,856.3
Substandard	**723.2**	1,436.0
Doubtful	**164.8**	56.3
Loss	**1,676.4**	835.9
Uncategorized[(1)]	**146,167.9**	–
Total assets before allowance for impairment losses	**426,979.2**	371,557.4
Non-performing assets[(2)]	**2,564.4**	2,328.2
Non-performing asset ratio[(3)]	**0.60%**	0.63%

(1) From July 1, 2023, the Group has only classified the risk of relevant assets exposed to credit risk on and off-balance sheet in accordance with the relevant provisions of the Measures for the Risk Classification of Financial Assets of Commercial Banks, including but not limited to finance lease receivables, bonds and other investments, interbank assets, and accounts receivable (including operating lease receivables, advances for finance lease projects and other accounts receivable); and no such classification is required for financial assets in the trading books and related assets derived from derivatives transactions, or for non-financial assets (e.g., property and equipment, and investment properties).

(2) Non-performing assets are defined as the last three categories of assets recognised under the five-category asset quality classification standards, including "substandard", "doubtful" and "loss".

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

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

(RMB in millions, except percentages)	**As of December 31, 2023**	2022
Five-category		
Normal	**191,074.2**	189,463.1
Special mention	**11,948.4**	13,564.5
Substandard	**441.0**	665.4
Doubtful	**–**	–
Loss	**1,208.4**	829.6
Finance lease related assets before allowance for impairment losses	**204,672.0**	204,522.6
Non-performing finance lease related assets[(1)]	**1,649.4**	1,495.0
Non-performing asset ratio of finance lease business[(2)]	**0.81%**	0.73%

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

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

As of December 31, 2023, the non-performing assets of the Group amounted to RMB2,564.4 million, representing an increase of RMB236.2 million compared with that as at the end of last year, while the non-performing asset ratio was 0.60%, representing a decrease of 0.03 percentage point compared with that as at the end of last year. As of December 31, 2023, the non-performing finance lease related assets amounted to RMB1,649.4 million, representing an increase of RMB154.4 million compared with that as at the end of last year, while the non-performing asset ratio of finance lease business was 0.81%, representing an increase of 0.08 percentage point compared with that as at the end of last year. In the context of increasing pressure for risk prevention and control, the Group continued to improve and optimize asset quality and took measures to mitigate risk at various stages of business in order to enhance credit risk management.

The following table sets forth the distribution of the Group's finance lease related assets portfolio by business segments and the five-category asset quality classification standards as of December 31, 2023:

(RMB in millions, except percentages)	**Aircraft leasing**	**Regional development leasing**	**Ship leasing**	**Inclusive finance**	**Green energy and high-end equipment leasing**	**Total**
Five-category						
Normal	444.4	100,162.6	14,189.4	20,212.5	56,065.3	191,074.2
Special mention	–	5,271.9	–	6,676.5	–	11,948.4
Substandard	–	441.0	–	–	–	441.0
Doubtful	–	–	–	–	–	–
Loss	–	1,095.4	20.8	12.9	79.3	1,208.4
Finance lease related assets before allowance for impairment losses	444.4	106,970.9	14,210.2	26,901.9	56,144.6	204,672.0
Non-performing finance lease related assets	–	1,536.4	20.8	12.9	79.3	1,649.4
Non-performing asset ratio of finance lease business	–	1.44%	0.15%	0.05%	0.14%	0.81%

In 2023, the assets of the Group's assets of finance lease projects from existing aircraft leasing segment were of good quality. The amount of non-performing assets and the ratio of non-performing assets of regional development leasing segment and ship leasing segment increased compared with those of 2022. The non-performing assets of the inclusive finance segment decreased and its ratio of non-performing assets increased compared with those of 2022. The non-performing assets and the ratio of non-performing assets of green energy and high-end equipment leasing segment decreased compared with those of 2022. The Group has maintained a relatively good level of risk management ability and risk mitigation ability.

On the basis of the Expected Credit Loss ("**ECL**") model, the Group divided the credit level changes of finance lease related assets into the following three stages:

Stage 1: Subsequent to initial recognition, the finance lease receivables without significant increase in credit risk were classified in this stage. For such finance lease receivables, the ECL in the next 12 months will be recognised;

Stage 2: Subsequent to initial recognition, the finance lease receivables with significant increase in credit risk but without objective evidence of impairment were classified in this stage. For such finance lease receivables, the ECL will be measured over the whole period;

Stage 3: The finance lease receivables with objective evidence of impairment were classified in this stage. For such finance lease receivables, the ECL will be measured over the whole period.

With the ECL model and the above division of credit levels, the Group's net finance lease related assets and its balance of allowance for impairment losses as of December 31, 2023 are set forth below:

(RMB in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Net finance lease related assets	167,935.1	35,087.5	1,649.4	204,672.0
Allowance for impairment losses of finance lease related assets	2,350.7	5,280.5	1,402.7	9,033.9

With the ECL model and the above division of credit levels, the Group's net finance lease related assets and its balance of allowance for impairment losses as of December 31, 2022 are set forth below:

(RMB in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Net finance lease related assets	176,134.4	26,893.2	1,495.0	204,522.6
Allowance for impairment losses of finance lease related assets	3,656.5	3,429.9	1,481.0	8,567.4

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

(RMB in millions)	As of December 31, **2023**	2022
Neither overdue nor impaired	**202,759.8**	200,459.9
Overdue but not impaired	**–**	–
Impaired	**1,365.9**	1,573.0
	204,125.7	202,032.9
Less: allowance for impairment losses	**(9,024.6)**	(8,538.6)
Total	**195,101.1**	193,494.3

5.1.2 Concentration of Credit Risks

The Group proactively implemented the requirements of the regulatory authorities and timely monitored the financing concentration of a single client through project inspection. Besides, the Group has established a client's ledger to carry out quarterly monitoring over the financing concentration of clients of the Group in order to prevent credit concentration risk. As of December 31, 2023, the balance of finance lease businesses for the largest single client of the Group accounted for 11.85% of the net capital while the balance of finance lease businesses for the largest single group client accounted for 12.23% of the net capital.

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

Concentration indicator	As of December 31, **2023**	2022
Degree of concentration of single client financing(1)	**11.85%**	10.69%
Degree of concentration of single group client financing(2)	**12.23%**	14.38%

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

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

As of December 31, 2023, calculated in terms of finance lease related assets before allowance for impairment losses, the total balance from the top ten single clients amounted to RMB30,637.4 million, accounting for 14.97% of finance lease related assets.

The following table sets forth the finance lease related assets before allowance for impairment losses from the top ten clients of the Group as of December 31, 2023:

(RMB in millions, except percentages)	**Business segment**	**Balance**	**Percentage of finance lease related assets before allowance for impairment losses**
Client A	Ship leasing	5,460.9	2.67%
Client B	Green energy and high-end equipment leasing	4,445.8	2.17%
Client C	Regional development leasing	4,417.6	2.16%
Client D	Green energy and high-end equipment leasing	3,006.5	1.47%
Client E	Green energy and high-end equipment leasing	2,825.5	1.38%
Client F	Regional development leasing	2,207.7	1.08%
Client G	Ship Leasing	2,168.4	1.06%
Client H	Regional development leasing	2,070.0	1.01%
Client I	Green energy and high-end equipment leasing	2,042.4	1.00%
Client J	Regional development leasing	1,992.6	0.97%
Total		**30,637.4**	**14.97%**

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

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

	As of December 31,			
	2023		2022	
(RMB in millions, except percentages)	**Amount**	**Percentage**	Amount	Percentage
Aircraft leasing	**444.4**	**0.2%**	472.6	0.2%
Regional development leasing	**106,970.9**	**52.4%**	120,384.0	59.6%
Ship leasing	**13,663.9**	**6.7%**	11,011.8	5.5%
Inclusive finance	**26,901.9**	**13.2%**	32,829.9	16.2%
Green energy and high-end equipment leasing	**56,144.6**	**27.5%**	37,334.6	18.5%
Total	**204,125.7**	**100.0%**	202,032.9	100.0%

5.2 Market Risk

Market risk represents the risk of loss to the Group as a result of unfavorable changes in market prices. The main types of market risk to which the Group is exposed include interest rate risk and exchange rate risk. In 2023, the Group maintained a "moderate" risk appetite for market risk.

5.2.1 Interest Rate Risk

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

The Group maintains a moderate interest rate risk management strategy, closely tracks market changes and continuously improves its market risk management analysis structure and management approach. The Group measures the impact of changes in interest rate on the Group's operations mainly through tools such as exposure analysis and sensitivity analysis, and controls interest rate risk through active management of asset and liability repricing periods and hedging of derivative financial products.

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

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

5.2.2 Foreign Exchange Risk

Foreign exchange risk refers to the risk of losses in the Group's overall income and economic value resulting from an adverse movement in foreign exchange rates. The foreign exchange risk of the Group is mainly the US dollar exposures arising from foreign currencies-denominated profits realised by subsidiaries.

The strategy for foreign exchange risk management is to proactively match the currencies of assets and liabilities in daily operations, to identify and measure the impact of exchange rate changes on operations through foreign currency exposure analysis, exchange rate sensitivity analysis and other instruments, and to hedge foreign exchange risk from exposure which affects profit or loss through derivatives instruments.

Most of the aircraft and ships under the operating lease and finance lease business of the Group are purchased and denominated in US dollars and the corresponding operating lease assets and finance lease receivables are denominated in US dollars, while the major funding sources of which are onshore and offshore US dollar-denominated bank borrowings and US dollar-denominated bonds. Apart from aircraft leasing and ship leasing businesses, other leasing businesses of the Group are substantially denominated in Renminbi. Hence, there is no significant foreign exchange risk exposure.

As of the end of 2023, the Group has no foreign exchange risk exposure in US dollar-denominated against Renminbi-denominated that would significantly affected future profit or loss. The Group effectively managed the foreign exchange risk through exposure monitoring and analysing, spot exchange settlement, purchase and financial derivative hedging and other means, and controlled the impact of exchange rate fluctuations on the Company's profits within a certain range.

5.3 Liquidity Risk

Liquidity risk refers to the risk that the Group is unable to obtain funds at a reasonable cost to repay the liabilities or seize other investment opportunities. The target of the Group's liquidity risk management is to maintain moderate liquidity reserves and sufficient funding resources to adequately meet the repayment needs of matured liabilities and the funding needs of business development, and to achieve a higher interest rate margins level and control the liquidity management costs on conditions that liquidity risks have been well managed. In 2023, the Group maintained a "moderate" risk appetite for liquidity risk.

The Group managed liquidity risk and struck a balance between interest rate spread and liquidity risk through the following measures: on the premise of meeting the regulatory liquidity indicator requirements, the Group actively managed asset-liability term portfolio and controlled cash flow mismatch gap to reduce structural liquidity risk. The Group established a diversified source of funds through the reserve of sufficient credit, continued to improve the money market transactions, and improved the Group's financing and day-to-day liquidity management capabilities to obtain sufficient funds to meet debt repayment and business development needs. The Group used highly liquid assets including bank deposits as its main liquidity reserves, and held a certain proportion of interest rate bonds and certificates of deposit to ensure that liquidity reserves can fully mitigate liquidity risks.

As of December 31, 2023, the Group had an interbank borrowing and lending limit of RMB12,642.0 million. In addition, the Group strived to improve its trading capacity in the money market, especially improvement in the online financing capacity, and accumulated interbank borrowing (including bond collateral repo) amounted to RMB370,533.3 million in 2023. According to the market liquidity situation, the Group arranged financing plans in a reasonable and orderly manner, further optimized the liquidity management mechanism, and gradually optimized the liquidity reserve system to achieve sound liquidity situation and further improved the liquidity risk management capability.

5.4 Other Risks

5.4.1 Operational Risk

Operational risk refers to the risk of losses resulting from imperfect or problematic internal process, personnel and system or external events. In 2023, the Group maintained a "prudent" risk appetite for operational risk.

In 2023, the Group further enhanced its operational risk management and control efforts, continuously strengthened the construction of the operational risk management system, proactively tracked regulatory requirements, improved the Group's various business management mechanisms, strengthened implement management, and prevented and reduced the probability of operational risk events. The Group regularly carried out operational risk identification and assessment, collected hidden dangers and information on operational risk events employee-wide at the end of each quarter, carried out the collection, review, cleanup, integration and filing of operational risk loss events, and prepared operational risk event management ledger. No major operational risk events were found in 2023, no parties were found to be involved in economic disputes as a defendant due to the occurrence of operational risk events. In April 2023, the Company received the "Decision on Administrative Penalties of Shenzhen Regulatory Bureau of China Banking and Insurance Regulatory Commission" (《中國銀行保險監督管理委員會深圳監管局行政處罰決定書》) (Shen Yin Bao Jian Fa Jue Zi [2023] Nos. 20-24 and 26), and the Company had issued a voluntary announcement in relation to such matter. For details, please refer to the Company's announcement dated April 19, 2023. The aforesaid matters had no material impact on the Company's operation and financial position. With regard to the penalty decisions of the regulatory authority, the Company implemented the rectification measures in strict accordance with the regulatory requirements, conducted in-depth analysis of the issues and their causes, and continued to improve the level of lawful and compliant operation through learning by analogy and inspection for defects. The Group's operational risk loss rate in 2023 was 0.023%.

5.4.2 Information Technology Risks

Information technology risks refer to the risks of operation, law and reputation arising from natural and human factors, technical loopholes and management flaws in the working of information technology of the Group. The Group's IT risks mainly arise from information system development and construction, IT operations, information security management, IT outsourcing, etc. In 2023, the Group maintained a "moderate" risk appetite for IT risks.

In 2023, the Group further improved its information technology risk management. First, we continued to optimize the information technology governance system, continuously improved the information technology management system, standardized the structure review and top-level design of the system, improved the Project Management Office (PMO) operating mechanism, and optimized the project quality management system. Second, we promoted the launch of key systems, officially launched the core leasing system, completed the asset and liability management system and the Group's general ledger system were put into trial operation, and the inclusive finance and passenger car systems were continuously optimized and improved. Third, we enhanced the existing system operation and maintenance, established and improved the special re-insurance mechanism for the passenger car business, and consolidated system guarantees to further improve the efficiency of system operation and maintenance guarantee. Fourth, we explored and deepened data application development and management, promoted the digital management of leased properties, developed a big data risk control platform, did a good job of providing technical support for regulatory reporting, enhanced data technology capabilities, and carried out data application services. Fifth, we improved basic operation and maintenance and information security assurance levels, built an operation and maintenance management system, promoted the construction of technical tools and continued to consolidate the foundation of information security and network security protection to ensure the safe operation of business activities. In 2023, the Group had no significant IT risk events.

5.4.3 Reputational Risk

Reputational risk refers to the risk of negative evaluation of the Company by stakeholders, the public and the media as a result of the actions of the 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 component of corporate governance and comprehensive risk management system. In 2023, the Group maintained a "prudent" risk appetite for reputation risk.

In 2023, the Group continued to strengthen reputation risk management, closely monitored, proactively analysed and provided positive guidance, and actively carried out reputation risk prevention and control and brand image building. First, in accordance with relevant regulatory and reputational risk management requirements of the Group, regular reputational risk self-examinations, troubleshooting and reputational risk hazard assessments were carried out. Second, we conducted around-the-clock public opinion monitoring of major media through professional institutions, dynamically adjusted the scope of public opinion monitoring as needed, strengthened early warning, prevented in advance, and corrected errors in a timely manner. Third, we carried out special public opinion response arrangements for important time points and important matters, conducted special monitoring of sensitive public opinions that the Group was concerned about, and formulated response plans in advance. Fourth, the Group vigorously promoted the construction of the Group's market brand image, strengthened communication with domestic and foreign mainstream media, actively updated operating conditions to the market, demonstrating that the Group focused on its main responsibilities and main businesses, and used financial assistance, green leasing, shared travel, and ESG Practice and other beneficial measures to establish a good brand image of providing high-quality financial leasing services for economic and social development. In 2023, the Group had no significant reputational risk events.

5.4.4 Country Risk

Country risk refers to the risk that the lessees or debtors in a country or region are unable or refuse to pay their debts to the Group, or the Group suffers business losses in the country or region, or the Group is subject to other losses, due to economic, political and social changes and events in the country or region. In 2023, the Group maintained a "moderate" risk appetite for country risk.

In 2023, the Group further strengthened country risk management. First, we improved the country risk management framework, according to the Group's country risk management measures, implemented policies for country risk management. Second, we regularly monitored and analyzed country risk, covering country risk exposure, risk assessment and rating, use of risk limit, etc. Third, we fully considered the impact of country risk on asset quality, accurately identified, reasonably assessed and prudently predicted asset losses that may be caused by country risk, and regularly made provision for country risk. Fourth, we enhanced the pertinence of country risk management, and carried out the impact analysis on country risk for specific countries. Fifth, we optimized the emergency management plan for overseas leased asset risks and continuously enhanced country risk management and crisis response capabilities. In 2023, the Group had no significant country risk events.

6. CAPITAL MANAGEMENT

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

In 2023, the Group continued to consolidate the foundation of capital management. First, we further improved the capital management policies, systematically implemented the internal assessment procedures of capital adequacy ratio under the core requirements of regulatory requirements and the Group's own characteristics, completed the reports of internal capital adequacy assessment and the capital adequacy management plan for the year, and promoted the construction of the second pillar as a whole. Second, we deepened the philosophy of forward-looking and fine management philosophy, based on capital planning, the capital adequacy management plan, capital utilization and appraisal and capital rolling monitoring, we carried out in-depth overall management of capital replenishment and use, and improved the capital use efficiency and the level of capital return. Third, we strengthened the internal and external capital replenishment capacity and built a long-term mechanism for capital replenishment. The Group has formed a solid foundation for internal capital replenishment by maintaining steady profit growth and effective management of non-performing assets and provisions. At the same time, it has actively studied the promotion of external capital replenishment, continuously strengthened its capital strength and enhanced its ability to serve the real economy. Fourth, the Group studied the "Administrative Measures for Capital of Commercial Banks" issued by the NFRA in 2023 and formulated response measures in advance in terms of capital measurement, capital planning, stress testing and information disclosure to prepare for the Group to fully implement the new regulatory measures in 2024.

In June 2023, the Board approved a capital injection of US$123,287,671 into CDB Aviation in order to enhance the risk prevention capability of CDB Aviation, a wholly-owned subsidiary of the Company, to strengthen its development foundation and to facilitate it to realize sustainable development. On November 9, 2023, the Company completed the capital injection of US$123,287,671 into CDB Aviation with the approval of the NFRA Shenzhen Office and the registration and consent of the National Development and Reform Commission. After the capital injection, CDB Aviation remained a wholly-owned subsidiary of the Company and its registered capital was changed to US$173,287,671. Please refer to the Company's announcements dated June 15, 2023 and November 9, 2023 for further details.

In 2023, the Group's various capital indicators met the regulatory requirements, the capital adequacy ratio was maintained at a sound and reasonable level, and various management systems and management measures were further implemented. As of December 31, 2023, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 9.96%, 9.96% and 12.47%, respectively.

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

		As of December 31,	
(RMB in millions, except percentages)	Regulatory requirement	**2023**	2022
Net capital:			
Net core tier-one capital		**36,843.1**	33,548.5
Net tier-one capital		**36,843.1**	33,548.5
Net capital		**46,115.5**	42,386.0
Capital adequacy ratio:			
Core tier-one capital adequacy ratio	≥7.5%	**9.96%**	9.86%
Tier-one capital adequacy ratio	≥8.5%	**9.96%**	9.86%
Capital adequacy ratio	≥10.5%	**12.47%**	12.46%

7. CAPITAL EXPENDITURES

The capital expenditures of the Group principally comprise capital expenditures for the purchase of ship and aircraft leasing assets, and property and equipment, etc. In 2023, the capital expenditures of the Group amounted to RMB19,138.4 million, which were mainly used for the purchase of ships and aircraft. The Group financed the capital expenditures through cash from operating activities, bank borrowings and global offering of bonds.

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

	For the year ended December 31,	
(RMB in millions)	**2023**	2022
Capital Expenditures	**19,138.4**	17,671.6

8. PLEDGE OF ASSETS

As of December 31, 2023, equipment held for operating lease businesses (net), finance lease receivables (net), accounts receivable (net) and deposits amounting to RMB44,130.0 million, RMB1,429.5 million, RMB537.0 million and RMB15,990.3 million respectively, were pledged to banks for financing from banks and long-term payable. The total collateral assets as aforesaid accounted for 15.2% of total assets.

9. HUMAN RESOURCES

The Group has always been committed to providing a wide range of development space for talents and creating "a platform for working and starting a business, a stage for self-realization".

As of December 31, 2023, there was a total of 571 full-time employees providing related services to the Group, of which 327 were male and 244 were female, with a gender ratio of 57.3% and 42.7% respectively (including senior management comprising 87.5% male and 12.5% female), achieving gender diversity in the workforce. The Group has a team of high-quality talents, and approximately 92% of employees had university bachelor's degrees or above.

The Group adheres to people-oriented that people are the first resource for the development of the Group, and human resource management is the core competitiveness of the Group. We adhere to the market orientation, establish a perfect and efficient organizational structure and effective incentive and restraint mechanism. We adhere to the integrity of innovation, explore the state-owned enterprise human resource management of modernization, scientific, professional path, and promote the Group's human resource management reform measures to further deepen the implementation. The Group has formulated its employee training program year by year, covering all aspects of corporate governance, business development, risk control, internal control and compliance with the aim of continuously improving the professional competence and comprehensive quality of employees.

For the years ended December 31, 2023 and December 31, 2022, our staff costs were RMB502.4 million and RMB546.8 million, respectively, which accounted for approximately 1.9% and 2.2%, respectively, of the total revenue and other income of the Group in the same year.

10. INDUSTRIAL REGULATIONS

In May 2023, the NFRA was formally established, which is an important step in China's financial reform and signifies the further improvement of China's financial supervision system. The establishment of the NFRA will standardize regulatory standards, improve regulatory effectiveness, further enhance the risk management level and service quality of financial institutions, and promote the healthy development of the financial market.

In 2023, regulators strengthened policy guidance mainly in supporting the overall improvement of economic operation, actively promoting the transformation and development of non-banking institutions focusing on their main business, effectively responding to the rebound of concentration of credit risks, strengthening the construction of the governance system of financial institutions, and enhancing the protection and management of consumers' rights and interests. Financial leasing is a financial instrument closely linked with the real economy and has a significant effect on promotion of industrial innovation and upgrade, expansion of small and micro-sized enterprises' financing channels, facilitation of social investment and adjustment to economy structure. Under the guidance of the regulatory authorities, financial leasing companies have further accelerated their transformation and development and returned to their leasing roots. The Group actively implemented regulatory policies and requirements, improved corporate governance, accelerated the transformation and development, strictly adhered to the compliance line, emphasized on risk management and control, and enhanced the quality and efficiency of services to the real economy.

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

	Regulatory requirement	**As of December 31, 2023**
Capital adequacy ratio	Above 10.5%	**12.47%**
Tier-one capital adequacy ratio	Above 8.5%	**9.96%**
Core tier-one capital adequacy ratio	Above 7.5%	**9.96%**
Degree of concentration of single client financing	Not more than 30%	**11.85%**
Degree of concentration of single group client financing	Not more than 50%	**12.23%**
Ratio of a single related client (1)	Not more than 30%	**0.88%**
Ratio of all related parties (2)	Not more than 50%	**2.00%**
Ratio of a single related Shareholder (3)	Not more than 100%	**40.51%**
Ratio of interbank lending (4)	Not more than 100%	**27.13%**
Ratio of allowance to non-performing finance lease related assets	Above 150%	**547.72%**
Ratio of allowance to total finance lease related assets (5)	Above 2.5%	**4.41%**
Investment in fixed-income securities (6)	Not more than 20%	**6.51%**

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

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

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

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

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

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

11. PROSPECTS

In January 2024, IMF released the World Economic Outlook Report, raising its global economic growth forecast to 3.1%, 0.2 percentage point higher than the forecast in October 2023. This is mainly due to China, the United States, and a number of major emerging markets and developing economies showing more resilience than expected. The report also projects overall global inflation to fall to 5.8% in 2024. According to IMF's forecast, as inflation declines and growth stabilizes, the global economy shows resilience and is expected to have a "soft landing." However, the pace of expansion is still slow, and risks such as geopolitical conflicts and inflation are not far away.

Domestically, the Government Work Report in March 2024 pointed out that it is necessary to further strengthen the counter-cyclical and cross-cyclical adjustment of macro policies, implement proactive fiscal policies and prudent monetary policies, strengthen the innovation and coordination of policy tools, and GDP is expected to grow by about 5% in 2024. In addition, the Central Economic Work Conference in December 2023 pointed out that in 2024, it is necessary to insist on seeking progress while maintaining stability, promoting stability through advancement, and establishing new before breaking old, making more policies conducive to stabilising expectations, growth and employment, and actively making progress in transforming mode, adjusting structure, improving quality and increasing efficiency, so as to continuously consolidate the foundation of improving while stabilising. Generally, in 2024, the Chinese Government will continue to push its economy to realise effective qualitative improvement and reasonable quantitative growth.

In 2024, the financial leasing industry will face both development opportunities and challenges. Under the guidance of the overall trend of boosting confidence, stabilizing growth and protecting people's livelihood, the leasing industry has ushered in new development opportunities in supporting the development of the real economy and assisting advanced manufacturing, inclusive finance, green leasing and rural revitalization based on its characteristics of integrating finance and assets. In January 2024, the NFRA sought public opinions on the Measures for the Administration of Financial Leasing Companies (Draft for Comments) to promote the return of financial leasing industry to their leasing roots, strict access standards and regulatory requirements, and to provide safeguards for the high-quality development of the financial leasing industry.

Looking forward to 2024, the Group will implement the deployment of the Central Economic Work Conference and the Central Financial Work Conference, adhere to the general direction of "seeking progress while maintaining stability, promoting stability through advancement, and establishing new before breaking old", actively implement the "five major areas" on finance, focus on the main responsibilities and main business, serve the national strategy, help the real economy, further promote business transformation and innovation, continue to promote the construction of specialized capacity, steadily improve the level of coordination and scheduling as well as risk prevention and control, and strive for practical results in a pragmatic way, so that the Group's own high-quality development can help the development of the financial leasing industry and the construction of a strong financial country.

OTHER INFORMATION

Corporate Governance Practice

The Group is committed to maintaining high standards of corporate governance in order to safeguard the interests of Shareholders and enhance corporate value and accountability of the Group. The Company has adopted the Corporate Governance Code as its own code of corporate governance.

During the Reporting Period, other than the requirements of code provision B.2.2 and code provision C.2.1 of the Corporate Governance Code, the Company has continuously complied with all the applicable code provisions of the Corporate Governance Code and adopted most of the recommended best practices set out therein.

According to code provision B.2.2 of the Corporate Governance Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. As disclosed in the Company's announcement dated September 25, 2023, the Company elected the members of the third session of the Board by way of re-election at the first 2023 extraordinary general meeting held on September 25, 2023 (the "**EGM**"), and in accordance with the Articles of Association, Ms. Ma Hong and Mr. Jin Tao were appointed as executive Directors of the third session of the Board, Mr. Li Yingbao[1] and Mr. Yang Guifang were appointed as non-executive Directors of the third session of the Board, and Mr. Li Haijian, Mr. Liu Ming and Mr. Wang Guiguo were 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), namely Mr. Zhang Xu elected at the second session of the employee representative meeting of the Company held on June 30, 2022, his appointment is subject to the approval by the NFRA Shenzhen Office. The Company also elected Mr. Ma Yongyi as the external Supervisor of the third session of the Board of Supervisors at the EGM. The third session of the Board of Supervisors also comprises of two employee representative Supervisors, namely Mr. Wang Bin and Mr. Wang Yiyun, who were elected at the employee representative meeting of the Company on August 29, 2023.

According to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. Following the resignation of Mr. Peng Zhong as the vice chairman, executive Director, the president of the Company and a member of the strategic decision committee of the Board, a member of the risk management and internal control committee of the Board and a member of the remuneration committee of the Board on December 9, 2022, Ms. Ma Hong, an executive Director and the Chairman, has temporarily performed the duties of the president of the Company to ensure the normal operation and management of the Company. The Company appointed Mr. Jin Tao to fill the position of president of the Company on August 31, 2023, and his appointment was duly approved by the NFRA Shenzhen Office and became effective on November 21, 2023. Please refer to the announcements of the Company dated August 31, 2023 and November 24, 2023 for details.

1 With effect from January 1, 2024, Mr. Li Yingbao ceased to perform his duties as a non-executive Director and a member of the strategic decision committee, the risk management and internal control committee, the audit committee and the remuneration committee of the Board.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code.

Model Code for Securities Transactions by Directors, Supervisors and its Relevant Employees

The Group has formulated the Code of Dealing in Securities of the Company by Directors, Supervisors and Senior Management Members (《董事、監事和高級管理人員買賣本公司證券守則》) as the code of conduct of the securities transactions carried out by the Directors, Supervisors, senior management and its relevant employees (as defined in the Hong Kong Listing Rules), the terms of which are not less favourable than those of the relevant laws, regulations and the Articles of Association. After being specifically inquired of, all Directors and Supervisors confirmed that they have been complying with the standard requirements set out in the Model Code during the Reporting Period.

Final Dividend

The Board recommended to distribute a final dividend of RMB0.9848 per 10 shares (inclusive of tax) for the year ended December 31, 2023. The net profit of the Group for the year ended December 31, 2023 amounted to approximately RMB4,150.1 million, and the total amount of profit distribution amounted to approximately RMB1,245.0 million, which accounted for 30% of the net profit of the Group for the year 2023. In principle, payments will be made to holders of Domestic Shares in Renminbi and to holders of H Shares in Hong Kong dollars. The exchange rate of HK$ will be the average closing price of HK$ against RMB announced by the PBOC for the five working days prior to the date of profit distribution. Such final dividend is subject to the approval of the Shareholders at the annual general meeting for the year 2023, and is expected to be paid to the Shareholders within two months from the date of the annual general meeting. Notice of the annual general meeting will announce the date of the Company's annual general meeting and the related closure of register of members as well as the payment date for the final dividend and the closure of register of members.

Purchase, Sale or Redemption of Listed Securities

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

Review of Annual Results

The consolidated financial statements of the Group for the year ended December 31, 2023 were audited by BDO Limited. The audit committee of the Board has also reviewed the audited annual results of the Group for the year ended December 31, 2023. The figures in respect of the Group's results for the year ended December 31, 2023 as set out in this annual results announcement have been agreed by the auditor of the Company, BDO Limited, to be consistent with the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2023.

Publication of Annual Report

The annual report of the Company for the year ended December 31, 2023 will be published on the website of the Company (www.cdb-leasing.com) and HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023
(Amounts in thousands of RMB, unless otherwise stated)

	Notes	**Year ended 31 December** **2023**	2022
Revenue			
Finance lease income	*3*	**10,644,247**	10,288,623
Operating lease income	*3*	**12,361,652**	12,475,713
Total revenue		**23,005,899**	22,764,336
Net investment gains		**155,509**	32,489
Other income, gains or losses	*4*	**3,493,943**	2,256,632
Total revenue and other income		**26,655,351**	25,053,457
Depreciation and amortisation		**(6,097,374)**	(5,380,735)
Staff costs		**(502,419)**	(546,785)
Fee and commission expenses		**(85,725)**	(51,015)
Interest expenses	*5*	**(10,362,441)**	(8,206,689)
Other operating expenses		**(1,916,287)**	(1,653,476)
Net impairment losses under expected credit loss model	*6*	**(773,305)**	(1,226,596)
Net impairment losses on other assets	*7*	**(1,499,054)**	(3,030,207)
Total expenses		**(21,236,605)**	(20,095,503)
Profit before tax		**5,418,746**	4,957,954
Income tax expense	*8*	**(1,268,597)**	(1,606,881)
Profit for the year attributable to owners of the Company		**4,150,149**	3,351,073
Earnings per share attributable to owners of the Company *(expressed in RMB Yuan per share)*			
– Basic	*9*	**0.33**	0.27
– Diluted	*9*	**0.33**	0.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023
(Amounts in thousands of RMB, unless otherwise stated)

	Notes	Year ended 31 December 2023	2022
Profit for the year		**4,150,149**	3,351,073
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Gains on financial assets at fair value through other comprehensive income, net of tax		**16,364**	904
(Losses)/gains on cash flow hedges, net of tax		**(323,719)**	1,155,597
Currency translation differences		**160,923**	845,743
Total other comprehensive (losses)/income for the year, net of tax		**(146,432)**	2,002,244
Total comprehensive income for the year attributable to owners of the Company		**4,003,717**	5,353,317

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(Amounts in thousands of RMB, unless otherwise stated)

	Notes	**As at 31 December** **2023**	2022
Assets			
Cash and bank balances	*10*	**69,440,305**	29,760,725
Financial assets at fair value through profit or loss (FVTPL)		**156,472**	131,894
Derivative financial assets		**675,904**	840,778
Financial assets at fair value through other comprehensive income (FVOCI)	*11*	**3,001,187**	1,464,986
Accounts receivable	*12*	**1,335,131**	3,487,733
Finance lease receivables	*13*	**195,101,137**	193,494,283
Assets held-for-sale		**–**	364,578
Prepayments		**12,708,141**	11,551,036
Investment properties		**1,089,534**	1,041,945
Property and equipment	*14*	**118,640,179**	106,524,461
Deferred tax assets		**2,131,711**	1,831,030
Right-of-use assets		**174,329**	141,184
Other assets		**5,240,873**	4,082,614
Total assets		**409,694,903**	354,717,247
Liabilities			
Borrowings	*15*	**295,875,445**	246,882,657
Due to banks and other financial institutions		**12,509,021**	11,230,725
Financial assets sold under repurchase agreements		**2,556,855**	429,914
Derivative financial liabilities		**246,329**	28,283
Accrued staff costs		**282,495**	263,800
Bonds payable	*16*	**32,187,230**	36,872,054
Tax payable		**446,635**	769,122
Lease liabilities		**192,262**	147,234
Deferred tax liabilities		**1,108,668**	1,541,095
Other liabilities		**27,008,123**	22,268,918
Total liabilities		**372,413,063**	320,433,802

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

(Amounts in thousands of RMB, unless otherwise stated)

	Notes	**As at 31 December** **2023**	2022
Equity			
Share capital		**12,642,380**	12,642,380
Capital reserve		**2,418,689**	2,418,689
Hedging and fair value reserve		**389,237**	696,592
Translation reserve		**667,892**	506,969
General reserve		**7,869,271**	6,792,264
Retained earnings		**13,294,371**	11,226,551
Total equity		**37,281,840**	34,283,445
Total liabilities and equity		**409,694,903**	354,717,247

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(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 2023		**12,642,380**	**2,418,689**	**696,592**	**506,969**	**6,792,264**	**11,226,551**	**34,283,445**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**4,150,149**	**4,150,149**
Other comprehensive losses for the year		**–**	**–**	**(307,355)**	**160,923**	**–**	**–**	**(146,432)**
Total comprehensive income for the year		**–**	**–**	**(307,355)**	**160,923**	**–**	**4,150,149**	**4,003,717**
Dividends	*17*	**–**	**–**	**–**	**–**	**–**	**(1,005,322)**	**(1,005,322)**
Appropriation to general reserve		**–**	**–**	**–**	**–**	**1,077,007**	**(1,077,007)**	**–**
As at 31 December 2023		**12,642,380**	**2,418,689**	**389,237**	**667,892**	**7,869,271**	**13,294,371**	**37,281,840**
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		–	–	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	*17*	–	–	–	–	–	(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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023
(Amounts in thousands of RMB, unless otherwise stated)

	Notes	Year ended 31 December 2023	2022
OPERATING ACTIVITIES			
Profit before tax		**5,418,746**	4,957,954
Adjustments for:			
Bonds payable interest expenses	*5*	**1,149,255**	1,282,767
Lease liabilities interest expenses		**7,797**	7,154
Depreciation and amortisation		**6,097,374**	5,380,735
Net impairment losses on financial assets	*6*	**773,305**	1,226,596
Net impairment losses on other assets	*7*	**1,499,054**	3,030,207
Amortisation income of lease discount liabilities		**(37,558)**	(36,932)
Gains on disposal of equipment held for operating lease businesses		**(281,656)**	(613,236)
Losses on disposal of property and equipment held for administrative purposes		**–**	33
Gains on disposal of finance lease receivables		**(2,789)**	(28,639)
Realised gains from derivatives		**(77,103)**	–
Realised gains from FVOCI		**(34,697)**	(27,823)
Realised gains from FVTPL		**(4,246)**	–
Unrealised fair value changes in derivatives		**(46,198)**	(463)
Unrealised fair value changes in FVTPL		**9,524**	24,437
Foreign exchange losses from derivatives		**380,614**	170,962
Operating cash flows before movements in working capital		**14,851,422**	15,373,752
Decrease in mandatory reserve deposits with central bank		**22,497**	41,320
Decrease/(increase) in accounts receivable		**1,972,854**	(582,316)
Decrease/(increase) in finance lease receivables		**3,032,271**	(735,802)
Increase in other assets		**(800,839)**	(4,814,470)
Increase in borrowings		**47,302,596**	5,609,793
Increase in due to banks and other financial institutions		**1,242,571**	214,030
Increase in financial assets sold under repurchase agreements		**2,101,979**	429,914
Increase in accrued staff costs		**18,695**	59,843
(Decrease)/increase in other liabilities		**(643,624)**	3,228,878
Cash flows from operating activities		**69,100,422**	18,824,942
Income taxes paid		**(2,274,035)**	(1,825,135)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**66,826,387**	16,999,807

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2023
(Amounts in thousands of RMB, unless otherwise stated)

	Notes	**Year ended 31 December** **2023**	2022
INVESTING ACTIVITIES			
Change in pledged and restricted bank deposits		**(15,562,847)**	1,495,067
Purchase of FVOCI		**(5,013,068)**	(1,956,433)
Proceeds from disposal/maturity of FVTPL		**(114,453)**	(151,337)
Proceeds from disposal/maturity of FVOCI and others		**3,501,655**	1,519,854
Proceeds from disposal of property and equipment		**2,023,909**	4,246,568
Purchase of property and equipment		**(20,157,577)**	(13,942,972)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(35,322,381)**	(8,789,253)
FINANCING ACTIVITIES			
Proceeds from issue of bonds		**4,138,750**	10,477,391
Repayments of bonds		**(9,477,741)**	(22,176,178)
Bond issuance cost		**(8,916)**	(43,523)
Bond interest paid		**(1,160,862)**	(1,356,437)
Dividends paid		**(942,054)**	(1,321,541)
Decrease in lease liabilities		**(37,671)**	(46,171)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(7,488,494)**	(14,466,459)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**24,015,512**	(6,255,905)
Effects of foreign exchange changes		**180,482**	719,940
Cash and cash equivalents at beginning of the year		**24,660,800**	30,196,765
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*18*	**48,856,794**	24,660,800
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**11,506,620**	10,721,473
Interest paid, exclusive bonds payable interest expenses		**(9,101,384)**	(6,783,207)
Net interest received		**2,405,236**	3,938,266

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 former 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 shares 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 leasing, green energy and high-end equipment, transfers of finance lease assets and lease-related financial business.

2. MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) 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 IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

2.2 New and amended standards and interpretations

2.2.1 New and amended standards and interpretations have been adopted

The Group has adopted the following revised IFRS Accounting Standards for the first time for the current year's financial statements.

IFRS 17 and its amendments	*Insurance Contracts*
Amendments to IAS 8	*Definition of Accounting Estimates*
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*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*

The application of the new and amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.2.2 *Standards, amendments and interpretations that are not yet effective*

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[2]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[2]
Amendments to IAS 21	*Lack of Exchangeability*[3]

1 Effective for annual periods beginning on or after a date to be determined.

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

3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all other amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

3 TOTAL REVENUE

	Year ended 31 December	
	2023	2022
Finance lease income	**10,644,247**	10,288,623
Operating lease income	**12,361,652**	12,475,713
	23,005,899	22,764,336

4 OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2023	2022
Interest income from deposits with financial institutions	**958,000**	469,020
Gains on disposal of assets held for operating lease businesses, net	**281,656**	613,236
Government grants and incentives	**102,163**	91,390
Management and commission fee income	**677,344**	872,295
Foreign exchange (losses)/gains, net	**(358,305)**	127,524
Compensation	**1,710,901**	33,944
Others	**122,184**	49,223
	3,493,943	2,256,632

5 INTEREST EXPENSES

	Year ended 31 December	
	2023	2022
Borrowings	**9,069,337**	6,766,071
Bonds payable	**1,149,255**	1,282,767
Due to banks and other financial institutions	**323,912**	263,760
Financial assets sold under repurchase agreements	**47,921**	18,100
Deposits from lessees	**–**	327
Others	**264,688**	117,437
Less: Interest capitalised on qualifying assets	**(492,672)**	(241,773)
	10,362,441	8,206,689

6 NET IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Year ended 31 December	
	2023	2022
Finance lease receivables	**568,417**	1,242,130
Accounts receivable	**170,394**	(332,716)
Straightline lease asset	**(10,090)**	311,383
Cash and bank balances	**56,616**	–
Others	**(12,032)**	5,799
	773,305	1,226,596

7 NET IMPAIRMENT LOSSES ON OTHER ASSETS

	Year ended 31 December	
	2023	2022
Equipment held for operating lease businesses	**1,422,036**	3,027,853
Assets held-for-sale	**77,018**	–
Aircraft supplementary assets	**–**	2,354
	1,499,054	3,030,207

8 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
Current income tax		
– PRC enterprise income tax	**1,954,036**	2,230,833
– Income tax in other countries	**6,994**	9,133
Deferred income tax	**(690,462)**	(646,020)
(Over)/under provision in prior year	**(1,971)**	12,935
	1,268,597	1,606,881

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.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Year ended 31 December	
	2023	2022
Earnings:		
Profit attributable to owners of the Company *(RMB'000)*	**4,150,149**	3,351,073
Number of shares:		
Weighted average number of shares in issue *('000)*	**12,642,380**	12,642,380
Basic earnings per share *(RMB Yuan)*	**0.33**	0.27

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 2023 and 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 in the years of 2023 and 2022, respectively.

10 CASH AND BANK BALANCES

	Year ended 31 December	
	2023	2022
Pledged and restricted bank deposits	**16,036,606**	2,435,561
Mandatory reserve deposits with central bank	**343,549**	366,046
Surplus reserve deposits with central bank	**199,401**	179,769
Cash and bank balances	**52,917,513**	26,779,349
Less: Allowance for impairment loss	**(56,764)**	–
	69,440,305	29,760,725

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023	31 December 2022
Measured at fair value:		
Debt instrument	**3,001,187**	–
Certificates of deposit	**–**	1,464,986
	3,001,187	1,464,986

12 ACCOUNTS RECEIVABLE

	31 December 2023	31 December 2022
Operating lease receivables[(1)]	**1,670,365**	1,719,859
Advances for finance lease projects[(2)]	**546,331**	2,489,752
Other accounts receivable	**92,001**	67,463
	2,308,697	4,277,074
Less: Allowance for impairment losses		
– Allowance for operating lease receivables	**(961,223)**	(756,502)
– Allowance for advances for finance lease projects	**(9,329)**	(28,791)
– Allowance for other accounts receivable	**(3,014)**	(4,048)
	(973,566)	(789,341)
	1,335,131	3,487,733

(1) Overdue 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 2023	31 December 2022
Deferred	**552,059**	945,552
Overdue within 1 month	**51,656**	310
Overdue 1 to 2 months	**3**	8,358
Overdue 2 to 3 months	**–**	–
Overdue over 3 months	**105,424**	9,137
	709,142	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 RMB537,002 thousand was pledged as collateral for the Group's bank borrowings as at 31 December 2023 (31 December 2022: RMB464,480 thousand) (Note 15).

Movements of accounts receivable between stages for the years of 2023 and 2022 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Gross amount					
Amount as at 1 January 2023	**2,557,215**	**–**	**–**	**1,719,859**	**4,277,074**
Net decrease	**(1,934,659)**	**–**	**–**	**(77,478)**	**(2,012,137)**
Written-off	**–**	**–**	**–**	**(21)**	**(21)**
Effect of foreign currency exchange differences	**15,776**	**–**	**–**	**28,005**	**43,781**
Amount as at 31 December 2023	**638,332**	**–**	**–**	**1,670,365**	**2,308,697**

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
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

Movements of allowance for impairment losses during the years of 2023 and 2022 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Allowance for impairment losses					
Amount as at 1 January 2023	**32,839**	**–**	**–**	**756,502**	**789,341**
(Recovered)/charged for the year	**(20,692)**	**–**	**–**	**191,086**	**170,394**
Written-off	**–**	**–**	**–**	**(21)**	**(21)**
Effect of foreign currency exchange differences	**196**	**–**	**–**	**13,656**	**13,852**
Amount as at 31 December 2023	**12,343**	**–**	**–**	**961,223**	**973,566**

	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
Charged/(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

13 FINANCE LEASE RECEIVABLES

	31 December 2023	31 December 2022
Finance lease receivables		
Not later than one year	**59,083,131**	60,829,809
Later than one year and not later than two years	**47,425,290**	50,052,384
Later than two year and not later than three years	**37,179,613**	37,417,863
Later than three year and not later than four years	**26,694,788**	26,190,754
Later than four year and not later than five years	**17,384,409**	17,036,441
Later than five years	**54,489,407**	44,249,417
Gross amount of finance lease receivables	**242,256,638**	235,776,668
Less: Unearned finance income	**(38,130,967)**	(33,743,782)
Present value of minimum finance lease receivables	**204,125,671**	202,032,886
Less: Allowance for impairment losses	**(9,024,534)**	(8,538,603)
Carrying amount of finance lease receivables	**195,101,137**	193,494,283
Present value of minimum finance lease receivables		
Not later than one year	**49,432,679**	51,311,657
Later than one year and not later than two years	**39,980,314**	42,960,796
Later than two year and not later than three years	**31,856,046**	32,450,669
Later than three year and not later than four years	**22,861,764**	22,727,105
Later than four year and not later than five years	**14,587,801**	14,742,178
Later than five years	**45,407,067**	37,840,481
	204,125,671	202,032,886

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 20 years.

The finance lease receivables with a carrying amount of approximately RMB1,429,463 thousand were pledged as collateral for the Group's bank borrowings as at 31 December 2023 (31 December 2022: RMB2,727,320 thousand) (Note 15).

The Group entered into finance lease receivables factoring arrangements and continued to recognise these transferred finance lease receivables in their full carrying amount, which was approximately RMB7,417,365 thousand as at 31 December 2023 (31 December 2022: RMB7,729,097 thousand).

The finance lease receivables were mainly with floating interest rates base on the benchmark interest rate of Loan Prime Rate ("**LPR**"), LIBOR (Ceased prior to 30 June 2023) or Secured Overnight Financing Rate ("**SOFR**"). The interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rates.

Movements between stages for the years of 2023 and 2022 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 2023	**173,644,606**	**26,893,268**	**1,495,012**	**202,032,886**
Movement within stages:				
Move to stage 1	**4,096,940**	**(4,096,940)**	**–**	**–**
Move to stage 2	**(28,033,300)**	**28,698,722**	**(665,422)**	**–**
Move to stage 3	**–**	**(1,010,719)**	**1,010,719**	**–**
Net assets originated/(repayment)	**17,518,240**	**(15,440,642)**	**(93,683)**	**1,983,915**
Written-off	**–**	**–**	**(98,131)**	**(98,131)**
Recovery of written-off finance lease receivables	**–**	**–**	**597**	**597**
Effect of foreign currency exchange differences	**162,271**	**43,854**	**279**	**206,404**
Amount as at 31 December 2023	**167,388,757**	**35,087,543**	**1,649,371**	**204,125,671**

	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	–	(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 allowance for impairment losses on finance lease receivables during the years of 2023 and 2022 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
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	**642,406**	**(642,406)**	**–**	**–**
Move to stage 2	**(994,401)**	**1,316,051**	**(321,650)**	**–**
Move to stage 3	**–**	**(454,840)**	**454,840**	**–**
(Recovered)/charged for the year	**(943,574)**	**1,626,238**	**(114,247)**	**568,417**
Written-off	**–**	**–**	**(98,131)**	**(98,131)**
Recovery of written-off finance lease receivables	**–**	**–**	**597**	**597**
Effect of foreign currency exchange differences	**9,223**	**5,552**	**273**	**15,048**
Amount as at 31 December 2023	**2,341,362**	**5,280,490**	**1,402,682**	**9,024,534**

	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	–
Charged for the year	553,150	365,808	323,172	1,242,130
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

14 PROPERTY AND EQUIPMENT

	31 December 2023	31 December 2022
Equipment held for operating lease businesses	**118,044,191**	105,799,049
Property and equipment held for administrative purposes	**595,988**	725,412
	118,640,179	106,524,461

Equipment held for operating lease businesses

	Aircraft	Ships	Special equipment	Total
Cost				
As at 1 January 2023	101,421,149	34,765,299	65,133	136,251,581
Additions	11,910,240	5,516,574	1,683,764	19,110,578
Transferred from assets held-for-sale	387,945	–	–	387,945
Disposals/written-off	(3,829,244)	(1,085,359)	(162)	(4,914,765)
Other[1]	1,714,204	598,657	–	2,312,861
As at 31 December 2023	111,604,294	39,795,171	1,748,735	153,148,200
Accumulated depreciation				
As at 1 January 2023	(20,496,108)	(3,506,877)	(1,035)	(24,004,020)
Charged for the year	(3,905,884)	(1,887,857)	(103,034)	(5,896,775)
Transferred from assets held-for-sale	(21,684)	–	–	(21,684)
Disposals/written-off	1,033,273	384,036	6	1,417,315
Other[1]	(353,151)	(68,188)	–	(421,339)
As at 31 December 2023	(23,743,554)	(5,078,886)	(104,063)	(28,926,503)
Accumulated impairment				
As at 1 January 2023	(5,873,447)	(575,065)	–	(6,448,512)
Charged for the year	(1,062,082)	(359,954)	–	(1,422,036)
Disposals/written-off	1,660,639	102,369	–	1,763,008
Other[1]	(58,987)	(10,979)	–	(69,966)
As at 31 December 2023	(5,333,877)	(843,629)	–	(6,177,506)
Net carrying amount				
As at 1 January 2023	75,051,594	30,683,357	64,098	105,799,049
As at 31 December 2023	82,526,863	33,872,656	1,644,672	118,044,191

	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)
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 31 December 2023, the equipment held for operating lease businesses of the Group with net book values of approximately RMB43,088,677 thousand (31 December 2022: RMB38,797,903 thousand) and RMB1,041,301 thousand (31 December 2022: RMB1,092,143 thousand) were pledged as collateral for the Group's bank borrowings (Note 15) 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 2023	**715,599**	**61,816**	**5,472**	**61,783**	**61,522**	**906,192**
Additions	**–**	**7,046**	**–**	**20,072**	**659**	**27,777**
Transfer to investment properties	**(107,690)**	**–**	**–**	**–**	**–**	**(107,690)**
Other decrease	**(2,796)**	**(4,272)**	**–**	**–**	**–**	**(7,068)**
Other[(1)]	**–**	**251**	**–**	**129**	**899**	**1,279**
As at 31 December 2023	**605,113**	**64,841**	**5,472**	**81,984**	**63,080**	**820,490**
Accumulated depreciation						
As at 1 January 2023	**(99,667)**	**(36,197)**	**(4,466)**	**(19,399)**	**(21,051)**	**(180,780)**
Charged for the year	**(14,738)**	**(10,853)**	**(547)**	**(32,889)**	**(3,118)**	**(62,145)**
Transfer to investment properties	**18,992**	**–**	**–**	**–**	**–**	**18,992**
Other[(1)]	**–**	**(183)**	**–**	**(108)**	**(278)**	**(569)**
As at 31 December 2023	**(95,413)**	**(47,233)**	**(5,013)**	**(52,396)**	**(24,447)**	**(224,502)**
Net carrying amount						
As at 1 January 2023	**615,932**	**25,619**	**1,006**	**42,384**	**40,471**	**725,412**
As at 31 December 2023	**509,700**	**17,608**	**459**	**29,588**	**38,633**	**595,988**

	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)
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 31 December 2023, the carrying value of property and equipment of the Group for which registration was not completed amounted to approximately RMB6,093 thousand (31 December 2022: RMB7,445 thousand). However, this registration process does not affect the rights of the Group to these assets.

For the year ended 31 December 2023, 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 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 2023 were 6.80% and 6.64% (2022: 6.30% and 6.57%) 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 or ships 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 RMB1,062 million (2022: RMB2,953 million) was recognised on 31 aircraft (2022: 41 aircraft). An impairment charge of RMB360 million (2022: RMB75 million) was recognised on 26 ships (2022: 7 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 were 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 recognised an impairment losses of RMB2,414 million on these assets during the period ended 31 December 2022. As of 31 December 2023, there are 4 aircraft remained detained in Russia after the termination of lease with Russian airlines following the imposition of sanctions by the European Union. As a result of their loss, the Group has filed claims under its relevant insurances held and is pursuing those claims for the agreed values of the aircraft as defined in the relevant policies. During the year ended 31 December 2023, the Group received compensation of RMB1,562 million in relation to 5 aircraft previously leased to Russian airlines.

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 2023.

As at 31 December 2023, assuming the WACC increases by 50BP, the impairment will increase RMB59 million and RMB2 million (31 December 2022: RMB74 million and nil) for aircraft and ship, respectively; if the WACC decrease by 50BP, then the impairment will decrease RMB37 million and RMB4 million (31 December 2022: RMB96 million and RMB0.3 million) for aircraft and ship.

As at 31 December 2023, assuming the current market value increases by 5%, the impairment will decrease RMB164 million and RMB90 million (31 December 2022: RMB156 million and RMB25 million) for aircraft and ship, respectively. If the current market value decrease by 5%, the impairment will increase RMB195 million and RMB121 million (31 December 2022: RMB127 million and RMB30 million) for aircraft and ship, respectively.

15 BORROWINGS

	31 December 2023	31 December 2022
Secured bank borrowings[1]	**47,762,763**	32,333,829
Factoring financing[2]	**7,873,794**	7,104,143
Unsecured bank borrowings	**240,238,888**	207,444,685
	295,875,445	246,882,657

	31 December 2023	31 December 2022
Carrying amount repayable:		
Within one year	**221,306,593**	187,670,246
More than one year, but not exceeding two years	**53,876,508**	44,300,211
More than two years, but not exceeding five years	**15,955,583**	12,333,935
More than five years	**4,736,761**	2,578,265
	295,875,445	246,882,657

(1) Secured bank borrowings

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

	31 December 2023	31 December 2022
Equipment held for operating lease businesses	**43,088,677**	38,797,903
Finance lease receivables	**1,429,463**	2,727,320
Accounts receivable	**537,002**	464,480
Bank deposits	**15,990,342**	2,262,687
	61,045,484	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. The balance of secured bank borrowings through factoring financing was approximately RMB7,873,794 thousand as at 31 December 2023 (31 December 2022: RMB7,104,143 thousand).

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

	31 December 2023	31 December 2022
Fixed-rate borrowings:		
Within one year	**194,666,391**	145,544,303
More than one year, but not exceeding five years	**30,585,547**	22,210,656
More than five years	**485,334**	527,622
	225,737,272	168,282,581

In addition, the Group has floating-rate borrowings which carry interest based on LPR, 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 2023	31 December 2022
Effective interest rates:		
Fixed-rate borrowings (RMB)	**2.40%-3.20%**	1.85%-3.39%
Fixed-rate borrowings (USD)	**2.05%-6.37%**	1.10%-5.95%
Floating-rate borrowings (RMB)	**1Y LPR/5Y LPR -1.30%~-0.28%**	1Y LPR -1.05%~-0.28%
Floating-rate borrowings (USD)	**SOFR/1M TSOFR/ 3M TSOFR +0.20%-1.45%**	1M LIBOR/6M LIBOR/ 1M TSOFR/3M TSOFR/ SOFR+0.30%-2.80%

16 BONDS PAYABLE

	31 December 2023	31 December 2022
Guaranteed unsecured bonds[(1)]	**27,271,681**	32,043,941
Unguaranteed unsecured bonds	**4,915,549**	4,828,113
	32,187,230	36,872,054

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

				As at 31 December 2023		
			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	**4,957,890**	**–**	**4,957,890**
CDBL Funding 2[(2)]	RMB	3.35% to 3.50%	2024 to 2026	**1,600,000**	**1,600,000**	**–**
	HKD	1.40% to 4.85%	2024	**2,809,282**	**2,809,282**	**–**
	USD	1.375% to 5.77%	2024 to 2027	**14,696,603**	**14,696,603**	**–**
CDBL Funding 1[(2)]	USD	2.87% to 4.25%	2024 to 2027	**6,586,911**	**6,586,911**	**–**
Issuer	Currency	Floating rate				
CDBL Funding 2[(2)]	USD	SOFR + Margin ranging from 0.85% to 1.00%	2024 to 2025	**1,629,021**	**1,629,021**	**–**
				32,279,707	**27,321,817**	**4,957,890**

				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[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	–
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 31 December 2023 and 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.

17 DIVIDENDS

The dividends declared in 2023 are approximately RMB1,005,322 thousand, RMB0.7952 per 10 ordinary shares (2022: RMB1,176,626 thousand, RMB0.9307 per 10 ordinary shares). A dividend in respect of the year ended 31 December 2023 of RMB0.9848 per 10 ordinary shares, amounting to a total dividend of approximately RMB1,245,022 thousand, is to be proposed at the annual general meeting. These financial statements do not reflect this dividend payable.

18 CASH AND CASH EQUIVALENTS

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

	31 December 2023	31 December 2022
Cash and bank balances before impairment loss	**69,497,069**	29,760,725
Less：		
– Pledged and restricted bank deposits	**16,036,606**	2,435,561
– Mandatory reserve deposits with central bank	**343,549**	366,046
– Other[1]	**4,260,120**	2,298,318
	48,856,794	24,660,800

(1) Other is mainly unpledged and unrestricted fixed deposits.

19 SEGMENT REPORTING

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

The Group's operating segments are adjusted to five business segments as follows for the year ended 31 December of 2023 (the segment reporting for the year ended 31 December of 2022 and as at 31 December of 2022 has been adjusted accordingly):

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

- 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;

- Ship leasing: mainly engaged in the leasing of ship;

- Inclusive finance: mainly engaged in the leasing of vehicles other than aircrafts and ships, and construction machinery; and

- Green energy and high-end equipment leasing: mainly engaged in the leasing of energy infrastructure and high-end equipment.

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 2023 and 2022.

The operating and reportable segment information provided to the CODM during the years ended 31 December 2023 and 2022 is as follows:

	Aircraft leasing	Regional development leasing	Ship leasing	Inclusive finance	Green energy and high-end equipment leasing	Total
For the year ended 31 December 2023						
Segment revenue and results						
Finance lease income	5,894	5,853,472	895,362	1,773,116	2,116,403	10,644,247
Operating lease income	8,200,990	121,148	3,846,868	142,571	50,075	12,361,652
Segment revenue	8,206,884	5,974,620	4,742,230	1,915,687	2,166,478	23,005,899
Segment other income, gains and losses	1,982,831	343,816	1,115,976	90,662	116,167	3,649,452
Segment revenue and other income	10,189,715	6,318,436	5,858,206	2,006,349	2,282,645	26,655,351
Interest expense	(3,633,735)	(3,064,565)	(1,902,082)	(678,061)	(1,083,998)	(10,362,441)
Other expense	(6,190,889)	(850,225)	(2,842,145)	71,721	(1,062,626)	(10,874,164)
Segment expenses	(9,824,624)	(3,914,790)	(4,744,227)	(606,340)	(2,146,624)	(21,236,605)
Profit before impairment losses and income tax	1,698,428	2,835,134	1,236,966	861,698	1,058,879	7,691,105
Profit before income tax	365,091	2,403,646	1,113,979	1,400,009	136,021	5,418,746
As at 31 December 2023						
Segment assets and liabilities						
Segment assets	108,978,585	130,008,248	62,783,875	36,041,877	69,750,607	407,563,192
Deferred tax assets						2,131,711
Group's total assets						409,694,903
Segment liabilities	103,629,005	118,936,991	55,452,496	31,756,943	61,528,960	371,304,395
Deferred tax liabilities						1,108,668
Group's total liabilities						372,413,063
For the year ended 31 December 2023						
Other segment information						
Depreciation of investment properties	–	(41,109)	–	–	–	(41,109)
Depreciation of property and equipment	(3,910,172)	(26,772)	(1,902,281)	(93,449)	(26,246)	(5,958,920)
Depreciation of right-of-use assets	(17,740)	(9,421)	(5,075)	(2,452)	(3,411)	(38,099)
Amortisation	(48,430)	(9,853)	(447)	(216)	(300)	(59,246)
Capital expenditure	11,911,055	1,050,358	5,523,295	273,385	380,262	19,138,355
Net Impairment Losses	(1,333,337)	(431,489)	(122,987)	538,311	(922,857)	(2,272,359)

	Aircraft leasing	Regional development leasing	Ship leasing	Inclusive finance	Green energy and high-end equipment leasing	Total
For the year ended 31 December 2022						
Segment revenue and results						
Finance lease income	5,883	6,441,093	656,819	1,545,935	1,638,893	10,288,623
Operating lease income	7,024,856	128,396	5,320,528	–	1,933	12,475,713
Segment revenue	7,030,739	6,569,489	5,977,347	1,545,935	1,640,826	22,764,336
Segment other income, gains and losses	797,214	277,946	1,081,565	69,319	63,077	2,289,121
Segment revenue and other income	7,827,953	6,847,435	7,058,912	1,615,254	1,703,903	25,053,457
Interest expense	(2,328,007)	(3,345,956)	(1,086,188)	(658,720)	(787,818)	(8,206,689)
Other expense	(7,212,989)	(1,117,911)	(3,103,189)	(271,397)	(183,328)	(11,888,814)
Segment expenses	(9,540,996)	(4,463,867)	(4,189,377)	(930,117)	(971,146)	(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)	2,383,568	2,869,535	685,137	732,757	4,957,954
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
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)	(14,586)	(1,607,722)	(3,210)	(4,680)	(5,261,464)
Depreciation of right-of-use assets	(16,823)	(4,905)	(3,386)	(1,079)	(1,225)	(27,418)
Amortisation	(33,602)	(18,498)	(5,039)	(1,607)	(1,825)	(60,571)
Capital expenditure	13,023,301	49,970	4,574,881	10,999	12,495	17,671,646
Net impairment losses	(2,896,645)	(734,110)	(439,885)	(82,398)	(103,765)	(4,256,803)

The largest customer of the Group contributed 2.23% of the Group's revenue for the years ended 31 December 2023 (2022: 4.00%).

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 for the years ended 31 December 2023 and 2022.

20 FAIR VALUES OF THE FINANCIAL INSTRUMENTS

20.1 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 or third party bid prices on similar securities;

- for currency forwards, cross currency swaps and foreign exchange swap – third party bid prices on similar securities;

- for debt investments – the fair value of debt investments including RMB and USD bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. or third party bid prices on similar securities; and

- for other financial instruments – third party provided the valuation results.

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.

20.2 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			
	2023		2022	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Bonds payable	**32,187,230**	**31,491,583**	36,872,054	35,399,151

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.

20.3 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 2023 and 2022. 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 2023**	31 December 2022	**Fair value hierarchy**	**Valuation technique(s) and key Input(s)**
Currency forwards	Assets	**18,095**	–	Level 2	Third party bid prices on similar securities.
	Liabilities	**–**	1,280		
Interest rate swaps	Assets	**478,968**	797,740	Level 2	Discounted cash flow analysis using observable yield curves or third party bid prices on similar securities.
	Liabilities	**7,572**	–		
Cross Currency Swaps	Assets	**178,841**	22,947	Level 2	Third party bid prices on similar securities.
	Liabilities	**60,394**	27,003		
Foreign exchange swap	Assets	**–**	20,091	Level 2	Third party bid prices on similar securities.
	Liabilities	**178,363**	–		
FVTPL-listed equity investments	Assets	**13,961**	14,034	Level 1	Open market quotations
FVTPL-unlisted equity investments	Assets	**93,293**	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.
FVTPL-debt investments	Assets	**49,218**	–	Level 2	Third party bid prices on similar securities.
FVOCI – debt instrument (Note 11)	Assets	**3,001,187**	–	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 11)	Assets	**–**	1,464,986	Level 2	The valuation of these bonds is based on the valuation results provided by China Central Depository & Clearing Co Ltd.

21 EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period that require disclosure in these financial statements.

DEFINITIONS

"Airbus"	Airbus S.A.S. (Airbus), a "Société par Actions Simplifiée (SAS) (which means "simplified joint-stock company")" incorporated under French law
"Articles of Association"	the articles of association of China Development Bank Financial Leasing Co., Ltd.
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"Boeing"	The Boeing Company, a company incorporated in Delaware, the United States
"Capital Administrative Measures"	The Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》(National Financial Regulatory Administration Order [2023] No.4), which was issued by the National Financial Regulatory Administration on October 26, 2023 and came into effect on January 1, 2024. The Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (China Banking Regulatory Commission Order [2012] No.1) was repealed
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) and its predecessor, China Banking Regulatory Commission (中國銀行業監督管理委員會), which is renamed as The National Financial Regulatory Administration (國家金融監督管理總局)
"NFRA"	The National Financial Regulatory Administration (國家金融監督管理總局) and its local offices, including its predecessor, CBIRC. The NFRA is an organization directly under the State Council established on the basis of CBIRC. In March 2023, the Central Committee of the Communist Party of China and the State Council issued the Party and State Organizational Reform Plan, decided to establish the NFRA on the basis of the CBIRC and no longer retaining the CBIRC. On May 18, 2023, the NFRA was inaugurated
"CDB Aviation"	CDB Aviation Lease Finance Designated Activity Company (國銀航空金融租賃有限公司)
"Chairman"	chairman of the board of directors of the Company
"China" or "PRC"	the People's Republic of China

"Company"	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company established in the PRC in 1984 and converted into a joint stock limited company on September 28, 2015, the H Shares of which are listed on the Hong Kong Stock Exchange with stock code of 1606
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules
"Director(s)"	director(s) of the Company
"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Group"	the Company and its subsidiaries or SPVs, or the Company and any one or more of its subsidiaries or SPVs, as the context may require
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars
"Measures for the Risk Classification of Financial Assets of Commercial Banks"	The Measures for the Risk Classification of Financial Assets of Commercial Bank (China Banking and Insurance Regulatory Commission PBOC Order [2023] No. 1), in order to facilitate commercial banks to accurately assess credit risk and truly reflect the quality of financial assets, the CBIRC and the PBOC jointly formulated the measures. The measures were issued on February 10, 2023 and came into effect on July 1, 2023
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules

“OEM(s)”	collectively or individually, Boeing, Airbus and other airline manufacturers
“PBOC”	the Central Bank of the People’s Republic of China
“Reporting Period”	from January 1, 2023 to December 31, 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“State Council”	State Council of the People’s Republic of China
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under section 15 of the Companies Ordinance
“Supervisor(s)”	supervisor(s) of the Company
“US$”, “USD” or “US dollar(s)”	United States dollar(s), the lawful currency of the United States

GLOSSARY OF TECHNICAL TERMS

“double carbon”	abbreviation for “carbon peak” and “carbon neutral”; in September 2020, China clearly set out its goals of “carbon peak” by 2030 and “carbon neutral” by 2060
“finance lease”	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risks and returns of ownership of the leased assets are transferred from the lessors to the lessees
“finance lease related assets”	leased assets under finance leases, consisting of finance lease receivable and accounts receivable (advances for finance lease projects)
“Fitch”	Fitch Ratings Ltd.
“GW”	the unit of power, i.e., one billion watts, or 1,000 megawatts. “GW” is the abbreviation of Gigawatt
“Moody’s”	Moody’s Investors Service, Inc.
“MW”	the unit of power, i.e., one million watts. “MW” is the abbreviation of Megawatt

"MW.h"	the unit of energy storage capacity. "MW.h" is the abbreviation of Megawatt-hour
"narrow-body aircraft"	single-aisle aircraft, such as Airbus A320 family and Boeing 737 family
"operating lease"	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risks and returns of the leased assets remain with the lessors
"SPV(s)"	special purpose vehicle(s)
"Standard & Poor's"	S&P Global Ratings
"wide-body aircraft"	twin-aisle aircraft, such as Airbus A330 family and Boeing 777 family

By order of the Board
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD
LIU YI
Joint Company Secretary

Shenzhen, the PRC
March 28, 2024

As at the date of this announcement, the executive directors of the Company are Ms. MA Hong and Mr. JIN Tao; the non-executive director is Mr. YANG Guifang; and the independent non-executive directors are Mr. LI Haijian, Mr. LIU Ming and Mr. WANG Guiguo.