国银租赁
CHINA DEVELOPMENT BANK LEASING

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

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

Stock Code: 1606

Company Overview

China Development Bank Financial Leasing Co., Ltd., a national non-banking financial institution regulated by CBIRC, is the first listed financial leasing company in mainland China and the sole leasing business platform and listing platform of China Development Bank. Its leasing assets and business partners reach throughout over 40 countries and regions around the globe. The Company enjoys relatively high international credit ratings, namely "A1" by Moody's, "A" by Standard & Poor's and "A+" by Fitch. Founded in 1984, CDB Leasing is a pioneer and a leader in the leasing industry in the PRC, and is among the first batch of leasing companies established in the PRC. Adhering to the mission of "Leading China's leasing industry, serving the real economy", CDB Leasing is dedicated to providing comprehensive leasing services to high-quality customers in fields including aviation, infrastructure, shipping, inclusive finance, new energy and high-end equipment manufacturing.

As one of the leasing companies with the longest history in the PRC, CDB Leasing has witnessed and participated in the development of the PRC leasing industry, experienced various economic cycles in the industry and regulatory reforms, and gained abundant experience through our exploration in business sectors, product innovation, risk management and control, operation management and other aspects. We have been continuously adhering to the balanced development of scale, quality and efficiency. Through exploration of different business sectors in a planned manner, continuous product innovation and business improvement as well as optimization of corporate governance, CDB Leasing outpaced peers in terms of asset scale, profitability and risk control, and formed a business development model with obvious advantages of core competitiveness and prominent sustainable development capabilities.

The continued improvement in marketization and internationalization of the PRC financial industry, the increasing customer demand for customized leasing products and services, and current policies of financial supply-side reform launched by the state for enhancing the financial service's capability to serve the real economy have brought important opportunities to the leasing industry. We believe that our long operating history, market leading position, well-developed business model and premier brand will enable us to seize such opportunities, achieve sustained growth, and continue to maintain our leading position, constantly upgrade our business model, improve our professional service capabilities and strive to move forward for achieving the vision of building a world-class leasing company.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Xuedong *(Chairman, Legal Representative)*
Mr. Peng Zhong *(Vice Chairman)*[1]
Mr. Huang Min

Non-executive Directors

Mr. Li Yingbao
Mr. Wang Bangyi[2]
Ms. Wang Ying[1]

Independent Non-executive Directors

Mr. Zheng Xueding
Mr. Xu Jin
Mr. Zhang Xianchu

STRATEGY DECISION COMMITTEE OF THE BOARD

Mr. Wang Xuedong *(Chairman)*
Mr. Peng Zhong[3]
Mr. Li Yingbao
Mr. Zheng Xueding
Mr. Xu Jin

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE OF THE BOARD

Mr. Wang Xuedong *(Chairman)*
Mr. Peng Zhong[3]
Mr. Huang Min
Mr. Li Yingbao
Mr. Wang Bangyi[3]
Ms. Wang Ying[3]
Mr. Zheng Xueding

RELATED PARTY TRANSACTION CONTROL COMMITTEE OF THE BOARD

Mr. Xu Jin *(Chairman)*
Mr. Huang Min
Ms. Wang Ying[3]
Mr. Zheng Xueding
Mr. Zhang Xianchu

AUDIT COMMITTEE OF THE BOARD

Mr. Zheng Xueding *(Chairman)*
Mr. Li Yingbao
Mr. Wang Bangyi[3]
Mr. Xu Jin
Mr. Zhang Xianchu

REMUNERATION COMMITTEE OF THE BOARD

Mr. Zhang Xianchu *(Chairman)*
Mr. Peng Zhong[3]
Mr. Li Yingbao
Mr. Zheng Xueding
Mr. Xu Jin

NOMINATION COMMITTEE OF THE BOARD

Mr. Xu Jin *(Chairman)*
Mr. Wang Xuedong
Mr. Zheng Xueding
Mr. Zhang Xianchu

BOARD OF SUPERVISORS

Mr. Zhang Xiaosong *(chairman of the Board of Supervisors)*[4]
Mr. Jiang Daozhen *(chairman of the Board of Supervisors)*[5]
Mr. Lei Yanzheng[5]
Ms. Huang Xuemei
Mr. Ma Yongyi
Mr. Wang Yiyun[6]
Mr. Zhong Qinglin[4]

[1] Appointed on January 20, 2020;
[2] Appointed on December 30, 2019;
[3] Appointed on March 16, 2020;
[4] Appointed on November 12, 2019;
[5] Ceased on November 12, 2019;
[6] Appointed on February 1, 2019.

JOINT COMPANY SECRETARIES

Mr. Huang Min
Ms. Wong Sau Ping *(ACIS, ACS)*

AUTHORIZED REPRESENTATIVES

Mr. Huang Min
Ms. Wong Sau Ping *(ACIS, ACS)*

LEGAL ADVISORS

As to Hong Kong law
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law
King & Wood Mallesons
17-18/F, East Tower
World Financial Center
Building 1, No.1 Dongsanhuan Zhonglu
Chaoyang District
Beijing

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

REGISTERED OFFICE

CDB Financial Center
No. 2003 Fuzhong Third Road
Futian District
Shenzhen
Guangdong Province
PRC

HEADQUARTER

CDB Financial Center
No. 2003 Fuzhong Third Road
Futian District
Shenzhen
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

WEBSITE OF THE COMPANY

http://www.cdb-leasing.com

STOCK CODE

1606

LISTING DATE

July 11, 2016

Definitions

"Articles of Association"	Articles of Association of China Development Bank Financial Leasing Co., Ltd.
"Board" or "Board of Directors"	the board of directors of our Company
"Board of Supervisors"	the board of supervisors of our Company
"Capital Administrative Measures"	Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法》(試行)), issued by CBIRC on June 7, 2012 and being effective from January 1, 2013
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) and its predecessor, China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CBIRC Shenzhen Office"	China Banking and Insurance Regulatory Commission Shenzhen Office
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
"CDB"	China Development Bank, established in the PRC in 1994 and restructured as a limited liability company in 2017, and the Controlling Shareholder of the Company which holds 64.40% equity interest of the Company
"Company" or "our Company" or "CDB Leasing"	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company established in the PRC in 1984 and converted into a joint stock limited company on September 28, 2015, the H Shares of which are listed on the Hong Kong Stock Exchange with stock code of 1606
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
"Director(s)"	director(s) of our Company
"Global Offering"	the Hong Kong Public Offering and the International Offering as mentioned in the Prospectus
"Group", "we" or "us"	our Company and its subsidiaries or SPCs, or our Company and any one or more of its subsidiaries or SPCs, as the context may require

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

Glossary of Technical Terms

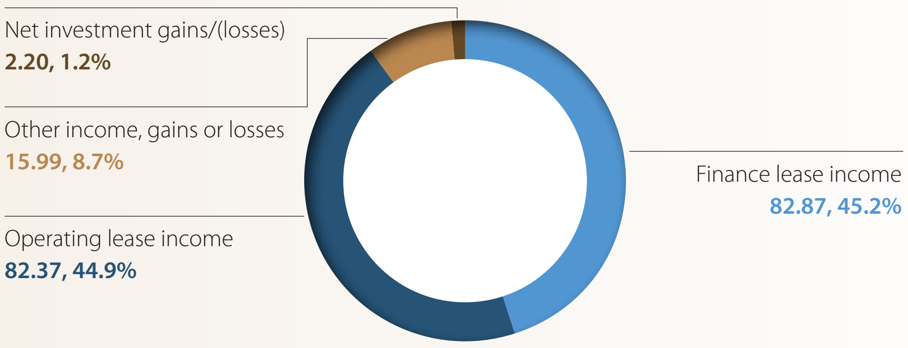
"finance lease"	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risks and returns of ownership of the leased assets are transferred from the lessors to the lessees
"finance lease related asset"	leased asset under finance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

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

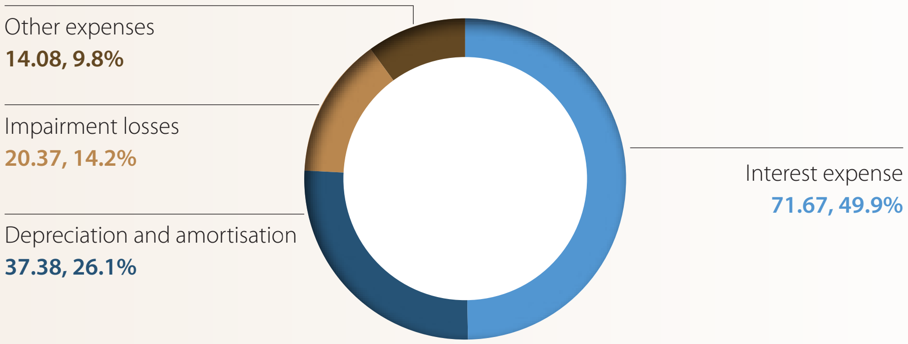
In 2019, finance lease income accounted for 45.2% of the income of the Group, representing a year-on-year decrease of 0.1 percentage point; operating lease income accounted for 44.9%, representing a year-on-year increase of 2.5 percentage points; other income, gains or losses accounted for 8.7%, representing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

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



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

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

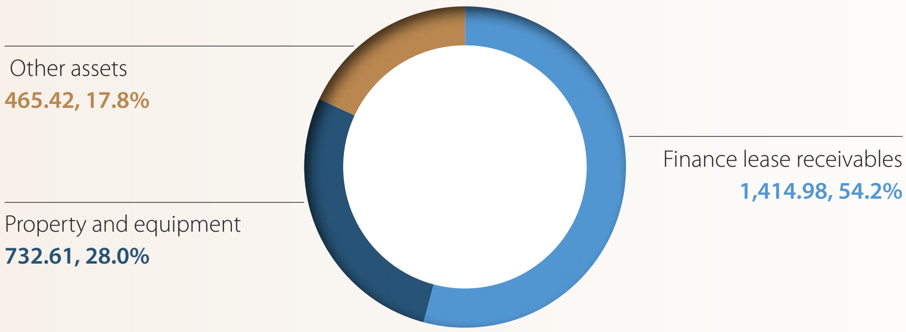


SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

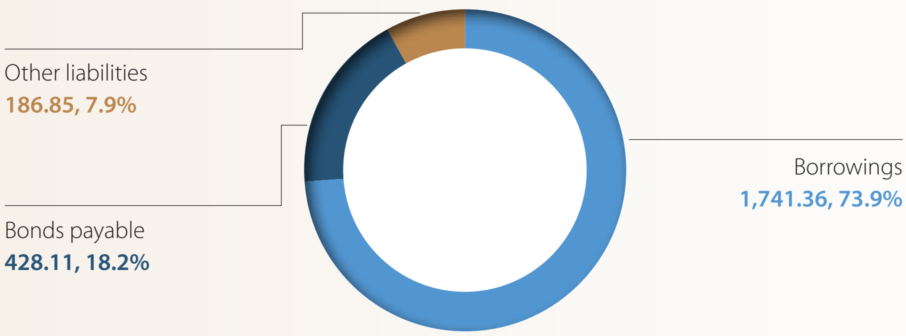
As at December 31, 2019, finance lease receivables accounted for 54.2% of the total assets of the Group, representing an increase of 1.6 percentage points as compared with that in 2018; property and equipment accounted for 28.0%, representing an increase of 1.5 percentage points as compared with that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

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



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

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



SELECTED FINANCIAL RATIOS

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

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

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

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

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

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

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

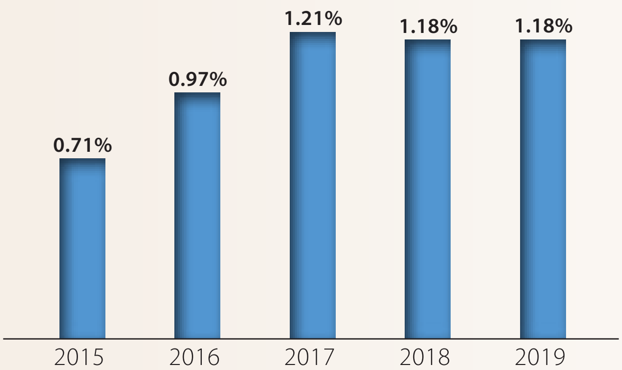
(7) Calculated based on the percentage of non-performing finance lease related assets over finance lease related assets before allowance for impairment losses as of the dates indicated.

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

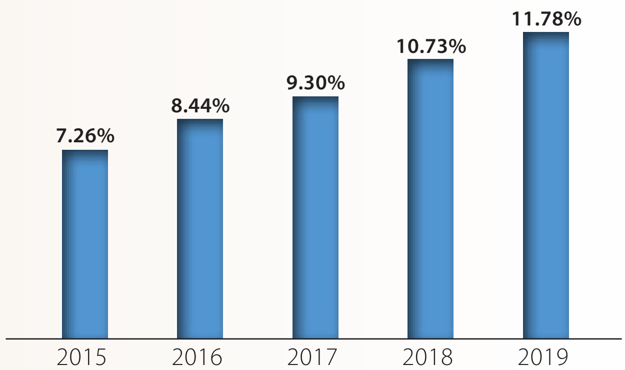
In 2019, the return on average assets of the Group was the same as that of 2018, which reflected that our high-quality development has consolidated fundamentals for profit making despite the economic downward pressure.

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

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 CBIRC and applicable accounting standards.

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

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

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

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

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

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

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

In June 2019, CDB Leasing was awarded the Best Brand Value Award (最佳品牌價值獎) and Best Annual Reports Design Award (最佳年報設計獎) in the China Financial Market Awards.

In July 2019, CDB Leasing was awarded the “2019 Financial Leasing Company Tianji Award” (2019年度金融租賃公司天璣獎) by the Securities Times.

In September 2019, CDB Leasing was awarded the “Ten-year Industry Contribution Award of China Aviation Finance” (中國航空金融十年產業貢獻獎) and the “Best Transaction for the Year” (年度最佳交易) of the “China Air Finance ‘WAN HOO’ Award”.

In November 2019, CDB Leasing was awarded the “2018-2019 Excellent Case of Social Responsibilities ‘Green Financial’ in Banking Industry in Shenzhen” (2018-2019深圳銀行業社會責任『綠色金融』優秀案例獎) by Shenzhen Banking Association.

In December 2019, CDB Leasing was awarded the “Most Competitive Leasing Company for the Year” (年度最具競爭力租賃公司) of “2019 China Financial Institutions Gold Medal List • Golden Dragon Award” (2019中國金融機構金牌榜•金龍獎) by the Financial News.

In December 2019, CDB Leasing was awarded the “2019 China Finance Leasing Excellence Award” (2019中國融資租賃卓越成就獎) and the “2019 China Finance Leasing Leadership Award (Wang Xuedong)” (2019中國融資租賃領軍人物獎(王學東)) on the China International Finance Forum.

Dear Shareholders,

On behalf of the Board of China Development Bank Financial Leasing Co., Ltd., I am delighted to report to all Shareholders on the annual results for the year ended December 31, 2019 and performance of duties of the Board of Directors.

In 2019, CDB Leasing has made considerable progress. Facing various risks and challenges, the Group accurately captured market opportunities and duly adjusted operational strategies. By overcoming difficulties and proactively innovating, the Group achieved good harvest in terms of operation and management and the principal operating indicators hit a new high, maintaining a steady growth for consecutively four years since the listing. The total assets amounted to RMB261.3 billion, representing a year-on-year increase of 9.8%. The lease financing to new lessees of the Group amounted to RMB93.2 billion, representing a year-on-year increase of 12.7%. Net profit amounted to RMB2.938 billion, representing a year-on-year increase of 17.2%. Return on Shareholders' equity was 11.78%, representing a year-on-year increase of 1.05 percentage points. The earnings per share amounted to RMB0.23, representing a year-on-year increase of 15%. The non-performing asset ratio was 0.89%, controlled within 1% for consecutively four years, showing that the asset quality remained at a superior level. Provision coverage ratio amounted to 269.61%, representing an increase of approximately 16.49 percentage points as compared with the beginning of the year. Capital

adequacy ratio was 11.69%, showing an increasingly robust risk resistance capacity. Positive progress was achieved in terms of business model and product innovation of aircraft, ship and inclusive finance, and the professional operation and profitability continued to improve. The infrastructure business focused on key regions and customers in the national strategies, recording continuously improved financial service supplies and strategic synergies capability. The asset trading business was constantly promoted, with the scale and benefits of trading both reaching the best level in history. The internal management level was continuingly enhanced. The election of new sessions of the Board of Directors and the Board of Supervisors was completed. The authorization management system was revised and improved. The customer-centric business development philosophy was constantly deepened and key breakthroughs were made in claim lawsuits of leased properties. The capability for preventing and resolving risks was further strengthened and the human resources management was continuously optimized. All these have provided a strong support for the Group's sustainable and healthy development.

The above achievements cannot be made without great trust and full support from all Shareholders and sections of society for a long time as well as sincere cooperation of the management and hard work of all staff. I would like to extend my sincere gratitude on behalf of the Board in this regard!

The Board of the Group has been committed to maintaining good corporate governance with the goal of maximizing Shareholders' values. In 2019, the Board convened a total of four general meetings and 12 Board meetings, considering 87 resolutions on the development strategies, the annual report, financial budgets and financial statements, internal control of risks and related party transactions of the Company. All Directors performed their duties loyally, diligently, compliantly and efficiently, which strongly safeguarded the coordinated operation of corporate governance and operational management.

Since this year, the outbreak of COVID-19 has caused serious impacts on many countries and regions around the world including China. A pandemic trend was seen in the epidemic overseas. International asset prices fluctuated sharply, global economic and financial risks intensified, and unstable and uncertain factors increased significantly. However, initial results have been achieved in China for the epidemic prevention and control, and important progress has been made in resuming work and production, and the economic and social order is restoring quickly. We firmly believe that China's economy has tremendous resilience and potential and the long-term positive fundamentals have not been changed. To respond to the suddenly major epidemic risks, on one hand, the Group organized all staff to conduct strict prevention and control to ensure continuous business advancement, granted credits proactively and flexibly based on market changes to strive to meet customers' needs, provided multi-channel financial service support and actively helped resume work and production to proactively fulfill corporate social responsibilities; on the other hand, the Group strengthened risk monitoring and focused on the aviation industry and small and micro customers that have been severely affected by the epidemic to help alleviate difficulties and hold the bottom lines of risks. Meanwhile, the Group explored business opportunities in the context of risk changes and continued to improve the asset structure to actively seek high-quality sustainable development. Facing the severe and complicated international epidemic and the global economic conditions, the Group, in the normalization of epidemic prevention and control, will adhere to the steady development and follow the trend, further deepen the strategic synergy with CDB Group, focus on key national regions and keep abreast of social livelihood demand for making up for weak lines; at the same time, the Group will accelerate business model innovation and digitized upgrade and transformation to provide strong motivation for the Group to reduce operating costs, improve the service quality and efficiency and expand the customer base.

Sturdy grass withstands a strong wind, and real gold withstands a raging fire. 2020 will be a year full of tests. The Group will still fulfill its mission of "leading China's leasing industry, serving the real economy", uphold core value of stability, profession, integrity and win-win development to focus on core businesses, technology-driven innovation, calmly respond to the challenges of epidemic risks and periodic fluctuations, and strive to continuously improve its own development quality and anti-risk capability so as to keep creating greater values for all Shareholders, staff and sections of society.

Chairman

President's Statement

The past year was an extraordinary year. We ushered in the 70th anniversary of the founding of the People's Republic of China. Under the complex and changing internal and external situation, our country's high-quality development was advancing steadily. The GDP was close to RMB100 trillion, and the GPD per capita exceeded US$10,000[1], contributing around 30%[2] to the world's economic growth.

As a controlled subsidiary of China Development Bank, CDB Leasing adhered to the mission of "serving the real economy, leading China's leasing industry". With the strong support of Shareholders and the Board of Directors, it actively integrated into the overall development and construction of the country, gave play to the characteristics and advantages of leasing, served the development of the Yangtze River Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area, the "Belt and Road" and other national key areas and key fields, orderly carried out green finance and inclusive finance, actively implemented the main responsibilities of three major battles, remedied shortcomings, prevented risks, and achieved remarkable results in high-quality development.

We strived proactively, did good deeds and continued to improve principal operating indicators. The total assets amounted to RMB261.3 billion, and the lease financing to new lessees amounted to RMB93.2 billion, representing a year-on-year increase of 12.7%, ranking among the best in the industry. The net profit was RMB2.938 billion, representing a year-on-year increase of 17.2%, and the return on equity was 11.78%, steadily improving since listing. The non-performing asset ratio was 0.89%, controlled within 1% for four consecutive years since listing. Provision coverage ratio was 269.61%, showing an increasingly robust risk resistance capacity.

We adhered to our origin, focused on our principal businesses, and steadily improved our capability of serving the national strategies. We formulated and issued special review guidelines, conducted business cooperation with key customers, and recorded lease financing to new lessees in the Yangtze River Economic Belt amounting to over RMB28 billion throughout the year. A leading group for the implementation of the planning of Guangdong-Hong Kong-Macao Greater Bay Area was set up to formulate a work plan for the Greater Bay Area, capturing opportunities to promote project implementation, and the balance of leased assets exceeded RMB14 billion. We steadily developed international operations such as aircrafts and ships, effectively covering 27 countries along the "Belt and Road", and the balance of leased assets exceeded RMB10.8 billion. We strengthened model innovation research, actively promoted green finance business such as photovoltaic and wind power, and achieved lease financing to new lessees amounting to over RMB6 billion. We steadily developed inclusive finance businesses such as construction machinery and commercial vehicles, and provided support to 25,000 new small and micro enterprises and natural person customers, with a cumulative total of over 91,000 and a balance of leased assets of over RMB22 billion. We explored a new leasing poverty alleviation model, and our lease financing to new lessees exceeded RMB3.4 billion to support the development of poverty areas' industries.

We adhered to our strategic position, improved our professional capabilities, and strengthened our industry leadership. Aviation subsidiaries replenished and improved their international management teams, further improved the management system and strengthened market resilience and

1 Source: The statistical bulletin of National Bureau of Statistics;
2 Source: The information disclosure of National Bureau of Statistics.

business decision efficiency. Focusing on the "professional and diversified" strategic development position, the Group vigorously promoted the construction of the three business divisions of ships, inclusive finance and new energy and equipment, refined the authorization scheme, improved the management and operation mechanism, and strengthened professional development capabilities to make the foundation for professional development more solid.

We strengthened asset operations, optimized financing management and continuously improved our development model. Centering on the Group's development strategy, we built a cooperation network, deepened cooperation with peers in the industry, have made transaction varieties enriched continuously and transaction models more mature. We efficiently improved our profitability, while optimizing the asset structure. Asset transactions have become our third business models. We strengthened the group-wide fund management, optimized domestic and overseas financing, effectively utilized various financing tools, issued a total of US$700 million senior bonds in public offering and private placement bonds with a total amount of US$614 million throughout the year, achieved a breakthrough in the issuance of the first RMB dim sum bonds, and successfully established the first Japanese syndicated loan. Credit lines were steadily increased; financing channels were continuously expanded; the financing management initiative was enhanced, financing costs were effectively reduced and the financing term structure was further optimized.

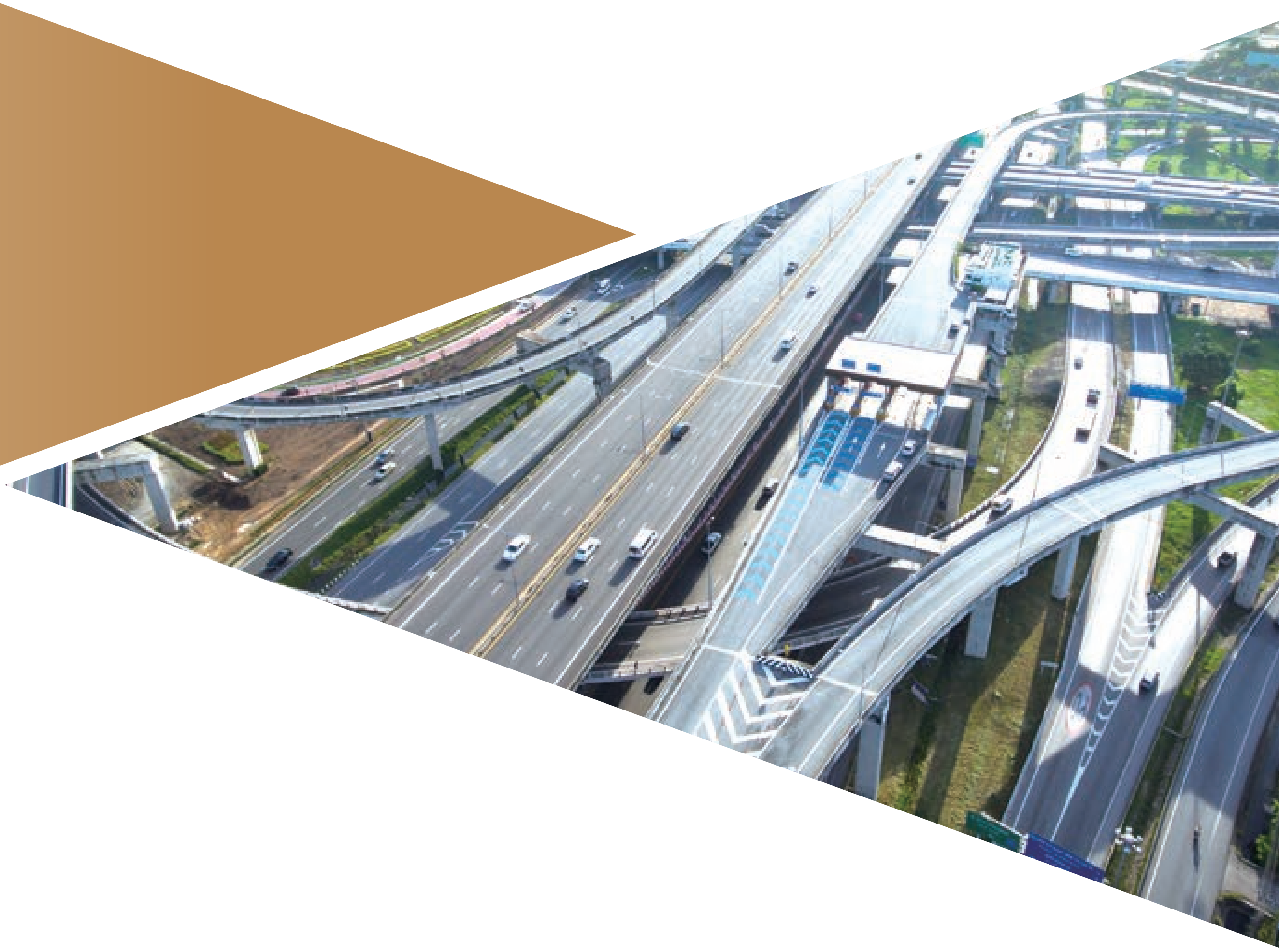
We strengthened innovation and exploration and consolidated basic management to effectively improve development quality and efficiency. We focused on key fields and key customers, and built key customer management working mechanisms and comprehensive credit model, to promote the "customer-oriented" business development model. We emphasized and explored the value of research and analysis for our business development and built a multi-dimensional analysis system covering regions, industries, customers, markets and competitors, to improve the ability of business decision support. We optimized and improved the process management, promoted profound "five-in-one" integration of responsibilities, positions, systems, processes, and authorization. We improved the efficiency of operation and management, and secured the operation mechanism of the business department effectively implemented. We built the first service center for financial sharing in the industry, strengthened comprehensive budget management and capital management, and optimized fiscal and tax management, to realize cost reduction and efficiency improvement.

We increased risk management and control, adhered to compliance operations, and maintained steady business development. We continuously improved the comprehensive risk management system to focus on improving risk management and control capabilities and strengthen market risk research and judgment to effectively resolve risks and non-performing items for keeping overall asset quality stable. We always put compliance operations at the forefront of business operations, implement regulatory requirements, and improve the compliance system and formulate compliance plans according to laws and regulations to strengthen the concept of compliance for all employees and give play to the role of internal audit and supervision for providing guarantee for the Company's long-term stable development.

2020 is the year for China to achieve a decisive victory to comprehensively build a moderately prosperous society. The COVID-19 epidemic has caused big impact on the domestic and overseas social and economic development. We will continue to closely track changes in the domestic and international economic situation, actively consider the response to the uncertainty caused by internal and external complex factors, conduct overall analysis of the impact of the COVID-19 epidemic on various businesses, formulate risk prevention control and business development plans by classification, and effectively grasp the business opportunities and challenges brought about by the changing situation. We will adhere to the "market-oriented, professional, diversified and international" strategic development position, consolidate and deepen the "customer-oriented" business development model and key-customer-oriented management system, strengthen innovation and exploration, strengthen risk control, consolidate and enhance professional development capabilities, continue to lead the development of the industry, so as to give play to the unique advantages of leasing, improve the quality and efficiency of leasing services, support the development of the real economy, and make greater contributions to economic and social development.

President


CDB AVIATION



Management Discussion and Analysis

BUSINESS SITUATION AND COMPANY'S RESPONSES

Business Environment

Macro-Economy

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

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

Industry Environment

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

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

Company's Responses

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

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

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

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

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

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

FINANCIAL REVIEW

Analysis of Consolidated Statement of Profit and Loss

Overview of Consolidated Statement of Profit and Loss

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

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

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

Total Revenue

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

Finance Lease Income

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

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

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

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

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

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

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

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

Operating Lease Income

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

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

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

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

Net Investment Gains/(losses)

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

Other Income, Gains or Losses

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

Cost and Expenses

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

Depreciation and Amortisation

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

Staff Costs

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

Fee and Commission Expenses

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

Interest Expense

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

Other Operating Expenses

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

Impairment Losses

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

Profit before Income Tax

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

Income Tax Expense

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

Profit for the Year

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

Analysis on the Consolidated Statement of Financial Position

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

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

Total Assets

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

Accounts Receivable

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

Finance Lease Receivables

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

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

Prepayments

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

Property and Equipment

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

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

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

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

Cash and Bank Balances

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

Other Assets

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

Leased Assets

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

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

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

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

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

Total Liabilities

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

Borrowings

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

Bonds Payable

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

Other Liabilities

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

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, 2019	2018	Change
Net cash flows from operating activities	**9,902.7**	22,942.8	(56.8%)
Net cash flows from investing activities	**(10,137.1)**	(22,968.3)	(55.9%)
Net cash flows from financing activities	**1,080.7**	2,833.5	(61.9%)
Net increase in cash and cash equivalents	**846.3**	2,808.0	(69.9%)

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

BUSINESS OPERATION

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

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

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

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

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

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

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

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

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

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

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

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

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

Aircraft Leasing

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

Air travel remains a vibrant market following the trend of the last several decades. A softer economic backdrop underpinned by weak global trade activity and geopolitical tensions took a toll on demand in 2019, marking the first year since the global financial crisis in 2009 with passenger demand below the long-term trend of around 5.5% annual growth[1]. Notwithstanding, both Airbus and Boeing forecast traffic growth to continue to outpace world GDP growth, at rates between 4.5% to 5% for the next 20 years[2]. The demand is expected to remain strong due to solid economic growth, growing middle classes, increasing consumer spending on services, and evolving airline business models.

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

The air travel market is expected to be 2.5 times larger in 20 years' time, and the global commercial jet fleet will continue to grow substantially, doubling in size to accommodate growth[2]. More than 19,000 of the projected 44,000 new aircraft deliveries are expected to replace the existing fleet[2]. Airlines will continue to add flying capacity to their networks in order to take advantage of growing demand, particularly in Asia Pacific. In addition, new generation aircraft with better fuel efficiency are enabling airlines to gain operational cost savings, while supporting environmental sustainability initiatives.

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

2 Boeing and Airbus Forecasts 2019.

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

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

Major Highlights for 2019 Include:

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

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

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

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

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

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

Aircraft Type	Owned aircraft	Managed aircraft	Committed aircraft	Total
A319-100	7			7
A320-200	46			46
A321-200	13			13
A330-200	8			8
A330-300	25			25
A330-900	5		3	8
A350-900	1			1
A320neo	32		50	82
A321neo	8		31	39
Airbus Total	**145**	**0**	**84**	**229**
737-700	2			2
737-800	56	3	2	61
777-300ER	2	2		4
737 Max 8	2		91	93
737 Max 10			10	10
Boeing Total	**62**	**5**	**103**	**170**
E190-100LR	20			20
Embraer Total	**20**	**0**	**0**	**20**
Other	**1**	**0**	**0**	**1**
Total	**228**	**5**	**187**	**420**

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

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

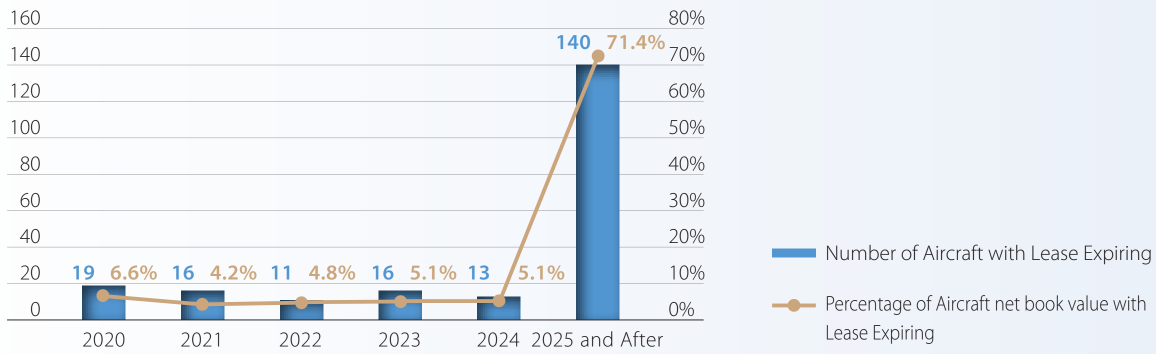
Among 187 aircraft committed as of December 31, 2019 (including direct OEM orders, sale-lease-backs and portfolio acquisitions), 28 are scheduled for delivery in 2020, 36 in 2021, 47 in 2022 and 76 after 2022.

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

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

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

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



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

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

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

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

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

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

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

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

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

Infrastructure Leasing

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

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

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

Transportation Infrastructure Leasing

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

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

Urban Infrastructure Leasing

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

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

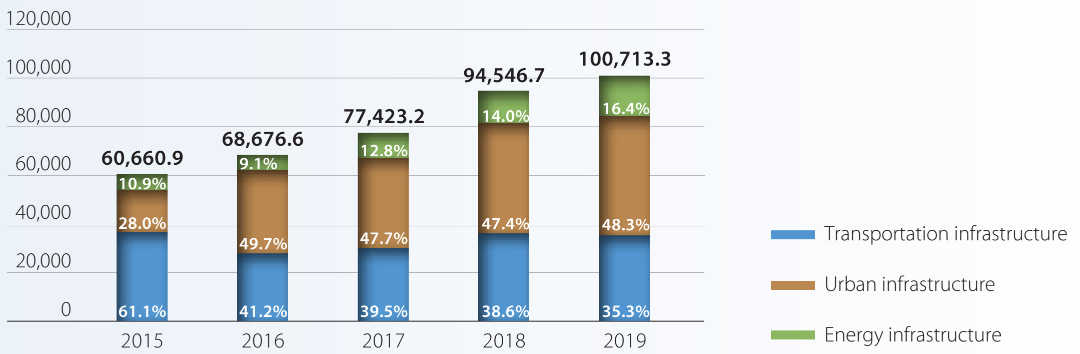
As of December 31, 2019, the Group provided leasing services for water, gas, heating, pipelines and other operational urban utility facilities in 23 provinces, autonomous regions and direct controlled municipalities in the PRC, and provided social housing leasing service in four provinces, autonomous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

Energy Infrastructure Leasing

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

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

Balance of Infrastructure Assets (Unit: RMB million)



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

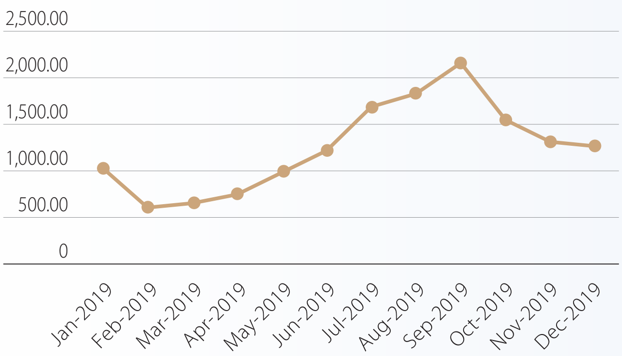
(RMB in millions, except percentages)	**Net carrying amount of sub-segment's assets related to leasing business as of December 31, 2019**	**Percentage of net carrying amount of sub-segment's assets related to leasing business as of December 31, 2019**
Transportation Infrastructure Leasing	35,542.5	35.3%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

Ship Leasing

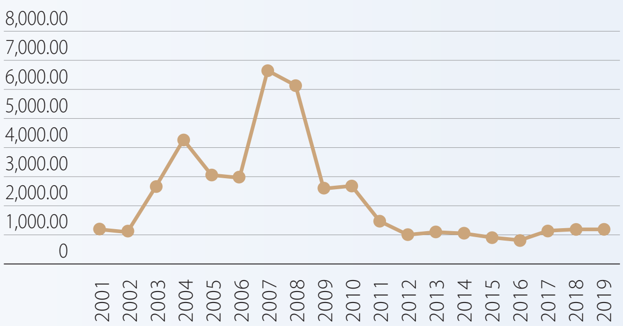
In 2019, the Group focused on optimizing its business layout, and selected quality leased assets and high-quality clients with a prudent approach for ship leasing business. As of December 31, 2019, total assets of the Ship Leasing segment of the Group amounted to RMB27,247.1 million, representing an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

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

BDI



BDI



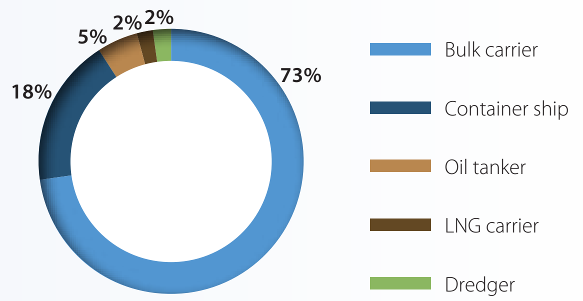
Source: Clarksons, 2020.02

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

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

Asset Balance of Ships (RMB in millions)

Type and Number of Ships under Operation



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

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

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

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

Inclusive Finance[5]

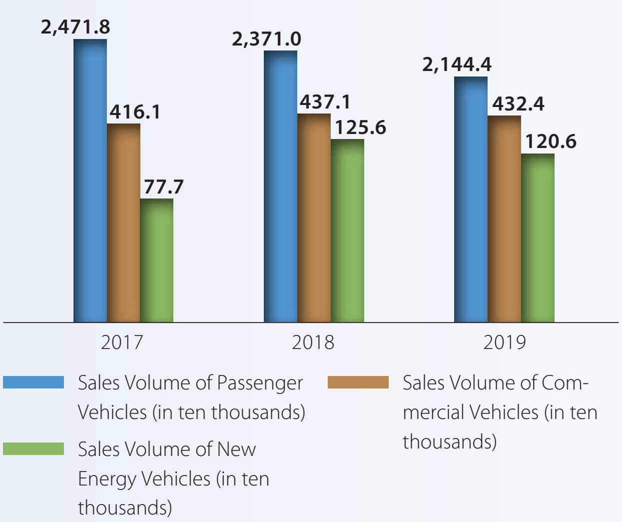
With the changes of domestic and foreign economic situation, the inclusive finance in China has received greater concern from the Party Central Committee and State Council, and obtained widespread attention from market players and the community. In 2019, the development of inclusive finance in China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

Vehicle Leasing

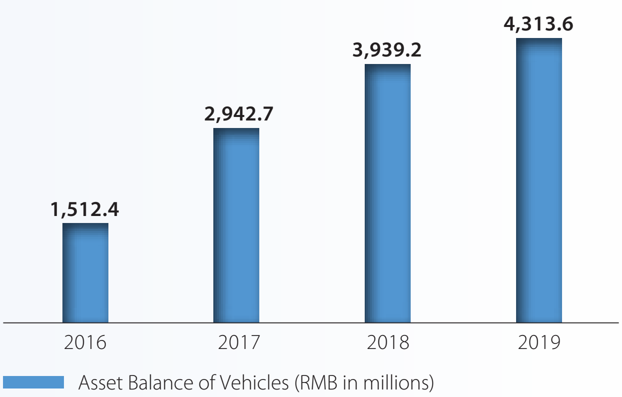
In 2019, as domestic economy remained modest growth, the vehicle industry underwent large downward pressure during the process of transformation and upgrading due to the combined effects of economic friction between China and the United States, environmental protection standard updates, and the decline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

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

Domestic Vehicle Sales Trend



Domestic Vehicle Sales Trend



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

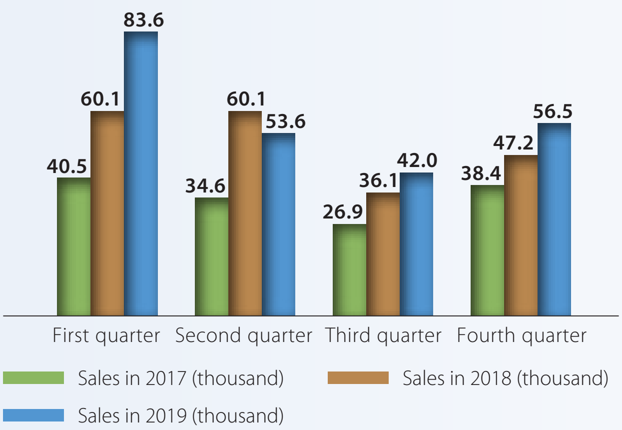
In 2019, adhering to the principle of sound operation and conforming to the development trend of the vehicle industry, the Group strengthened cooperation with leasing companies on the basis of existing business to continuously expand business boundaries and continue to optimize the asset structure. In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

In 2020, the Group will continue to intensify the innovation of vehicle business, actively introduce financial technology to lay the development foundation for technology finance, and continue to promote the digital and intelligent development of Vehicle Leasing business. At the same time, the Group will pay close attention to the development trend of the vehicle market and strengthen cooperation with leasing platforms to promote the transformation and development of the passenger vehicle leasing business model, realize informationalized and refined management of vehicle business, improve the capabilities of risk prevention and control and asset management and operation, and strive to solve the difficult, troubled and costly financing of small and micro enterprises and individuals for further extending the scope of the Group's inclusive finance system.

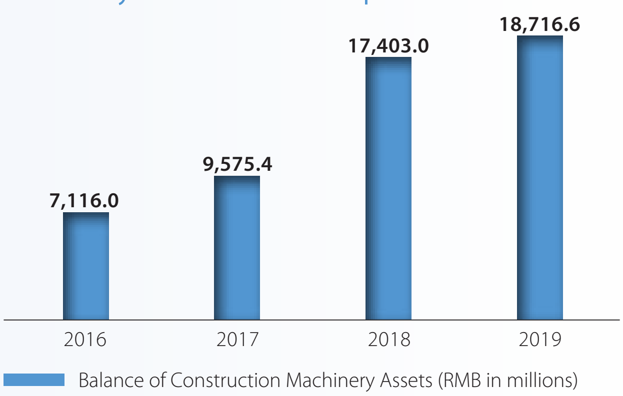
Construction Machinery Leasing

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

Sale Volume in Domestic Excavator Market



Balance of Construction Machinery Assets of the Group



In 2019, the Group conducted strategic cooperation with leading manufacturers in the industry by implementing the customer-oriented development concept to comprehensively explore the leasing needs of key manufacturers, deepen the cooperative relationship with strategic cooperation customers, proactively market and actively adjust product solutions for meeting the multi-dimensional and multi-level funding needs of manufacturers, with which we had strategic cooperation; the Group proactively developed the market mechanisms of inclusive finance and strongly promote targeted poverty alleviation policies by responding to the national policies of "inclusive finance" and "poverty alleviation" to provide high-quality and affordable inclusive finance services for private enterprises, small and micro enterprises and natural person customers for helping accurate poverty alleviation, which effectively explored the solutions to the financing difficulties in small and medium-sized enterprises and natural persons in remote areas. At the same time, the Group actively developed the top mainstream manufacturers in the industry to expand the service scope of manufacturers in the construction machinery market and initially form a three-dimensional business development system with large and medium-sized manufacturers and multiple business models for further consolidating the first-mover advantages and market-leading position of construction machinery business. In addition, the Group opened the transfer channel for small and micro assets for the first time and secured a non-recourse factoring business contract for the first small and micro assets for construction machinery of RMB465.99 million. While revitalizing the existing assets, the Group achieved the profit-taking of liquidity of the assets and effectively built its asset turnover capability and the recycling development capability of Construction Machinery Leasing business. As of December 31, 2019, the underlying assets of Construction Machinery Leasing of the Group amounted to RMB18,716.6 million, representing an increase of RMB1,313.6 million or 7.55% as compared with that as at December 31, 2018, accounting for 81.3% of the assets of the Inclusive Finance segment. The increase in the total amount of construction machinery assets was mainly due to the year-on-year growth of business volume and the adjustment and optimization of business structure and construction machinery business entering into in a high-speed turnaround period in 2019.

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

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

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

Financing

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

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

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

RISK MANAGEMENT

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

The Group adopts the hierarchical management based on the "three layers of defence": Business lines, as the first layer of defence of comprehensive risks prevention, in which business departments as the first layer of defence of credit risks prevention, the Treasury Department as the first layer of defence of market and liquidity risk prevention, the Informative Management Department as the first layer of defence of information technology risk prevention, assuming direct responsibilities of risk management. Risk management lines, as the second layer of defence of comprehensive risks prevention, assume responsibilities of formulating policies and process, daily monitoring and risk management. The internal audit department, as the third layer of defence of comprehensive risks prevention, assumes responsibilities of auditing the performance of business lines and risk management lines. Each department of the above three layers of defence should undertake their own responsibilities, strengthen communication and information transmission, enhance coordination and collaboration and improve risk management and control. In particular, the Risk Management Department is the overall planning and management department of the Company's comprehensive risk management, which is responsible for the management of the credit risk, market risk, liquidity risk, country risk and information technology risk; the Office of the Board is responsible for the management of strategic risk and reputational risk; the Appraisal Department is responsible for the review and assessment of credit risk management; the Compliance Department is responsible for the management of the compliance risk, operational risk, money laundry and sanctions compliance risk, related party transaction and internal control; the Legal Affairs Department is responsible for the management of legal risk; and the Accounting Department is responsible for the management of financial risk.

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

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

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

Credit Risk

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

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

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

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

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

Asset Quality

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Stage 1: Subsequent to initial recognition, the finance lease receivables without significant increase in credit risk were categorized in this stage. For such finance lease receivables, the expected credit loss in the next 12 months shall be confirmed;

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

Stage 3: The finance lease receivables with objective evidence of impairment were categorized into this stage. For such finance lease receivables, the expected credit loss shall be measured over the whole period.

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

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

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

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

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

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

Concentration of Credit Risks

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

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

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

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

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

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

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

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

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

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

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

Market Risk

Interest Rate Risk

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

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

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

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

Foreign Exchange Risk

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

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

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

Liquidity Risk

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

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

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

Other Risk

Operational Risk

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

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

Information Technology Risk

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

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

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

Reputational Risk

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

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

CAPITAL MANAGEMENT

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

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

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

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

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

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

CAPITAL EXPENDITURES

The capital expenditures of the Group principally comprise expenditures for the purchase of property, equipment and aircraft leasing assets and construction of office building, etc. In 2019, the capital expenditures of the Group amounted to RMB17,435.7 million, which were mainly used for the purchase of aircraft and ships.

The Group financed the capital expenditures through cash from operating activities, bank borrowings and net proceeds from the Global Offering.

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

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

PLEDGE OF ASSETS

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

HUMAN RESOURCES

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

As of December 31, 2019, there were a total of 425 employees providing related services to the Group, including 354 regular employees, of which 237 were domestic employees and 117 were employees of overseas aviation subsidiaries. The Group has a team of high-quality talents with good academic qualifications. As of December 31, 2019, approximately 94% of the Group's employees had bachelor's degrees or above, while approximately 56% of the Group's employees had master's degrees or above.

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

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

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

USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

INDUSTRIAL REGULATIONS

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

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

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

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

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

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

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

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

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

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

PROSPECTS

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

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

- Directors, Supervisors and Senior Management
- Corporate Governance Report
- Report of the Board of Directors
- Report of the Board of Supervisors

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Wang Xuedong (王學東), aged 57, joined the Company in August 2014. He is currently the chairman of the Board and an executive Director. Mr. Wang Xuedong successively held positions in the former State Planning Commission (currently known as National Development and Reform Commission) and the National Transportation Investment Corporation (國家交通投資公司) from August 1983 to March 1994. He served as the deputy head and head of the second division of water transportation under the transportation credit bureau of China Development Bank ("CDB") successively from March 1994 to January 1997, and was the head of the first division under the eastern China credit bureau of CDB from January 1997 to December 1999. He served as the vice president of the Shanghai Branch of CDB from December 1999 to March 2008, and was the president of the Hunan Branch of CDB from March 2008 to August 2014. Mr. Wang Xuedong has served as the chairman of the Board and an executive Director since October 2014.

Mr. Wang Xuedong graduated from Dalian College of Technology (大連工學院) in Dalian, Liaoning Province, the PRC, majoring in port construction engineering, and obtained a bachelor's degree in engineering in July 1983. He graduated from Central University of Finance and Economics in Beijing, the PRC, majoring in money and banking, and obtained a master's degree in economics (part-time) in August 1999. Mr. Wang Xuedong obtained the qualification of senior engineer issued by CDB in November 1994. Mr. Wang also won the "National May 1st Labor Medal" (全國五一勞動獎章) in 2011, and was a representative of the12th National People's Congress.

Mr. Peng Zhong (彭忠), aged 51, joined the Company in September 2017. He is currently the vice chairman, an executive Director and the president of the Company. He worked for the National Transportation Investment Corporation from July 1993. He joined China Development Bank in April 1994 and worked successively for the transportation credit bureau, the Chengdu Office, the southwest credit bureau, the second assessment bureau and the first assessment bureau thereof. He worked for the China Development Bank (Sichuan Branch) from August 2003 to September 2017, during which he served as the head of the project appraisal division, head of client division III, vice president and a committee member of the Communist Party of China (deputy director-general level). Mr. Peng Zhong has been the president of the Company since December 2017 and the vice chairman and executive Director of the Company since January 2020.

Mr. Peng Zhong graduated from Renmin University of China in Beijing, the PRC, in July 1993, majoring in industrial enterprise management and obtained a master's degree.

Mr. Huang Min (黃敏), aged 36, joined the Company in March 2015. He is currently an executive Director and a vice president of the Company. He served as the head of human resources department at Hainan Airlines Co., Ltd. (海南航空股份有限公司) from October 2004 to October 2005 and worked at the comprehensive management department of China Xinhua Airlines (新華航空) from October 2005 and April 2006. He served as the head of the comprehensive management department in Chang Jiang Leasing Co., Ltd. (長江租賃有限公司) from May 2006 to July 2009, and was the general manager of the comprehensive management department and the general manager of the fourth business department in Tianjin Bohai Leasing Co., Ltd. (天津渤海租賃股份有限公司) from July 2009 to November 2012. He held several positions in Wanjiang Financial Leasing Co., Ltd. (皖江金融租賃有限公司) successively from November 2012 to March 2015, including the secretary to the board of directors, the general manager of the strategic innovation department and general aviation department, and assistant to the president of the Company. Mr. Huang Min has served as the vice president and an executive Director of the Company since September 2015. He served as the secretary to the Board of the Company from January 2016 to October 2019.

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

Non-Executive Directors

Mr. Li Yingbao (李英寶), aged 56. He has been a non-executive Director of the Company since September 2015, as well as a senior appraisal manager of the first assessment bureau in CDB. Mr. Li Yingbao served as an engineer of the transportation project department in China International Engineering Consulting Corporation from August 1991 to February 1998, and held several positions in CDB successively from February 1998 to June 2012, including a clerk at section level of the transportation environmental assessment bureau, a clerk at section level and the head of division of the second assessment bureau, and the deputy head and head of division of the first assessment bureau. Mr. Li Yingbao has served as the senior assessment manager of the first assessment bureau of CDB since June 2012, and has served as a non-executive Director of the Company since September 2015.

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

Mr. Wang Bangyi (王邦宜), aged 46. He has been a non-executive Director of the Company since December 2019, and has been the assistant to general manager and the general manager of a Hong Kong subsidiary of China Re Asset Management Company Ltd. since October 2017. Mr. Wang Bangyi served as a technician of the Hydropower Machinery Factory in Fujian Province from August 1995 to September 1997 and the project management engineer of the Central Research Department of Huawei Technologies Co., Ltd. from August 2000 to August 2001. From September 2008 to September 2010, he served as a senior commissioner of Investment Management Center of Happy Life Insurance Co., Ltd. and served as the executive general manager of Investment Department of China Galaxy Financial Holdings Company Limited from September 2010 to June 2011.Since July 2005, he successively served as the investment manager of the Fixed Income Department, the deputy general manager of the Organizer Department, the general manager of the Portfolio and Market Risk Management Department, the chief strategy officer, the head of Fixed Income Department, the head of Portfolio and Market Risk Management Department, the assistant to general manager and the general manager of a Hong Kong subsidiary of China Re Asset Management Company Ltd. Mr. Wang Bangyi has served as a non-executive director of Beijing Jingneng Clean Energy Co., Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00579) since January 2019 and a non-executive director of Huadian Fuxin Energy Corporation Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00816) since June 2019.

Mr. Wang Bangyi graduated from China Three Gorges University in Yichang, Hubei Province, the PRC in July 1995, majoring in welding technology and equipment, and obtained a bachelor's degree in engineering. He graduated from the Department of Statistics of Xiamen University in Xiamen, Fujian Province, the PRC in June 2000, majoring in national economics and obtained a master's degree in economy. In June 2005, he graduated from the School of Economics and Management of Tsinghua University in Beijing, the PRC, majoring in quantitative economics and obtained a Ph.D. in economy. He obtained a postdoctoral degree in applied economics from the Research Institution for Fiscal Science under the Ministry of Finance in November 2008.

Ms. Wang Ying (王瑛), aged 46. She has been a non-executive Director of the Company since January 2020, and has been an associate professor of the School of Law in Minzu University of China (中央民族大學) (tutor for postgraduate students) since September 2005. Ms. Wang Ying worked in the Construction Bank in Xiantao City, Hubei Province, the PRC from September 1992 to July 2002. Ms. Wang Ying has served as an independent director of Changjiang Securities Co., Ltd. (長江證券股份有限公司, a company listed on Shenzhen Stock Exchange, stock code: 000783) from December 2015 to October 2019, an independent director of Luoniushan Co., Ltd. (羅牛山股份有限公司, a company listed on Shenzhen Stock Exchange, stock code: 000735) since June 2016, an independent director of Beijing PIESAT Information Technology Co., Ltd. (北京航天宏圖信息技術股份有限公司, a company listed on Shanghai Stock Exchange, stock code: 688066) since March 2019, and an independent non-executive director of 7Road Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00797) since August 2019. She currently serves as an external director of Beijing Huairou Municipal Commission of SASAC, a member of the International Economic and Trade Law Research Association of China Law Society, a member of the Company Law Committee of the China Lawyers Association, the secretary-general of the Arbitration Law Committee of the Haidian Law Association of Beijing, and the secretary-general of the International Economic Law Research Association of the Beijing Law Society. She is also an arbitrator of several arbitration institutions such as China International Economic and Trade Arbitration Commission (中國國際貿易仲裁委員會), Guangzhou Arbitration Commission (廣州仲裁委員會), Hainan Arbitration Commission (海南仲裁委員會) and Harbin Arbitration Commission (哈爾濱仲裁委員會).

Ms. Wang Ying graduated from Zhongnan University of Economics and Law in Wuhan, Hubei Province, the PRC in July 2005 with a master's degree in law, majoring in civil and commercial law. She graduated from University of International Business and Economics in Beijing, the PRC in July 2009 with a doctor of law degree, majoring in international business law.

Independent Non-Executive Directors

Mr. Zheng Xueding (鄭學定), aged 56. He has been an independent non-executive Director of the Company since January 2016, and has been a partner of Shenzhen Branch of Da Hua Certified Public Accountants (大華會計師事務所深圳分所) since January 2012. Mr. Zheng Xueding was a teacher in the department of accounting of Jiangxi College of Finance and Economics (currently known as Jiangxi University of Finance and Economics) from July 1984 to July 1988, and was a cadre of the accounting division under Shenzhen Municipal Bureau of Finance from January 1991 to January 1992. He served as the deputy secretary general and secretary general of Shenzhen Institute of Certified Public Accountants from January 1992 to December 2005 and a partner of Shenzhen Branch of Pan-China Certified Public Accountants (天健會計師事務所深圳分所) from January 2006 to December 2011. Mr. Zheng Xueding has been an independent director of Shenzhen Institute of Building Research Co., Ltd. (深圳市建築科學研究院股份有限公司) since September 2013 and an independent director of Shenzhen Glacier Network Technology Co. Ltd. (深圳冰川網絡技術股份有限公司) from September 2012 to April 2018. Mr. Zheng Xueding has served as a director of Shenzhen Gintian Industry (Group) Co., Ltd. (深圳市金田實業(集團)股份有限公司) from January 2014 to January 2017. Mr. Zheng Xueding served as an independent director of Ping An UOB Fund Management Co., Ltd. (平安大華基金公司) from January 2011 to May 2017 and has been an independent director of Shenzhen Infogem Technologies Co., Ltd. (深圳市銀之傑科技股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 300085) since April 2014, an independent director of Qinhuangdao Tianye Tolian Heavy Industry Co., Ltd. (秦皇島天業通聯重工股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002459) from May 2014 to May 2017 and an independent director of Guosen Securities Co., Ltd. (國信證券股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002736) since December 2017. Mr. Zheng Xueding has been a member of the sixth Standing Committee and the Planning and Budget Committee of the People's Congress of Shenzhen since June 2015, and has served as an independent non-executive Director of the Company since January 2016.

Mr. Zheng Xueding graduated from the department of accounting of Jiangxi University of Finance and Economics in Nanchang, Jiangxi Province, the PRC, majoring in industry accounting, and obtained a bachelor's degree in economics in July 1984. He then graduated from the financial accounting department of Jiangxi University of Finance and Economics in Nanchang, Jiangxi Province, the PRC, majoring in accounting, and obtained a master's degree in economics in July 1991. Mr. Zheng Xueding was granted with the qualification of certified public accountant by the Chinese Institute of Certified Public Accountants in August 1995 and the qualification of senior accountant by the Personnel Department of Guangdong Province in January 1998.

Mr. Xu Jin (徐進), aged 61. He has been an independent non-executive Director of the Company since January 2016, and has been a professor of the School of Economics of Shenzhen University since October 2001. He has been a member of the Academic Committee of the Finance Society of Shenzhen, the Budget and Accounting Research Society of Shenzhen, and the Accounting Society of Shenzhen since July 2013, as well as a specialist of the Advisory Committee for Policy Decision of Shenzhen since January 2016. Mr. Xu Jin was a tutor and lecturer in the finance department of Jilin Institute of Finance and Trade (吉林財貿學院, currently known as the finance department of Changchun Taxation College (長春稅務學院)) from July 1986 to August 1995, and served as an associate professor of the finance department of Changchun Taxation College (長春稅務學院, currently known as the Institute of Taxation of Jilin University of Finance and Economics (吉林財經大學稅務學院)) from July 1998 to October 2001. He has served in several positions successively at Shenzhen University since October 2001, including as an associate professor and professor of the School of Economics, the dean of the finance department, the director of the Fiscal and Taxation Research Institute, the head of Taxation Research Centre and the head of Community Finance Research Centre of China Minsheng Bank Shenzhen Branch (民生銀行深圳分行小區金融研究中心). Meanwhile, Mr. Xu Jin served as a visiting professor majoring in finance in Tianjin College of Commerce (天津商學院) from November 2002 to July 2004, and a standing director of the Shenzhen Certified Tax Agents Association from August 2003 to July 2011. He was a standing director of Shenzhen Local Taxation Research Academy (深圳地方稅收研究會) and Shenzhen International Taxation Research Academy (深圳國際稅收研究會) from November 2007 to September 2011, the vice-chairman of Shenzhen Taxation Institute (深圳稅務學會) since December 2016 and consultant of Shenzhen Pingshan District Finance Bureau (深圳市坪山區財政局) since July 2018. He has also served as an independent non-executive Director of the Company since January 2016.. Mr. Xu Jin served as an external director of Shenzhen Guangming New District Urban Construction& Investment Co., Ltd. (深圳光明新區城投公司) from January 2011 to November 2015, and an independent director of Guangdong Baolilai Investment Co., Ltd. (廣東寶利來投資股份有限公司, currently known as China High-Speed Railway Technology Co., Ltd. (神舟高鐵技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000008)) from May 2013 to August 2015. He has served as an independent non-executive Director of the Company since January 2016.

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

Mr. Zhang Xianchu (張宪初), aged 65. He has been an independent non-executive Director of the Company since January 2016, and has been a teacher, tenured professor at the Faculty of Law in the University of Hong Kong since July 1997, and deputy dean at the Faculty of Law in the University of Hong Kong from 2001 to 2004. He has served as a trustee of the Hong Kong Legal Education Trust Fund (香港法律教育信託基金) since May 2002 and a visiting professor of Fudan University since September 2003. He has served as an independent director of Jiangsu Nantong Xinhaixing (Group) Company (江蘇南通新海星(集團)公司) since 2004 and a visiting professor of Shantou University since 2006. He has been as a member of the Foreign Specialities Commission under the Trial Theory Study Committee of China Law Society (the Supreme People's Court) (中國法學會(最高人民法院)審判理論研究會涉外專業委員會) since March 2011 and an arbitrator of the Shanghai International Economic and Trade Arbitration Commission since May 2012. He has served as one of the three editors of the series of books of Asian commercial laws, financial laws and economic laws, and Asian commercial laws and practices published by Edward Elgar Publishing in the UK since June 2012, and has been an arbitrator of the South China International Economic and Trade Arbitration Commission since December 2012 and the director of the Chinese Judicial Studies Academy (中華司法研究會) under the Supreme People's Court since July 2015. He has also been a member of the editorial committee of the British Journal of Interdisciplinary Studies since September 2015 and an arbitrator of the Arbitration Commission of Tianjin Free Trade Zone in China from October 2015 to March 2019. He has served as a member of the editorial committee of University of Bologna Law Review since November 2015 and a visiting scholar of University of Michigan Law School since January 2016. Mr. Zhang Xianchu was a teacher at City University of Hong Kong from January 1995 to June 1997 and a senior researcher at Queen Mary University of London in Britain from May 1999 to May 2002. He served as a visiting professor of the Asian Transnational Program of Duke University-University of Hong Kong from June 1999 to June 2005 and a visiting professor of WTO Asia-pacific Trade Policy Training Program from June 2003 to June 2009. He was also a visiting scholar of Academia Sinica (中央研究院) in Taiwan from December 2008 to March 2009 and served as an academic member of the Rule of Law Collaborative Innovation Center of Zhuhai Special Economic Zone (珠海經濟特區法治協同創新中心) since July 2019. Mr. Zhang Xianchu has been an independent non-executive Director of the Company since January 2016.

Mr. Zhang Xianchu graduated from China University of Political Science and Law in Beijing, the PRC, majoring in law, and obtained a bachelor's degree in law in July 1983. He graduated from the Law School of Indiana University (Bloomington) in Bloomington, Indiana, the U.S., majoring in comparative law, and obtained a master's degree in law in May 1988. He graduated from the Law School of Indiana University (Bloomington) in Bloomington, Indiana, the U.S., and obtained a doctoral degree in law in August 1992.

Supervisors

Mr. Zhang Xiaosong (張曉松), aged 63, joined the Company in November 2019. He is currently the chairman of the Board of Supervisors of the Company, and is a senior economist with a doctorate degree in economics from Wuhan University. Mr. Zhang currently serves as a part-time professor in Central University of Finance and Economics, the vice president of the Financial Research Society of the China Behaviour-law Association (中國行為法學會金融研究會) and the director of the China Finance 40 Forum (CF40) (中國金融四十人論壇), and he was the chairman of the board of directors and president of China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司).

Mr. Zhang Xiaosong served as the vice president of Jingmen Branch, Hubei Province, the general manager of the international business department of Hubei Branch, the general manager of the business department of the head office, the general manager of the first credit management division of the head office and the general manager of the credit management division of the head office of Agricultural Bank of China as well as the general manager of the Golden bridge Financial Consulting Co., Ltd. (金橋金融諮詢公司) from May 1976 to April 2002, the vice president and president of China Great Wall Asset Management Corporation (中國長城資產管理公司) from April 2002 to December 2016, and the chairman of the board of directors and president of China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司) from December 2016 to June 2017.

Mr. Zhong Qinglin (鍾青林), aged 47, joined the Company in November 2019. He is currently a supervisor of the Company and the director and general manager of Guangdong Hengjian Capital Management Co., Ltd. (廣東恒健資本管理有限公司).

Mr. Zhong Qinglin was a worker of the agricultural committee of Longchuan County, Guangdong Province from March 1990 to August 1991. He served as an economic clerk of Heyuan Branch of China Construction Bank Corporation from August 1991 to September 1997 (from September 1993 to July 1996, he studied in the School of Economics and Management of Guangdong Institute of Public Administration (廣東行政學院), majoring in business administration). He held position in the Economic Cooperation Office of Guangdong Provincial Government from October 1997 to November 1998. He served as the deputy director of audit department of Guangzhou Lizhong Co., Ltd. (廣州立中集團有限公司) from December 1998 to June 2001 (from December 1999 to June 2001, he also served as the head of Guangzhou Xinghua Pharmaceutical Manufacturer (廣州興華製藥廠)), the deputy general manager of Guangzhou Lizhong Co., Ltd. (廣州力中集團有限公司) from June 2001 to December 2003 (from June 2001 to June 2002, he also served as the general manager of Guangzhou Lizhong Computer Co., Ltd. (廣州力中電腦有限公司)), and the general manager of Guangdong Yuanzheng Bidding and Purchasing Co., Ltd. (廣東元正招標採購有限公司) from December 2003 to May 2011 (from September 2004 to January 2007, he studied in University of International Business and Economics (對外經濟貿易大學), majoring in online education finance). Since 2011, Mr. Zhong Qinglin has served as the deputy director of capital market department, and the deputy general manager of first capital investment and operation department of Guangdong Hengjian Investment Holding Co., Ltd. (廣東恒健投資控股有限公司); the director and general manager of Guangdong Hengjian Capital Management Co., Ltd. (廣東恒健資本管理有限公司); the director and general manager of Hengjian International Investment Holding (Hong Kong) Limited (恒健國際投資控股（香港）有限公司); the supervisor of Guangdong Hengjian Insurance Broker Co., Ltd. (廣東恒健保險經紀有限公司); and the general manager of Guangdong Listed Companies Support Development Fund Management Co., Ltd. (廣東上市公司扶持發展基金管理有限公司).

Ms. Huang Xuemei (黃雪梅), aged 46, joined the Company in March 2000. She is currently an employee representative Supervisor of the Company, the general manager of the Audit Department (the office of Board of Supervisors), a member of the labor union and a director of the Women Workers' Committee of the Company. Ms. Huang Xuemei has served in several positions successively in the Company since March 2000, including an assistant to the director of the Capital Department, the director of the Finance Department and Capital Department, the general manager of the Treasury Department, the general manager of the Risk Management Department, the general manager of the Compliance Department and the general manager of the Audit Department (the office of Board of Supervisors). Ms. Huang Xuemei has served as a director in 20 domestic SPCs of the Company since July 2013, a Supervisor of the Company since May 2015, and a director in other 13 domestic SPVs of the Company since October 2015, and she ceased to act as a director of 29 domestic SPVs in 2019. As of the end of 2019, Ms. Huang Xuemei has still served as a director of four domestic SPVs.

Ms. Huang Xuemei graduated from Capital University of Economics and Business in Beijing, the PRC, majoring in finance and insurance, and obtained a bachelor's degree in economics in July 1997. She graduated from the Chinese University of Hong Kong in Hong Kong, majoring in business administration and obtained an MBA degree in business administration in December 2010. In October 1998, Ms. Huang Xuemei was granted with the qualification of intermediate economist by Ministry of Personnel of the PRC (now known as Ministry of Human Resources and Social Security of the PRC).

Mr. Ma Yongyi (馬永義), aged 55, joined the Company in February 2018. He currently serves as an external Supervisor of the Company. Mr. Ma Yongyi has been serving as a postgraduate mentor of Tsinghua University (清華大學) and Research Institute for Fiscal Science of the PRC (中國財政科學研究院) since July 2012. He has been working successively as the director of the distance education centre, the director of the academic department and the director of teacher management committee of Beijing National Accounting Institute (北京國家會計學院) since February 2004, and has been serving as a doctoral tutor at the Beijing National Accounting Institute since May 2018. Mr. Ma Yongyi was awarded the title of expert entitled to Government Special Allowance granted by the State Council in January 2019. He has been an independent supervisor of Chanjet Information Technology Company Limited (暢捷通信息技術股份有限公司, a company listed on the Hong Kong Stock Exchange, stock code: 01588) since April 2014, and an independent director of Zhejiang Dun'an Artificial Environment Co., Ltd. (浙江盾安人工環境股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002011) since April 2016. He has been an independent director of Ever Sunshine Lifestyle Services Group Limited (永生生活服務集團有限公司, a company listed on the Hong Kong Stock Exchange, stock code: 01995) since November 2018.

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

Mr. Wang Yiyun (王一雲), aged 54, has joined the Company since September 1999. He currently serves as an employee representative Supervisor, the director of the discipline committee office and the commissary in charge of studies of the labor union of the Company. Mr. Wang Yiyun was a loan officer and the deputy section head of the Hengyang Branch of Agricultural Bank of China (中國農業銀行衡陽市分行) and a senior staff member of the Hengyang Center Branch of People's Bank of China (中國人民銀行衡陽市中心支行) from July 1986 to September 1999. He served as the office head and senior manager of Shenzhen Financial Leasing Company Limited (the predecessor of the Company) from September 1999 to May 2008, the senior manager and deputy director of the office, and the deputy general manager of the operation and management department of China Development Bank Financial Leasing Company Limited (the predecessor of the Company) from May 2008 to September 2015. He also served as the deputy general manager and director assistant of the operation and management department of the Company from September 2015 to January 2018, the director assistant of the operation and management department of the Company (in charge of the work at the discipline inspection and supervision office) from February 2018 to July 2018, and the director assistant of the discipline inspection and supervision office (in charge of work) from July 2018 to August 2018. He has been serving as the director of the discipline inspection and supervision office (renamed as the discipline committee office in August 2019) of the Company since August 2018.

Mr. Wang Yiyun graduated from the original Hunan University of Finance and Economics (湖南財經學院) (currently known as Hunan University), majoring in finance, and obtained a bachelor's degree in economics in July 1986. He was granted with the qualification of an economist by Hunan Branch of Agricultural Bank of China Limited.

Senior Management

Mr. Peng Zhong (彭忠), – for details of his biography, please refer to "Directors – Executive Directors" in this section.

Mr. Ai Yang (艾陽), aged 48, joined the Company in March 2015. He is currently a vice president of the Company. Mr. Ai Yang was a cadre in the highway project department of National Transportation Investment Corporation from July 1993 to March 1994. He served in several positions successively in CDB from March 1994 to November 2002, including a staff member of the transportation credit bureau, a clerk at deputy section level of the transportation credit bureau and the Southwest credit bureau, and a clerk at section level of the Southwest credit bureau and the second assessment bureau. From November 2002 to March 2011, he served in several positions successively in CDB Shanghai Branch, including the deputy head of the project appraisal division, the head of the business innovation division, the head of the financial market division and the head of the international cooperation division. He was a vice president of CDB Ningbo Branch from March 2011 to March 2015. Mr. Ai Yang has been a vice president of the Company since August 2015.

Mr. Ai Yang graduated from Beijing University of Technology in Beijing, the PRC, majoring in transportation engineering, and obtained a bachelor's degree in engineering in July 1993.

Mr. Li Jungang (李駿罡), aged 53, joined the Company in March 2015. He is currently a vice president of the Company. Mr. Li Jungang was a staff member of the Nantong Planning Committee from July 1990 to May 1993. He served as a deputy manager of the import and export department in Shenzhen Qingshuihe Industry Company Limited (深圳清水河實業公司) from May 1993 to January 1994. He served as a deputy general manager and the head of the planning and finance department of Shenzhen Haoyang Import and Export Company (深圳市豪洋進出口公司) from January 1994 to October 1994. He was a principal staff member of the investment business department in China Southern Securities Company Limited (中國南方證券有限公司) from November 1994 to October 1996. He served in several positions successively in Shenzhen City Commercial Bank (深圳市商業銀行) from October 1996 to November 2007, including the office director of the business department of the head office of the company, the deputy chief of the cashier department, an assistant to the general manager of the credit and loan department, the deputy general manager of the business department, the general manager of the credit and loan department, and the general manager of the asset and risk management department, the head of personal asset management centre, the president of Tianbei branch. From November 2007 to March 2015, he successively served as a clerk at section level of auditing division, the head of client division III and client division I of CDB Shenzhen Branch. Mr. Li Jungang has been a vice president of the Company since September 2015.

Mr. Li Jungang graduated from Hefei University of Technology (合肥工業大學) in Hefei, Anhui Province, the PRC, majoring in industrial management engineering, with a bachelor's degree in engineering in July 1987. He then graduated from Jiangxi College of Finance and Economics in Nanchang, Jiangxi Province, the PRC, majoring in industrial economics, with a master's degree in economics in June 1990. He graduated from Xiamen University in Xiamen, Fujian Province, the PRC, majoring in world economy with a doctoral degree in economics in June 2008. In May 1996, Mr. Li Jungang was granted with the qualification of accountant by the Ministry of Personnel of the PRC (currently known as the Ministry of Human Resources and Social Security of the PRC).

Mr. Gu Zhonghui (顧仲輝), aged 45, joined the Company in July 2016. He currently serves as a vice president of the Company. Mr. Gu Zhonghui held various positions successively in CDB from July 1997 to July 2016, including a cadre of Shandong division under East China credit bureau, a cadre of Wuhan Branch, a clerk at deputy section level of the loan management bureau, a clerk at section level of the treasury bureau, the deputy head and the head of the monetary market division of the capital trading department under the treasury bureau, head of the trading division of the capital trading department under the treasury bureau and the deputy general manager of the capital trading department of the treasury bureau. Mr. Gu Zhonghui has been a vice president of the Company since October 2016.

Mr. Gu Zhonghui graduated from the Central University of Finance and Economics in Beijing, the PRC and obtained a bachelor's degree in June 1997. He graduated from Tsinghua University in Beijing, the PRC and obtained a master's degree in business administration in June 2004. He graduated from the Bradford University in the UK and obtained a master's degree in science in September 2013.

Mr. Huang Min (黃敏) – for details of his biography, please refer to "Directors – Executive Directors" in this section.

Mr. Shi Yongkun (時永坤), aged 48, joined the Company in December 1999. He currently serves as chief risk officer of the Company. Mr. Shi Yongkun successively served as accountant and chief accountant of the financial department and head of the state-owned assets supervision and administration office of Shenzhen Nanfeng Pharmaceutical Plant (深圳南方製藥廠) from July 1995 to July 1998; he participated in equity interest and debt restructuring of Shenzhen Leasing Co., Ltd. (深圳租賃有限公司) from July 1998 to December 1999; he successively served as head of financial office and head of lease and credit department, head of risk management department, chief financial officer and head and deputy general manager of risk control office, and head of asset management department of Shenzhen Leasing Co., Ltd. from December 1999 to January 2008; he served as general manager of Shenzhen Yigong Industrial Development Co. Ltd. (深圳市益公實業發展有限公司) from January 2008 to May 2010; he has served as general manager of lease business third department, general manager of asset management department, general manager of asset management first department, general manager of compliance management department, chief risk officer and general manager of compliance management department since May 2010, respectively. Mr. Shi Yongkun has been the chief risk officer of the Company since November 2018.

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

Ms. Feng Qian (馮倩), aged 45, joined the Company in July 2018, currently serves as chief financial officer of the Company. Ms. Feng Qian successively worked in policy study department and poverty alleviation department of agricultural bureau of the Ministry of Finance, general office of financial bureau, department two of foreign government loans and department four of finance from August 1997 to July 2007; she successively served as deputy head and head of foreign debts office, head of investment management office under fund and trading department, head of bond management office under bond business centre, head of customers and business office under fund and trading department and head of foreign debts office of the fund bureau of CDB from July 2007 to July 2018. Ms. Feng has served as the chief financial officer of the Company since November 2018.

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

Mr. Liu Yi (劉毅), aged 44, senior engineer with master degree, joined the Company in July 2019. He currently serves as the secretary to the Board of the Company. Mr. Liu Yi successively worked at AVIC Economics & Technology Research Establishment, AviChina Industry & Technology Company Limited and the general office of Aviation Industry Corporation of China, Ltd. and served as the engineer, senior manager and special-ranked manager from June 2000 to July 2010, the head of investment management division of the strategy and capital department of Aviation Industry Corporation of China, Ltd. from August 2010 to July 2014, as well as the deputy general manager of AVIC International Capital Co., Ltd from July 2014 to June 2019. Mr. Liu Yi has been the secretary to the Board of the Company since October 2019.

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

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR INFORMATION

Directors

On November 12, 2019, the Company convened the first extraordinary general meeting of 2019, which approved the election of Mr. Wang Xuedong, Mr. Peng Zhong, Mr. Huang Min, Mr. Li Yingbao, Mr. Wang Bangyi, Ms. Wang Ying, Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu as members of the second session of the Board of the Company.

During the Reporting Period and as of the Latest Practicable Date, save as disclosed above, there was no change of other Directors and their information.

Supervisors

Mr. Sun Zhikun resigned due to personal reasons in 2018, whose resignation took effect from the date on which the new Supervisor Mr. Wang Yiyun was appointed (being February 1, 2019).

On July 30, 2019, Ms. Huang Xuemei and Mr. Wang Yiyun were elected as the employee representative Supervisors of the second session of the Board of Supervisors at the employee representative meeting of the Company, with effect from July 30, 2019. On the morning of November 12, 2019, the Company convened the first extraordinary general meeting of 2019, which considered and approved the resolution regarding the appointment of Mr. Ma Yongyi as the external supervisor, resolution regarding the appointment of Mr. Zhang Xiaosong as the external supervisor and resolution regarding the appointment of Mr. Zhong Qinglin as the shareholder representative supervisor candidate of the second session of the Board of Supervisors, with effect from November 12, 2019.

On the afternoon of November 12, 2019, the Company convened the first regular meeting of 2019 of the second session of the Board of Supervisors, which considered and approved the resolution regarding the election of the chairman of the second session of the Board of Supervisors of the Company. After discussion, the Board of Supervisors proposed to recommend Mr. Zhang Xiaosong as the chairman of the second session of the Board of Supervisors of the Company, with effect from November 12, 2019.

During the Reporting Period and as of the Latest Practicable Date, save as disclosed above, there was no change of other Supervisors and their information.

Senior Management of the Company

On July 26, 2019, the appointment of Mr. Liu Yi as the secretary to the Board was considered and approved by the Board of the Company and approved by CBRC Shenzhen Office on October 18, 2019. On October 18, 2019, Huang Min was removed as the secretary to the Board due to work arrangements.

During the Reporting Period and as of the Latest Practicable Date, save as disclosed above, there was no change of senior management of the Company and their information.

INFORMATION REGARDING ANNUAL REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Remuneration of Directors and senior management is proposed by the Remuneration Committee according to their academic qualifications, working experience, work performance, performance of duties and appraisals. The remuneration of Directors is subject to approval and confirmation of the general meeting, while the remuneration of the senior management is subject to approval and confirmation of the Board. The remuneration of Supervisors is subject to approval and confirmation of the general meeting.

Details regarding the remuneration of the Directors, Supervisors and chief executives of the Company are set out in Note 10 to the financial statements. The range of remuneration of senior management of the Group is set out as follows:

Range of remuneration	Number of persons
RMB0 to RMB500,000	1
RMB500,001 to RMB1,000,000	–
RMB1,000,001 to RMB1,500,000	1
RMB1,500,001 to RMB2,000,000	6
RMB2,000,001 to RMB2,500,000	–

Corporate Governance Report

OVERVIEW

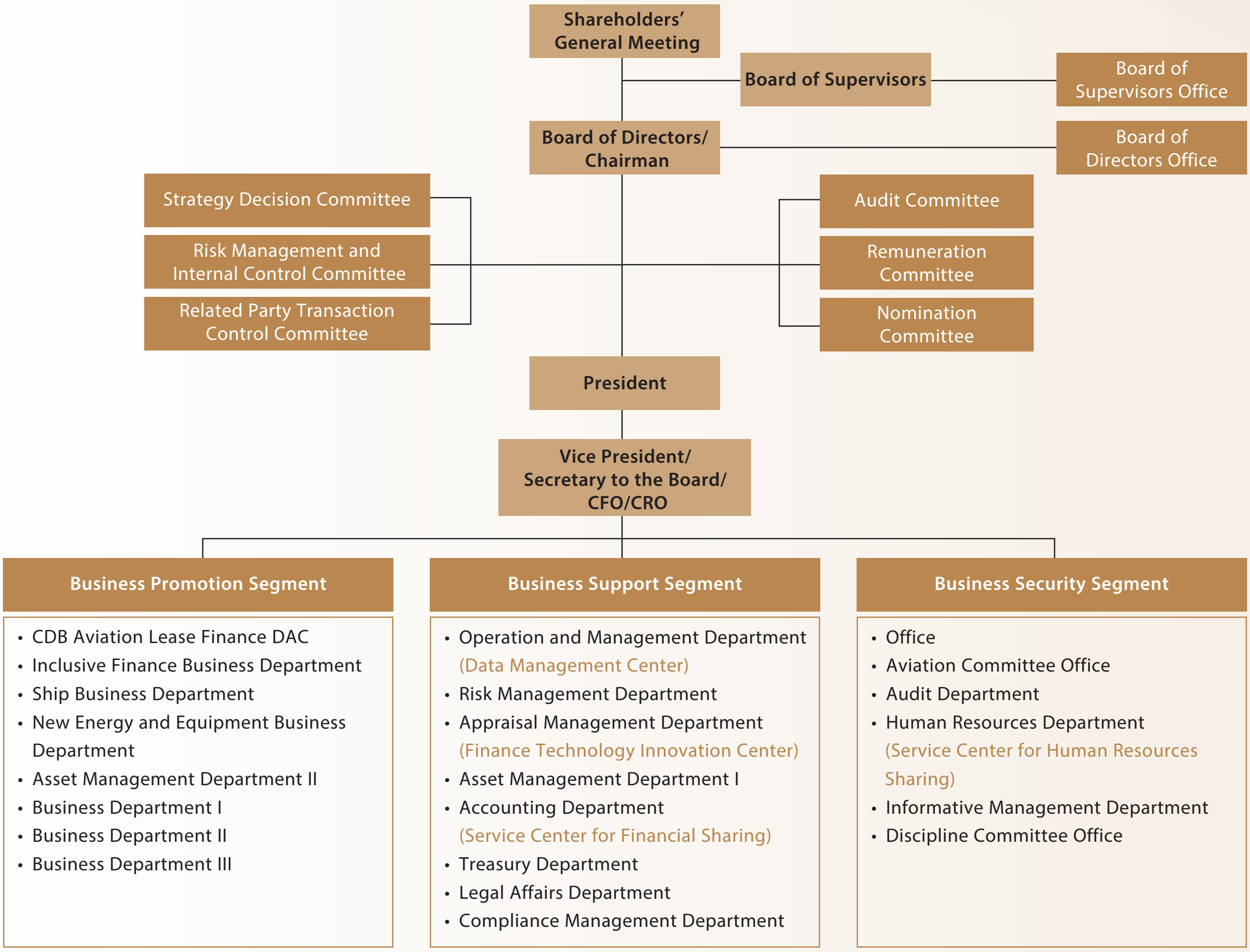
The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2019.

Corporate Governance Practice

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

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

STRUCTURE



SHAREHOLDERS' GENERAL MEETINGS

Duties of Shareholders' General Meetings

Shareholders' general meeting is the organ of the authority of the Company comprising all Shareholders. The Shareholders' general meeting is responsible for deciding on the operational policies, strategic development plans and investment plans of the Company; electing and replacing Directors (being not employee representative) and deciding on matters concerning their remuneration; electing and replacing Supervisors (being not employee representative), and deciding on matters concerning their remuneration; considering and approving reports of the Board and the Board of Supervisors; considering and approving the Company's annual financial budget, final account proposals, profit distribution proposals, loss recovery proposals and share incentive plans; adopting resolutions concerning the increase or reduction of registered capital, merger, division, dissolution, liquidation or change of corporate form, annual plans for issuance of corporate bonds, the engagement, dismissal or non-reappointment of accounting firms and amendment to the Articles of Association; examining the material equity investment, bond investment, asset acquisition, asset disposal, write off of assets and external guarantee that shall be approved by the Shareholders' general meeting as stipulated by laws, regulations and relevant regulations of the listing rules of the place where the shares are listed; considering external donation of RMB8 million or more; considering proposals raised by the Shareholders who hold more than five percent (including 5%) of the voting Shares.

Details of Shareholders' General Meetings

During the Reporting Period, the Company held four Shareholders' general meetings (including class meetings), the attendance of Directors at Shareholders' general meetings is set out in the table below:

Directors	No. of meetings attended/ No. of meetings eligible to be attended
Mr. Wang Xuedong	4/4
Mr. Peng Zhong	0/0
Mr. Huang Min	4/4
Mr. Li Yingbao	0/4
Mr. Wang Bangyi	0/0
Ms. Wang Ying	0/0
Mr. Zheng Xueding	3/4
Mr. Xu Jin	3/4
Mr. Zhang Xianchu	1/4

BOARD

Duties of the Board

The Board is the decision-making organ of the Company and is responsible to the Shareholders' general meeting. The Board is responsible for convening Shareholders' general meetings and reporting its work to the Shareholders' general meetings, executing the resolutions passed by Shareholders' general meetings, formulating the strategic development plans of the Company, deciding on the operational plans, investment proposals and annual specific operational targets of the Company, formulating the Company's annual financial budget, final account proposals, profit distribution proposals, loss recovery plans, basic management system, working rules of the special committees of the Board, share incentive plans, formulating proposals for increase or decrease of the registered capital of the Company as well as formulating and approving bond issuance plans within the annual bond issuance plans approved at the Shareholders' general meeting, including asset securitization plan of which Company functioning as the initiating institution, proposing plans for the major acquisition, repurchase of Shares, merger, division, dissolution and change of the corporate form, amendments to the Articles of Association, rules of procedure of the Shareholders' general meeting and the rules of procedure of the Board, electing the chairman and vice chairman of the Board, appointing or dismissing the president of the Company, the secretary to the Board and the chairman of the special committees of the Board, appointing or dismissing the vice president, person-in-charge of finance and other senior management members and deciding on the matters of their remuneration, reward and punishment, determining the structure of internal management departments of the Company and the establishment or revocation of the other branches, determining the establishment of the special committees of the Company and electing their members, determining the risk management system which includes risk assessment, financial control, internal audit and legal risk control and monitoring the implementation of the system, determining the positions, remuneration plan and performance appraisal plan of the senior management of the Company, managing the matters in relation to the information disclosure of the Company, proposing the appointment of or change in accounting firm to the Shareholders' general meeting, considering and approving external donation amounting from RMB3 million to RMB8 million per donation, major financial accounting policies and accounting estimates changes, considering the material equity investment, bond investment, asset acquisition, asset disposal, write off of assets and external guarantee except for those which shall be approved by the Shareholders' general meeting as stipulated by the Articles of Association, considering material related party transactions which shall be approved by the Board as stipulated by the laws, regulations and relevant regulations of the listing rules of the place where the Shares are listed.

The Board confirms that corporate governance shall be the joint responsibility among Directors and the corporate governance functions include:

(1) to formulate and review the Company's policies and practice in the aspect of compliance with laws and regulatory requirements;

(2) to review and monitor the training and continuous professional development of Directors and senior management;

(3) to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees, Supervisors and Directors;

(4) to formulate and review the Company's policies and practice in corporate governance, and make recommendations and report relevant matters to the Board;

(5) to review the Company's compliance with the Corporate Governance Code and the disclosure in the corporate governance report; and

(6) to review and monitor the Company's compliance with the whistleblowing policy of the Company.

Composition of the Board

As of the Latest Practicable Date, the Board consists of nine members, including three executive Directors, three non-executive Directors and three independent non-executive Directors, details of which are as follows:

Executive Directors:
Mr. Wang Xuedong
Mr. Peng Zhong
Mr. Huang Min

Non-executive Directors:
Mr. Li Yingbao
Mr. Wang Bangyi
Ms. Wang Ying

Independent Non-executive Directors:
Mr. Zheng Xueding
Mr. Xu Jin
Mr. Zhang Xianchu

Biographies of Directors are set out in the section of "Directors, Supervisors and Senior Management" in this annual report.

Save as disclosed in the biographies of Directors set out in the section "Directors, Supervisors and Senior Management" in this annual report, none of the Directors had any personal relationships (including financial, business, family or other material/relevant relationships) with any other Directors, Supervisors or chief executives.

Board Meetings

The Company holds Board meetings regularly, and convenes at least one Board meeting every quarter. Notice of at least 14 days will be given to all Directors for the convening of regular Board meetings to let all Directors have opportunities to attend regular Board meetings and discuss items on the agenda.

During the Reporting Period, the Board held 12 Board meetings, the attendance of Directors is set out in the table below:

Directors	No. of meetings attended/ No. of meetings eligible to be attended
Mr. Wang Xuedong	12/12
Mr. Peng Zhong	0/0
Mr. Huang Min	12/12
Mr. Li Yingbao	12/12
Mr. Wang Bangyi	0/0
Ms. Wang Ying	0/0
Mr. Zheng Xueding	12/12
Mr. Xu Jin	12/12
Mr. Zhang Xianchu	12/12

Chairman of the Board and President

Pursuant to the code provision A.2.1 of the Corporate Governance Code, the positions of the chairman and the president shall be separate and shall be held by different individuals.

The positions of chairman and president of the Company are held by Mr. Wang Xuedong and Mr. Peng Zhong, respectively, and the two different positions are clearly defined by their respective functions. Mr. Wang Xuedong, the chairman, is responsible for leadership of the Board and ensuring that the Board functions effectively and performs its responsibilities and acts in the best interests of the Company. The chairman has:

(1) to preside over Shareholder's general meetings, to convene and preside over meetings of the Board of Directors

(2) to procure and inspect the implementation of the resolutions of the Board of Directors, and listen to the relevant reports

(3) to procure, organize and establish various rules and regulations and coordinate the operation of the Board of Directors

(4) to sign the securities issued by the Company

(5) to sign the important documents of the Board

(6) to sign the legally binding and important documents with external parties in the name of the Company

(7) in case of serious natural disasters or other force majeure events, to exercise the special rights of disposal for the corporate affairs in a manner that is in the best interests of the Company and in compliance with laws, and to report to the Board and the Shareholders' general meeting thereafter

(8) other functions and powers conferred by the laws, regulations or the Articles of Association, and the Board of Directors

As the president of the Company, Mr. Peng Zhong is responsible for implementing strategies established by the Board, leading the successful day-to-day operation of the Company to achieve its financial and operational objectives.

Duties of the Board and the Management

The Board retains its decision-making power over all major matters of the Company, including the approval and supervision of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors may seek for independent professional advice when performing their duties at the Company's expenses. Directors are also encouraged to consult senior management of the Company independently.

The responsibility of day-to-day management, administration and operation of the Group is delegated to the senior management. The Board regularly reviews the delegated duties and responsibilities. The senior management shall obtain approval from the Board before entering into any material transactions.

Independent Non-executive Directors

During the Reporting Period, the Board has been in compliance with the Hong Kong Listing Rules regarding the stipulated requirements of appointing at least three independent non-executive Directors while the appointed independent non-executive Directors shall account for at least one-third of the total members of the Board, among which at least one of the appointees has relevant professional qualification or talent in accounting or relevant financial management. The qualifications of the three independent non-executive Directors are in full compliance with the requirements set out in Rules 3.10(1) and (2) of the Hong Kong Listing Rules.

The Company has received the confirmation of independence pursuant to Rule 3.13 of the Hong Kong Listing Rules from each of the independent non-executive Directors. As at the Latest Practicable Date, the Company considered that all the independent non-executive Directors are independent individuals pursuant to Rule 3.13 of the Hong Kong Listing Rules.

Non-executive Directors

As at the Latest Practicable Date, the non-executive Directors of the Company were Mr. Li Yingbao, Mr. Wang Bangyi and Ms. Wang Ying. Mr. Li Yingbao was nominated by the China Development Bank and Mr. Wang Bangyi was nominated by China Reinsurance (Group) Corporation, while Ms. Wang Ying was an external Director nominated by the Company according to our Board diversity policy. The terms of office of the three non-executive Directors of the Company commenced from the date of their respective appointment or the date of obtaining of directorship qualification approval from relevant regulatory authorities to the expiry date of the second session of the Board.

Directors' Responsibility for the Financial Statements

The Board has acknowledged its responsibility for preparing the financial statements of the Company for the year ended December 31, 2019.

The Board is responsible for presenting a clear and understandable assessment of the annual and interim reports, inside information and other disclosures as required by the Hong Kong Listing Rules and other regulatory requirements. The management has provided such explanation and material to the Board as necessary to enable the Board to make an assessment of the financial information and status of the Company and for its approval.

The Company does not encounter any material uncertain events or situations that may incur significant doubt on the Company's ability to continue business operation.

Training for Directors

All newly-appointed Directors are provided with necessary entry training and information to ensure their certain level of understanding of the operation and business of the Company and their responsibilities under relevant regulations, laws, rules and ordinance. The Company also arranges seminars for Directors on a regular basis to provide them with updated information regarding the latest development and changes of the Hong Kong Listing Rules and other relevant laws and regulatory requirements from time to time. All Directors also receive updated information regarding the performance, status and outlook of the Company for all Directors and each Director of the Board to perform their duties. During the Reporting Period, some Directors (namely Mr. Wang Xuedong, Mr. Huang Min, Mr. Li Yingbao, Mr. Zheng Xueding and Mr. Xu Jin) participated in the compliance training by Ernst & Young (China) Advisory Limited regarding "how listed companies to respond to the latest ESG (Environmental, Social and Governance) requirements of the Stock Exchange". The Company organized lawyers to conduct trainings in terms of information disclosure and latest regulations to Mr. Wang Xuedong and Mr. Huang Min.

Model Code for Securities Transactions by Directors and Supervisors

The Company has formulated the Code of Dealing in Securities of the Company by Directors, Supervisors and Senior Management 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 our Directors, Supervisors and senior management. The terms of which are not less favorable than those of the relevant laws, regulations and the Articles of Association. After specifically inquiring all Directors and Supervisors, all Directors and Supervisors confirmed that they have been complying with the Model Code during the Reporting Period.

AUTHORIZATION MANAGEMENT SYSTEM

A complete system of delegations is an important way of regulating the activities of corporate governance bodies and ensuring the compliance, efficiency and reasonable decisions of the corporate governance mechanism of the Company. In order to safeguard the effective operation of the corporate governance mechanism of the Company, clarify the division of functions between the Shareholders' general meeting, the Board, the Chairman and senior management, achieve a reasonable balance of centralized decision making and proper decentralization, the Company has formulated the "Proposal on the Authorization to the Board at the Shareholders' General Meeting of China Development Bank Financial Leasing Co., Ltd.", and the "Proposal on the Authorization to the Chairman by the Board of China Development Bank Financial Leasing Co., Ltd.", and strictly implemented respective decision-making matters of the Company in accordance with the above authorization scheme.

Principles of Authorization

Compliance. Delegation of authority from the Shareholders' general meeting to the Board and from the Board to Chairman shall conform to laws, regulations, requirements of supervisory authorities and listing rules of stock exchanges where the Company is listed with respect to the approval authority of the Shareholders' general meeting, the Board and the Chairman, and shall conform to listing rules of stock exchanges where the Company is listed with respect to the approval authority of the Shareholders' general meeting and Board or requirements of regulatory authorities.

Efficiency. Increasing the efficiency of decision making is the basic function of delegations. Delegations shall fully reflect actual conditions of the Company, match with the duties and functions of the Board and the Chairman, meet work needs and improve work efficiency.

Supervision. The Company shall strengthen supervision and inspection of the implementation of delegations and ensure the compliance and effective use of delegated authority by means of self-examination, assessment and reporting.

Dynamicity. The Company shall dynamically review and update this authorization scheme where necessary to pursue its continuous optimization.

Soundness. Any revision of the authorization scheme shall follow the principles of soundness and prudence, build on adequate consideration and assessment and ensure delegations are reasonably steady.

Execution of Authorization Management

For the year ended December 31, 2019, through effective authorization, the Company comprehensively has improved decision-making execution and achieved efficient operation and management, which are embodied in the following three aspects:

Sound and improved authorization system

The Company formulates the authorization scheme from the Shareholders' general meeting to the Board and from the Board to Chairman. The scheme specifies the scope of authority, approval procedures and relevant responsibilities of relevant business and events, and provides a sound system guarantee for the Company. The authorization system is comprehensive in design and complete in content, and no major defects are found in its implementation and operation. With the continued development of our business, the system will be further supplemented and improved regularly or as needed.

Scientific and reasonable principles of authorization

The establishment of the authorization system of the Company is based on five operation principles, being compliance, efficiency, supervision, dynamicity and soundness, which not only meets the relevant requirements of laws, regulations and regulatory documents on the authorization management of the Company, but also improves the depth and breadth of management and achieves the matching of power and responsibility, and therefore the licensee has certain autonomy under the supervision of the authorized person, can flexibly exerts his initiative and creativity, and also assumes his due obligations and responsibilities.

Effective operation of authorization mechanism

The Board and the Chairman exercise their powers within the scope of delegation, and strictly comply with relevant requirements of the "Proposal on the Authorization to the Board of Directors at the General Meeting of China Development Bank Financial Leasing Co., Ltd.", and the "Proposal on the Authorization to the Chairman by the Board of Directors of China Development Bank Financial Leasing Co., Ltd." in respect of events such as investment and disposal of equity interests, investment and disposal of debentures, pledges and guarantee of assets, purchases and disposal of fixed assets, writing off of assets and external donations. The Company ensures the business activities undergone according to proper authorization through various kinds of measures, without overriding approval or exceeding the scope of authorization.

SPECIAL COMMITTEES UNDER THE BOARD

Strategy Decision Committee

As of the Latest Practicable Date, the Strategy Decision Committee consisted of five members including two executive Directors, Mr. Wang Xuedong (chairman) and Mr. Peng Zhong, one non-executive Director, Mr. Li Yingbao and two independent non-executive Directors, Mr. Zheng Xueding and Mr. Xu Jin.

The primary duties of the Strategy Decision Committee are as follows:

(1) to study the long-term development plan, operating objectives and development direction of the Company and make proposals;

(2) to study the operating strategies of the Company, including but not limited to product strategies, market strategies, marketing strategies, R&D strategies and talent strategies, and propose recommendations;

(3) to study material investments and financing plans which are subject to approval of the Board according to the Articles of Association and propose recommendations;

(4) to study the material capital operation and assets operating projects which are subject to approval of the Board according to the Articles of Association and propose recommendations;

(5) to study other significant matters that have impact on the development of the Company and propose recommendations;

(6) to conduct inspection on the implementation of matters (1) to (5);

(7) other functions and powers as required by the laws, regulations, the Hong Kong Listing Rules and the Articles of Association or authorized by the Board.

For the year ended December 31, 2019, the Strategy Decision Committee convened two meetings, and its main work included:

(1) listened to the report on development plans of construction machinery and vehicle business; and

(2) listened to the 2019 Strategic Risk Assessment Report of the CDB Leasing.

The attendance of the members of the Strategy Decision Committee at the meetings is set out in the table below:

Directors	No. of meetings attended/ No. of meetings eligible to be attended
Mr. Wang Xuedong	2/2
Mr. Li Yingbao	2/2
Mr. Zheng Xueding	2/2
Mr. Xu Jin	2/2

Risk Management and Internal Control Committee

As of the Latest Practicable Date, Risk Management and Internal Control Committee consisted of seven members including three executive Directors, Mr. Wang Xuedong (chairman), Mr. Peng Zhong and Mr. Huang Min, three non-executive Directors, Mr. Li Yingbao, Mr. Wang Bangyi and Ms. Wang Ying and one independent non-executive Director, Mr. Zheng Xueding.

The primary duties of the Risk Management and Internal Control Committee are as follows:

(1) to supervise the situation of the senior management's control on credit risk, liquidity risk, market risk, operational risk, compliance risk, reputational risk and other risks;

(2) to make a regular assessment of the Company's risk policies, management status and risk tolerance capacity;

(3) to make recommendations on the optimization of risk management and internal control of the Company; and

(4) other matters required by the laws, regulations, regulatory documents, and rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

The Company should ensure to check the effectiveness of risk management and internal control systems at least once a year, while such checking should specifically include the following matters: the changes in the nature and severity of material risks since last year and the Company's ability to respond to changes in its business and the external environment; our management continuously monitors the scope and quality of work for risk management and internal control systems, internal audit function and performance of other guarantee providers; report to the Board on the level of details and frequency of the monitoring result in order to assist the Board to appraise the effectiveness of monitoring and risk management of the Company, and the material monitoring faults occurred and material monitoring weakness discovered during the period, as well as the critical level of the unforeseeable consequences or emergency situations arising therefrom, while such consequences or situations have, would have or may have material impacts on the financial performance or status of the Company.

For the year ended December 31, 2019, the Risk Management and Internal Control Committee convened three meetings, and its main work included:

(1) considered the 2018 Compliance Risk and Internal Control Management Report of China Development Bank Financial Leasing Co., Ltd.;

(2) considered Analysis Report on Comprehensive Risk Management in 2018 of China Development Bank Financial Leasing Co., Ltd.;

(3) considered the 2019 Risk Appetite Statement of China Development Bank Financial Leasing Co., Ltd.;

(4) considered the Basic Regulations on Comprehensive Risk Management of China Development Bank Financial Leasing Co., Ltd.;

(5) considered the 2019 risk management strategies of China Development Bank Financial Leasing Co., Ltd.;

(6) considered the Administrative Measures on Stress Testing of China Development Bank Financial Leasing Co., Ltd. ; and

(7) considered the 2019 Stress Test Report of China Development Bank Financial Leasing Co., Ltd.

The attendance of each Risk Management and Internal Control Committee member is set out in the table below:

Directors	No. of meetings attended/ No. of meetings eligible to be attended
Mr. Wang Xuedong *(chairman)*	3/3
Mr. Li Yingbao	3/3
Mr. Huang Min	3/3
Mr. Zheng Xueding	3/3

Related Party Transaction Control Committee

As of the Latest Practicable Date, Related Party Transaction Control Committee consisted of five members, including three independent non-executive Directors, Mr. Xu Jin (chairman), Mr. Zheng Xueding and Mr. Zhang Xianchu, one non-executive Director, Ms. Wang Ying and one executive Director, Mr. Huang Min.

The primary duties of the Related Party Transaction Control Committee are as follows:

(1) to manage related party transactions;

(2) to review and approve related party transactions;

(3) to control the risks of related party transactions; and

(4) other matters required by the laws, regulations, regulatory documents, and rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

For the year ended December 31, 2019, the Related Party Transaction Control Committee convened nine meetings, and its main work included:

(1) considered daily related party transactions of the Company;

(2) reviewed the 2018-2019 Related Party Information Sheet of the Company;

(3) considered application submitted to the Hong Kong Stock Exchange relating to renewal of continuing connected transactions of framework agreements for next three years with CDB and its subsidiaries;

(4) amended the Connected Transactions Administrative Measures of China Development Bank Financial Leasing Co., Ltd.; and

(5) considered the buy-back of some overseas listed foreign shares (H shares) and the issuance of domestic shares to specific investors.

The attendance of each Related Party Transaction Control Committee member is set out in the table below:

Directors	No. of meetings attended/ No. of meetings eligible to be attended
Mr. Xu Jin *(chairman)*	9/9
Mr. Huang Min	9/9
Mr. Zheng Xueding	9/9
Mr. Zhang Xianchu	9/9

Audit Committee

As of the Latest Practicable Date, Audit Committee consisted of five members including three independent non-executive Directors, Mr. Zheng Xueding (chairman), Mr. Xu Jin and Mr. Zhang Xianchu, and two non-executive Directors, Mr. Li Yingbao and Mr. Wang Bangyi.

The primary duties of the Audit Committee are as follows:

(1) to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;

(2) to review the financial information and relevant disclosures of the Company;

(3) to consider and approve the internal control evaluation proposal of the Company, and supervise and evaluate the internal control of the Company;

(4) to ensure adequate resources for the operation of internal auditing with appropriate position; supervise and evaluate the internal auditing of the Company; consider and approve the mid- and long-term auditing plan, annual work plan and internal auditing system setting plan of the Company, and report to the Board;

(5) to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;

(6) to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;

(7) to monitor the non-compliance of the Company in respect of the financial reports and internal control; and

(8) other matters required by the laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Articles of Association, the Rules of Procedure of the Board and as authorized by the Board.

Audit Committee reviews the annual reports and interim reports of the Company within the time limit required by the laws, administrative regulations, regulatory documents, expresses opinions regarding the authenticity, accuracy and completeness, and reports the opinions considered to the Board; timely urges the auditing of annual financial reports; timely examines and reports to the Board on the audit statement issued by external auditor to the senior management of the Company and any significant inquiry, any significant or unusual matters raised by the external auditor to the senior management or raised by the senior management on accounting records, financial accounts or internal control system, and procures the Board to make timely responses to the external auditor.

The Board considers and decides the content of the internal audit plan including audit strategies, audit scope and procedures, establishment of internal audit team, and also monitors the implementation of the aforesaid content. Audit Committee supervises and evaluates the internal auditing of the Company; ensures the adequate resources for the operation of internal auditing with appropriate position; and facilitates communications between the internal audit department and the external accounting institution. Internal audit department of the Company is accountable and should report duties to the Board, receives guidance from the Board of Supervisors, and receives the supervision and evaluation from Audit Committee.

The written terms of reference of the Audit Committee can be viewed on the websites of the Hong Kong Stock Exchange and the Company.

For the year ended December 31, 2019, the Audit Committee convened eight meetings, and its main work included:

(1) listened to the report on annual audit by auditors;

(2) considered the profit distribution plan of China Development Bank Financial Leasing Co., Ltd. for the year;

(3) considered the change of major financial accounting policies of the Company;

(4) considered the financial report and budget report of China Development Bank Financial Leasing Co., Ltd. for the year;

(5) considered the 2018 Self-assessment Report on the Quality of Internal Audit of China Development Bank Financial Leasing Co., Ltd.;

(6) considered the Management Measures on Internal Audit Outsourcing of China Development Bank Financial Leasing Co., Ltd.;

(7) considered the Management Measures on Financial Reports Audited by External Auditors of China Development Bank Financial Leasing Co., Ltd.;

(8) considered the 2018 Assessment Report on Internal Control of China Development Bank Financial Leasing Co., Ltd.; and

(9) listened to quarterly internal audit reports.

The attendance of each Audit Committee member is set out in the table below:

Directors	**No. of meetings attended/ No. of meetings eligible to be attended**
Mr. Zheng Xueding *(chairman)*	8/8
Mr. Li Yingbao	8/8
Mr. Xu Jin	8/8
Mr. Zhang Xianchu	8/8

Remuneration Committee

As of the Latest Practicable Date, Remuneration Committee consisted of five members including three independent non-executive Directors, Mr. Zhang Xianchu (chairman), Mr. Zheng Xueding and Mr. Xu Jin, one executive Director, Mr. Peng Zhong and one non-executive Director, Mr. Li Yingbao.

Remuneration Committee analyzed and formulated the remuneration policies (including nonpecuniary interests, pension rights and compensation payments (including any compensation payable for the loss or termination of office or appointment)), and remuneration plan for Directors and senior management members, conducted review by integrating the Company's directions and goals confirmed by the Board and made recommendations to the Board through formal and transparent procedures.

The primary duties of the Remuneration Committee are as follows:

(1) to organize and formulate the remuneration policies and plans of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and

(2) other matters required by the laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Articles of Association, the Rules of Procedure of the Board and as authorized by the Board.

The written terms of reference of the Remuneration Committee can be viewed on the websites of the Hong Kong Stock Exchange and the Company.

For the year ended December 31, 2019, the Remuneration Committee convened three meetings, and its main work included:

(1) considered the CDB Financial Leasing Co. Ltd.'s Rules on Salary Management, CDB Financial Leasing Co., Ltd.'s Management Rules on Deferred Remuneration Payment, CDB Financial Leasing Co. Ltd.'s Management Rules on Use of Retained Bonus Pool, CDB Financial Leasing Co. Ltd.'s Rules for the Management of Salary of Senior Management and other systems;

(2) considered the the adjustment to the ratio of deferred remuneration of the chairman and senior management of the Company;

(3) considered the Evaluation Measures for Senior Management of China Development Bank Financial Leasing Co., Ltd. (《國銀金融租賃股份有限公司高級管理人員考核評價辦法》);

(4) considered evaluation results of senior management of the Company for the year 2018; and

(5) considered individual performance plan of senior management of the Company for the year 2019.

The attendance of each Remuneration Committee member is set out in the table below:

Directors	No. of meetings attended/ No. of meetings eligible to be attended
Mr. Zhang Xianchu *(chairman)*	3/3
Mr. Li Yingbao	3/3
Mr. Zheng Xueding	3/3
Mr. Xu Jin	3/3

Nomination Committee

As of the Latest Practicable Date, Nomination Committee consisted of four members including three independent non-executive Directors, Mr. Xu Jin (chairman), Mr. Zheng Xueding, and Mr. Zhang Xianchu, and one executive Director, Mr. Wang Xuedong.

The primary duties of the Nomination Committee are as follows:

(1) to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board;

(2) to make recommendations to the Board on the nomination of candidates for Directors, presidents and secretary of the Board;

(3) to preliminarily examine the eligibility of candidates for Directors and senior management;

(4) to make recommendations to the Board on the nomination of candidates for chairman and members of special committees of the Board;

(5) to examine the structure of the Board and the formation of the members, and make recommendations to the Board;

(6) to review the work performance of the Board of Directors;

(7) to review and make recommendations to the Board of Directors on the succession planning of the members of the Board of Directors;

(8) to supervise the implementation of the procedures and standards for the election of Directors and senior management to ensure them in line with the Company's needs and reflect the existing regulatory requirements and good corporate governance practice; and

(9) other matters required by the laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Articles of Association, the Rules of Procedure of the Board and as authorized by the Board.

Nomination Committee evaluates the candidates and people in position in accordance with their integrity, experience, skills and time spent and effort paid in executing duties. The recommendation of Nomination Committee will be passed to the Board for making decision. The written terms of reference of the Nomination Committee can be viewed on the websites of the Hong Kong Stock Exchange and the Company.

Board Diversity Policy

The Company agreed the importance of the diversity of members of the Board to the effectiveness of corporate governance and the Board. In order to enhance effective operation of the Board and maintain high standard of corporate governance, Nomination Committee has formulated diversity policies of the Board to ensure the appropriate balance in the aspects of diversity including skills, experience and perspectives of the members of the Board. Details are set out below:

The nomination and appointment of members of the Board will continue to follow the principle of meritocracy based on the demand of daily business and consideration of benefits due to diversity of Board members. The principal responsibilities of Nomination Committee are to seek the people qualified for being Directors and give sufficient consideration on the policy of Board members diversity throughout the selection process.

Nomination Committee will formulate quantifiable targets for the selection of Directors. The selection of Director candidates will be based on a series of diversified aspects and references made to the business model and specific demand of the Company (including, but not limited to, sex, age, race, language, cultural background, education background, industrial experience and professional experience).

Nomination Committee is responsible for reviewing the diversity policy of the Board to ensure the implementation of such policy, and responsible for the expansion and review of the quantifiable targets and supervising the implementation progress of the quantifiable targets. To ensure sustainable effectiveness of the Board, Nomination Committee reviews the policy and quantifiable targets at least once a year.

Name of Directors	Range of age			Position		
	30-39	40-59	60 or above	Executive Director	Non-executive Director	Independent Non-executive Director
Wang Xuedong		✓		✓		
Peng Zhong		✓		✓		
Huang Min	✓			✓		
Li Yingbao		✓			✓	
Wang Bangyi		✓			✓	
Wang Ying		✓			✓	
Zheng Xueding		✓				✓
Xu Jin		✓				✓
Zhang Xianchu			✓			✓

Name of Directors	Education background				Professional experience				
	Engineering	Legal	Accounting/ Finance	Management/ or others	Accounting/ Finance	Legal	Civil aviation	Civil service	Engineering
Wang Xuedong	✓		✓		✓			✓	
Peng Zhong				✓	✓			✓	
Huang Min		✓		✓	✓		✓		
Li Yingbao	✓				✓				✓
Wang Bangyi	✓		✓		✓			✓	
Wang Ying		✓	✓		✓			✓	
Zheng Xueding			✓		✓			✓	
Xu Jin			✓	✓	✓			✓	
Zhang Xianchu		✓				✓		✓	

Nomination Policies of Directors and Standard for Selection and Recommendations

According to the Articles of Association, the methods and procedure for nomination of Directors are as follows:

(1) Nomination Committee and Shareholders individually or jointly holding more than 3% in aggregate of the number of the Company's issued Shares with voting rights could also propose Director candidates to the Board;

(2) Nomination Committee carries out preliminary reviews of the qualifications and conditions of Director candidates and submits the qualified candidates to the Board for consideration. Upon consideration and approval of the Board, the Director candidates will be proposed in the Shareholders' general meeting in writing;

(3) The Director candidates should give written undertaking prior to the convening of Shareholders' general meeting to agree to accept the nomination, undertake the truthfulness and completeness of the public disclosure and guarantee to perform the duties of Directors after being elected;

(4) In order to guarantee the sufficient understanding of the Shareholders regarding the candidates during voting, the disclosure of detailed information of Director candidates should be made to the Shareholders by the Board in accordance with the requirements of laws, regulations and Articles of Association prior to the convening of the Shareholders' general meeting;

(5) The Director candidates will be voted one by one in the Shareholders' general meeting;

(6) If there is unplanned vacancy of Director needed to be filled, it should be proposed and submitted to the Board for consideration by Nomination Committee under the Board or Shareholders fulfilling the nomination conditions, and the election or replacement will be made in the Shareholders' general meeting.

Nomination Committee held two meetings for the year ended December 31, 2019, and its main work included:

(1) engaged Mr. Liu Yi as the secretary to the Board of the Company; and

(2) considered the re-election of the Board and the nomination of the candidates for the Second Session of the Board of the Company.

The attendance of each Nomination Committee member is set out as the table below:

Directors	No. of meetings attended/ No. of meetings eligible to be attended
Mr. Xu Jin *(chairman)*	2/2
Mr. Wang Xuedong	2/2
Mr. Zheng Xueding	2/2
Mr. Zhang Xianchu	2/2

RISK MANAGEMENT AND INTERNAL CONTROL

The Board understands that the Board shall be responsible for maintaining adequate risk management and internal control systems to safeguard the Shareholders' investment and the Company's assets, and reviewing the effectiveness of the systems annually. The Board is also aware of the fact that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The internal control team of the Group plays an important role in monitoring the internal governance of the Company. The primary duties of the internal control team are to regulate and review the Company's financial position and internal control matters, and to conduct review on all the subsidiaries of the Company.

The Board has reviewed the risk management and internal control systems of the Group, and considers that the risk management and internal control systems are effective and adequate.

For the procedures used to identify, evaluate and manage significant risks, the Company primarily adopts the following measures:

(1) Formulating warnings and limit indicator system of various risks according to risk appetite, continuously performing control on risk warnings and limit indicators and reporting the use of risk limits to the Board and senior management. Formulating corresponding remedial measures and submitting the measures to the Risk Management and Internal Control Committee under the senior management for consideration when the risk limit nearly reaches the supervision index limit, and adopting necessary measures for risk dispersal.

(2) Commencing stress tests of comprehensive risks under integrated situation on a regular basis, commencing special stress tests on an irregular basis, assessing the impact of major risk events, formulating corresponding risk emergency plan, if necessary, and applying stress test results to the risk management and decision-making of operations and management of the Company.

(3) Identifying and assessing various kinds of risks regularly, and incorporating the assessment situation and management recommendations into the report on comprehensive risk management, and submitting it to senior management and the Board for consideration.

The primary characteristics of the risk management and internal control systems of the Group are as follows:

(1) Full coverage of risk management and compliance requirements. Risk management and internal control systems cover various business lines in Renminbi or foreign currencies, inside and outside consolidated statement of financial position, domestic and overseas business, cover all departments, positions and staff, cover all types of risks and mutual impacts among different risks, penetrate the whole management process of decision-making, implementation and supervision, while the Basic Rules for Corporate Internal Control (《企業內部控制基本規範》) and Corporate Internal Control Supplementary Guide (《企業內部控制配套指引》) and the Hong Kong Listing Rules and other domestic and overseas regulatory requirements in relation to internal control and risk management are all covered by the risk management and internal control systems of the Company;

(2) Relative independence of risk management and internal control. The Company has established independent comprehensive risk management organizational structure and internal monitoring system, conferred adequate authorities, human resources and other allocation of resources to risk management line, established scientific and reasonable reporting channel, and formulated mechanism of check-and-balance among business lines;

(3) Insisting on the management of internal control with the risk-oriented principle. On the basis of fulfilling the internal control requirements of the Hong Kong Listing Rules, the Company adopted risk assessment approach, focused on the high-risk areas and management hotspots, screened significant business processes and key control sections, optimized relevant risk management requirements, and implemented them in relevant business management. With comprehensive risk management and all-stage internal control systems, the Company reasonably ensured the consistency between business risk appetite and the strategies of the Company and that the coordination of risk management was conducted in an orderly manner, effectively identified risks to avoid unnecessary losses suffered by the Company, reasonably ensured the accuracy of risk assessment approach and on-time delivery of risk reports, reasonably ensured effective operation of internal control mechanism and timely identified significant risks.

During the Reporting Period, the Company carried out internal control assessment work, conducted a thorough review of the internal control system of the Company by focusing on various internal control requirements of the Hong Kong Stock Exchange for listed companies. It completed control point review, effectiveness testing, deficiencies rectification and re-testing, and adopted effective measures to implement the rectification of the issues identified. In addition, the Company continued to optimize its governance structure, further regulated its internal authorization system, optimized related party transaction management, strengthened anti-money laundering and case prevention management, further promoted the effective implementation of internal control to continuously strengthen the execution of internal control, thereby effectively controlling major risks of the Company and continuously enhancing management level.

During the Reporting Period, in accordance with the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) and its related guidelines and relevant requirements of the Hong Kong Listing Rules, in light of the actual situations of the internal control system of the Company, the Company carried out internal control assessment for the year 2019, and reviewed the risk management and internal monitoring systems of the Company, including corporate governance monitoring, financial monitoring, operational monitoring and compliance monitoring. The Board and the management have confirmed that these risk management and monitoring systems are sufficient and effective. The Company will continue to promote the rectification of weaknesses in the internal control and be concerned about the comprehensive effects to the Company in respect of changes in internal and external environment, focus on the constant identification, assessment and prevention of existing and new risks faced with the Company, perform regular assessment on comprehensiveness, systematicness and normativeness of the internal control system, and optimize the internal control system so that its internal control level and risk prevention abilities can adapt to the development of the Company to ensure the fulfillment of its strategic objectives.

The Company is aware of its obligations under the Securities and Futures Ordinance and the Hong Kong Listing Rules and the overriding principle is that the inside information shall be announced immediately after such information comes to the knowledge of the Company and/or it is the subject of a decision unless such inside information falls within the "Safe Harbours" set out in the Securities and Futures Ordinance. Meanwhile, the Company has formulated the Administrative Measures on Information Management and Information Disclosure (《信息管理和信息披露管理辦法》) to clarify the allocation of information management duties and the procedures of information dissemination. The Company carried out real-time monitoring on inside information potentially involved, organized intermediary organization to judge whether the information was inside information and practicable. If the disclosure standard was fulfilled, the Company would make disclosure as soon as practicable. Prior to the disclosure, the Company strictly controlled the scope of information, monitored the share price fluctuation until the completion of inside information disclosure. If the disclosure standard was not fulfilled, the Company would also keep the information strictly confidential.

JOINT COMPANY SECRETARIES

Mr. Huang Min is our joint company secretary and is responsible for making recommendations to the Board for the corporate governance affairs and ensuring that the Company follows the policies and procedures of the Board, applicable laws, rules and regulations.

For the purpose of maintaining good corporate governance and ensuring that the Company is in compliance with the Hong Kong Listing Rules and applicable Hong Kong laws, the Company also appointed Ms. Wong Sau Ping of TMF Hong Kong Limited (the company secretarial services supplier) as the other joint company secretary of the Company to provide assistance to Mr. Huang Min to perform the duties of the company secretary of the Company. Her main contact person at the Company is Mr. Huang Min.

During the Reporting Period, Mr. Huang Min and Ms. Wong Sau Ping had undertaken relevant professional trainings of not less than 15 hours which is in compliance with Rule 3.29 of the Hong Kong Listing Rules.

AUDITOR AND ITS REMUNERATION

Since July 2016, in accordance with the rules of regulations of rotation of auditors of financial institution in the Notice on Issuing Administrative Measures for Tendering Procedures for the Election and Appointment of Accounting Firms by Financial Enterprises (Provisional) (Cai Jin [2010] No. 169) (《關於印發〈金融企業選聘會計師事務所招標管理辦法(試行)〉的通知》財金[2010]169號) issued by the Ministry of Finance ("**Regulations**"), the Company has replaced the auditor Deloitte Touche Tohmatsu with PricewaterhouseCoopers ("**PricewaterhouseCoopers**") to be the auditor of the Group. Due to the Regulations, the Company has replaced PricewaterhouseCoopers with Ernst & Young to be the auditor of the Group at the 2018 annual general meeting held on June 28, 2019. Other than that, there was no change in auditor of the Company in the past three years.

The declaration of Ernst & Young, the auditor of the Company, regarding its responsibility for reporting on the consolidated financial statements to the Company is set out in the Independent Auditor's Report on page 130 of this annual report.

For the year ended December 31, 2019, the approximate remuneration of the auditor for the provision of auditing and non-auditing services to the Company are set out below:

Service Category	Amount *(RMB)*
Auditing service	13,419,152
Non-auditing service regarding taxation consultation	–
Total	13,419,152

RIGHTS OF SHAREHOLDERS

Procedure of Convening Extraordinary Shareholders' General Meeting

According to the Articles of Association, the procedures of convening extraordinary general meeting or class meeting requested by Shareholders should be handled as follows:

(1) Shareholders who individually or jointly holding more than 10% of the Shares with voting rights have the rights to propose to the Board in writing for convening the extraordinary general meeting. Two or more Shareholders in aggregate holding more than 10% (inclusive) of the Shares with voting rights in the proposed meeting can sign one or several copies of identical written request for proposing to the Board to convene extraordinary general meeting or class meeting and state the agenda of the meeting. The Board should convene the extraordinary general meeting or class meeting as soon as possible right after receiving the aforesaid written request. The number of Shares held by the Shareholders shall be counted on the date of request in writing.

(2) If the Board does not issue the notice for convening the meeting within 30 days after receiving the aforesaid written request, the Shareholders who made the request can convene the meeting by themselves within four months after the Board has received the request. The procedures for convening the meeting should be the same as those for convening the Shareholder's general meeting by the Board as possible.

Where the Shareholders call and convene the meeting on their own accord because the Board fails to convene the meeting in accordance with the aforesaid requirements, expenses reasonably incurred by the Shareholders shall be borne by the Company and deducted from payments due from the Company to the Director in default.

Except for those matters in relation to commercial secrets of the Company which cannot be made public at the Shareholders' general meeting, the Board and the Board of Supervisors shall respond to and address the enquiries and recommendations of the Shareholders.

Procedures of Making Inquiries to the Board by Shareholders

Shareholders may make inquiries to the headquarter of the Company through e-mail or phone call if they wish to make inquiries to the Board in relation to information of the Company. Contact number is 0755-23980999 and the e-mail address is ir@cdb-leasing.com.

Procedures of Proposing Proposals at Shareholders' General Meetings

In accordance with the Articles of Association, when the Company convenes a Shareholders' general meeting, Shareholders holding more than 3% (including 3%) of the total voting Shares shall be entitled to propose temporary proposals in writing to the Company. The Company shall include the matters in the temporary proposals which fall within the scope of duties of the Shareholders' general meeting in the agenda of the meeting. Temporary proposals proposed by Shareholders shall meet the following requirements:

(1) the content shall fall within the business scope of the Company and the functions and powers of the Shareholders' general meeting without violating any laws or regulations;

(2) containing definite subjects for discussion and specific matters to be resolved; and

(3) shall be delivered to or served on the Board in writing 10 days prior to the date of the Shareholders' general meeting.

For the matters in relation to the nomination of candidates for Director by Shareholders, please refer to relevant procedures on the website of the Company.

DIVIDEND POLICY

The Company may distribute dividends in the form of cash or by other means that it considers appropriate. Any proposed distribution of dividends shall be formulated by the Board and will be subject to the Shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including the Company's results of operations, cash flows, financial condition, capital adequacy ratio, cash dividends paid by the subsidiaries to the Company, business prospects, statutory, regulatory and contractual restrictions on the Company's declaration and payment of dividends, and other factors that the Board may consider important. The Company intends to distribute no less than 30% of the annual distributable profits as dividends for the year ended December 31, 2016 and each year thereafter. However, the Company cannot assure Shareholders that we will declare or pay such or any amount of dividends for each or any year.

According to the applicable PRC laws and the Articles of Association, the Company will pay dividends out of the profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the general risk reserves no less than 10% of the profit after tax;
- allocations to the statutory common reserve equivalent to 10% of the profit after tax, and, when the statutory reserve reaches or is maintained at or above 50% of the registered capital, no further allocations to this statutory reserve will be required; and
- allocations, if any, to a discretionary common reserve that are approved by the Shareholders at a Shareholders' general meeting.

Dividends may be paid by the Company only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and letting investors understand the business, performance and strategies of the Company. The Company prudently safeguards the right of all Shareholders, particularly small and medium investors, by adopting measures including strengthening information disclosure management, investor relation management and optimizing the operating system of Shareholders' general meeting to enhance communication and interaction with Shareholders.

To promote effective communication, the Company adopts the Shareholders communication policy, aiming at establishing mutual relationship and communication between the Company and Shareholders. The Company also sets up a website (http://www.cdb-leasing.com) to publish the latest information in relation to its business operation and development, financial data, corporate governance practice and other information for public access.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

During the Reporting Period, there were no material changes of the Articles in Association. After approval at the annual general meeting convened by the Company on June 28, 2019, the Company amended the Articles of Association and the amended Articles of Association will be effective upon the approval of the CBIRC Shenzhen Office. The amendments mainly include:

(1) supplement the relevant provisions in Article 19 and Article 28 of Interim Measures for the Equity Management of Commercial Banks (Order No. 1 [2018] of the China Banking Regulatory Commission). Upon the amendment, substantial shareholders shall make up the capital for the Company when necessary, and substantial shareholders of the Company shall issue a written undertaking to the Company on the above matter;

(2) supplement the relevant provisions in subsection 9 of Article 9 of the Administrative Measures on Financial Leasing Companies (Order No. 3 [2014] of the China Banking Regulatory Commission). Upon the amendment, shares of the Company held by the promoters shall not be transferred, pledged or placed under trust within five years commencing from the date of incorporation of the Company;

(3) supplement the relevant provisions in Article 28 of Interim Measures for the Equity Management of Commercial Banks (Order No. 1 [2018] of the China Banking Regulatory Commission). Upon the amendment, shareholders subject to approval but yet to be approved by the regulatory authorities or yet to report to the regulatory authorities shall not exercise the right to request to convene a shareholders' general meeting, voting right, right to nominate, right to raise a proposal, right of disposition and other rights; for shareholders who make false statements, abuse shareholders' rights or have other acts impairing the Company's interests, the CBIRC or its branch offices may restrict or prohibit the Company from conducting related party transactions with such shareholders, and restrict their shareholding limit of the Company, equity pledge ratio, etc., and may restrict such shareholders from exercising the right to request to convene a shareholders' general meeting, voting right, right to nominate, right to raise a proposal, right of disposition and other rights;

(4) supplement the relevant provisions in Article 37 and Article 99 of the Company Law of the People's Republic of China by Order No. 15 of the President of the People's Republic of China. Upon the amendment, the functions and powers exercised by the shareholders' general meeting include but not limited to electing and replacing directors who are not employee representatives and electing and replacing supervisors who are not employee representatives;

(5) supplement the relevant provisions in Article 9 of Interim Measures for the Equity Management of Commercial Banks (Order No. 1 [2018] of the China Banking Regulatory Commission). Upon the amendment, the "substantial shareholders" means shareholders who directly, indirectly or jointly hold or control over 5% of the Company's total number of shares or voting rights, or shareholders who hold less than 5% of the total number of shares but could significantly affect the Company's operation and management.

The Board is pleased to present its report and audited consolidated financial statements of the Group for the year ended December 31, 2019.

DIRECTORS AND SUPERVISORS

Executive Directors:

Mr. Wang Xuedong *(chairman of the Board)*
Mr. Peng Zhong *(vice chairman of the Board)* (appointed on January 20, 2020)
Mr. Huang Min

Non-executive Directors:

Mr. Li Yingbao
Mr. Wang Bangyi (appointed on December 30, 2019)
Ms. Wang Ying (appointed on January 20, 2020)

Independent Non-executive Directors:

Mr. Zheng Xueding
Mr. Xu Jin
Mr. Zhang Xianchu

Supervisors:

Mr. Zhang Xiaosong *(chairman of the Board of Supervisors)* (appointed on November 12, 2019)
Mr. Jiang Daozhen *(chairman of the Board of Supervisors)* (ceased on November 12, 2019)
Mr. Lei Yanzheng (ceased on November 12, 2019)
Ms. Huang Xuemei
Mr. Ma Yongyi
Mr. Wang Yiyun (appointed on February 1, 2019)
Mr. Zhong Qinglin (appointed on November 12, 2019)

Notes:

1. As the term of the first session of the Board of the Company expired, Mr. Peng Zhong, Mr. Wang Bangyi and Ms. Wang Ying were elected to be the executive Director, non-executive Director and non-executive Director of the second session of the Board respectively at the extraordinary general meeting held on November 12, 2019. Mr. Wang Bangyi's qualification as a Director was approved by the CBIRC Shenzhen Office on December 30, 2019, while Mr. Peng Zhong and Ms. Wang Ying 's qualifications as the Vice Chairman (and Director) and Director were approved by the CBIRC Shenzhen Office on January 20, 2020. Their terms of office commenced from the date when the CBIRC Shenzhen Office approved their qualifications until the date of expiration of the term of the second session of the Board.

2. On September 6, 2018, Mr. Sun Zhikun resigned as a shareholder Supervisor due to his work adjustment. On January 28, 2019, Mr. Wang Yiyun was appointed as an employee representative Supervisor of the first session of the Board of Supervisors. On July 30, 2019, Mr. Wang Yiyun was appointed as an employee representative Supervisor of the second session of the Board of Supervisors.

3. As the term of the first Board of Supervisors of the Company expired, Mr. Zhang Xiaosong and Mr. Zhong Qinglin were elected as external Supervisor and shareholder Supervisor of the second session of Board of Supervisors respectively at the extraordinary general meeting held on November 12, 2019. Their terms of office commenced from November 12, 2019 to the date of expiration of the term of the second session of Board of Supervisors.

Details of the biographies of Directors, Supervisors and senior managements of the Company are set out in pages 64 to 73 of this annual report.

BUSINESS REVIEW

Principal Business

The principal business of the Company includes providing comprehensive leasing services to customers in industries including aviation, infrastructure, shipping and inclusive finance.

Business Review and Analysis of Key Indicators of Financial Performance

For business review and analysis of key indicators of financial performance of the Group for the year ended December 31, 2019, please refer to the sections of "Financial Highlights" and "Management Discussion and Analysis" in this annual report.

Environmental, Social and Governance Performance

As a listed company of the Hong Kong Stock Exchange, the Group attaches great importance to the performance of environmental, social and governance responsibilities, pursues long-term sustainable development, and strives to create a world brand in the China's lease industry.

Actively performing environmental, social and governance responsibilities

While striving to achieve improvement in business, the Group also actively undertakes environmental, social and governance responsibilities. As such, the Group has formulated a series of environmental, social and governance policies, and adopted respective measures for implementation. In the environmental aspect, the Group focuses on integrating the concept of environmental protection into project development and corporate operation, actively develops financial leasing business in clean energy development and application, and advocates green office, energy conservation and environmental protection. In the social aspect, the Group also pays great attention to assurance of business quality, prevention of corruption, protection of intellectual property rights, protection of customers' interests, support of social and public welfare, and optimization of employees' protection system. Meanwhile, the Group also supports the development of inclusive finance, poverty alleviation development, infrastructure construction, transformation and upgrade of manufacturing industry and other relevant businesses.

In 2019, by performing duties proactively, the Group continued to maintain the highest credit in the Corporate Social Responsibility Evaluation in Shenzhen and was awarded the "2018-2019 Excellent Case of Social Responsibilities 'Green Financial' in Banking Industry in Shenzhen" (「2018-2019深圳銀行業社會責任『綠色金融』優秀案例」獎) issued by Shenzhen Banking Association.

Proactively disclosing environmental, social and governance information

On the basis of active performance of responsibility, the Group also actively carries out disclosure of environmental, social and governance information. Pursuant to the requirements of ESG Reporting Guidelines of the Hong Kong Stock Exchange, the Group is about to issue the environmental, social and governance report, disclosing the environmental, social and governance information of the Company for the year of 2019. During the preparation process of the environmental, social and governance report, the Group consistently attached great importance to the expectations of stakeholders, and carried out communication with important stakeholders such as government regulatory authorities, investors, business partners, customers, staff, suppliers and industry associations specifically on environmental, social and governance issues of the Group by means of questionnaires and interviews. The results thereof will be the strong evidence supporting the environmental, social and governance report to be disclosed by the Group. For more information regarding environmental, social and governance of the Group for the year 2019, please refer to the environmental, social and governance report to be issued by the Group. Upon issuance of the report, the report can be accessed or downloaded on the Company's official website.

Compliance with Relevant Laws and Regulations

The Group is able to comply with relevant requirements of laws, regulations, rules and provisions, such as the Companies Ordinance, the Hong Kong Listing Rules, the SFO, the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Basic Norms of Enterprise Internal Control (《企業內部控制基本規範》) etc., on information disclosure, corporate governance and standard industry operation, etc. The Group is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 76 to 98 of this annual report.

As of December 31, 2019, the target total amount of pending litigation with the Company as defendant was RMB14.67 million. For details of which, please refer to Note 46 to the financial statements: Contingent liabilities. The Company expects that such pending litigations will not have a material adverse effect on the business, financial position or results of operations of the Company.

Major Risks and Uncertainties

For major risks and uncertainties for the Group during the year ended December 31, 2019, please refer to the section "Management Discussion and Analysis" in this annual report.

Future Development of the Group

For future development of the Group during the year ended December 31, 2019, please refer to the section "Management Discussion and Analysis" in this annual report.

Subsequent Event

Saved as disclosed in this report, there was no significant subsequent event occurred from January 1, 2020 to the Latest Practicable Date.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 38 of the consolidated financial statement.

Public Float

Based on the information publicly available to the Company and to the best of Directors' knowledge, at any time during the Reporting Period and up to the date of this annual report, at least 25% of the total issued Shares of the Company, being the minimum public float as required by the Hong Kong Stock Exchange and the Listing Rules, are held by the public.

DEBENTURES ISSUED

On June 28, 2019, the Shareholders approved and authorized the Company to issue foreign currency-denominated or Renminbi-denominated bonds with a maximum principal amount of RMB64.0 billion before the next annual general meeting.

In aspect of public issuances under the MTN programme, the Group issued a three-year US$700 million senior bonds in March 2019, carrying a coupon rate of 3.75%; Proceeds were mainly used for the Group's offshore operation, contributions to the overseas lease business and repayments of due amount of borrowings.

In addition, in 2019, the Group issued ten tranches of offshore private placement bonds with an accumulated amount of approximately US$614 million under the offshore MTN programme, which continuously expanded offshore mid-term and long-term US dollars financing channels, optimized the term and interest structure of liabilities denominated in US dollars and enhanced the stability of the Company's operation.

PROFIT DISTRIBUTIONS

Final Dividend

The Board recommended to distribute a final dividend of RMB1.0458 per 10 shares (inclusive of tax) for the year ended December 31, 2019. The net profit of the Group for the end of 2019 amounted to RMB2,938,124,533, and the total amount of profit distribution amounted to RMB1,322,140,100, which accounted for 45% of the net profit of the Group for the year 2019. 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 RMB against HK$ announced by the PBOC for the five working days prior to the date of profit distribution. The proposed final dividend for the year is subject to the approval of the Shareholders at the 2019 annual general meeting ("**Annual General Meeting**"). Subject to applicable laws, regulations, rules and effective judgments and/or arbitration awards, the final dividend is expected to be paid to the Shareholders within one month after the date of the Annual General Meeting. Notice of the Annual General Meeting will announce the date of the Annual General Meeting and details of relevant book closure, as well as the payment date and the arrangement of book closure for the final dividend.

Taxation

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得税法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得税法實施條例》), Notice on the Issues Concerning the Collection and Administration of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家税務總局關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號)) and Announcement of the State Administration of Taxation on Promulgation of the "Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties" (Announcement No. 35 [2019] of the State Administration of Taxation) (《國家税務總局關於發佈〈非居民納税人享受協定待遇管理辦法〉的公告》(國家税務總局公告2019年第35號)) and relevant laws, regulations and regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the Individual H Shares holders in respect of the 2019 H Shares final dividend to be distributed to them. Overseas resident individual shareholders of stocks issued by domestic non-foreign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or to the tax arrangements between mainland China and Hong Kong and Macau. Accordingly, 10% of the dividends to be distributed to the individual H Shares holders are generally withheld as individual income tax unless otherwise specified by the relevant tax laws, regulations and agreements.

For H Shares holders who are non-resident enterprises, in accordance with the provisions of the Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Shares holders who are Overseas Non-resident Enterprises (Guoshuihan [2008] No. 897) published by the State Administration of Taxation of PRC (國家税務總局《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008]897號)), the enterprise income tax shall be withheld at a uniform rate of 10% by the Company. Non-resident enterprise shareholders may apply for tax refund for the difference in accordance with relevant requirements including tax agreements (arrangements).

For investors of the Shenzhen Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange (the "**Southbound Trading**"), the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the H Shares holders for Southbound Trading, will receive cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depositary and clearing system.

The cash dividends for the investors of H Shares of Southbound Trading will be paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2016]127號)) promulgated by Ministry of Finance, State Administration of Taxation and CSRC on November 5, 2016:

(1) For dividends received by domestic individual investors from investing in H Shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the company of such H Shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors of the company. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Corporation Limited for tax credit relating to the withholding tax already paid abroad.

(2) For dividends received by domestic enterprise investors from investing in Shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, such amount shall be reckoned in their gross revenue and subject to corporate income tax pursuant to laws. In particular, for the dividends obtained by mainland resident enterprises from holding relevant H Shares for consecutive 12 months, the corporate income taxes shall be exempted pursuant to laws. The company of such H Shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves. When declaring and paying enterprise income tax themselves, mainland corporate investors may apply for tax credit pursuant to laws in respect of dividend income tax which has been withheld and paid by non-H stock companies listed on the Hong Kong Stock Exchange.

If H Shareholders have any queries on the above arrangements, they should seek advice from their tax advisors on the tax impact in the PRC, Hong Kong and other country(ies) or region(s) in relation to the holding and disposing of H Shares.

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

The Group completed several non-exempt continuing connected transactions during the Reporting Period. The following table sets forth details of such continuing connected transactions:

No.	Continuing connected transactions	Connected Person(s)	Annual cap for the year 2019 *(RMB in thousands)*	Actual transaction amount for the year 2019 *(RMB in thousands)*
(1)	**Business Collaboration and Service Framework Agreement**			
	Service fees to be paid by the Group to CDB and/or its associates	CDB and/or its associates	246,000	35,364
	Service fees to be paid by CDB and/or its associates to the Group		5,000	–
(2)	**Bond Underwriting Service Framework Agreement**			
	Commissions to be paid by the Group to CDB and/or its associates	CDB and/or its associates	40,000	–
(3)	**Operating Lease Framework Agreement**			
	Lease income to be paid by CDB and/or its associates to the Group	CDB and/or its associates	160,000	101,880
(4)	**Lease Service Framework Agreement**			
	Aggregate lease principal to be paid by CDB New Energy to the Company under the specific agreements concerned	CDB New Energy	800,000	192,879
	Comprehensive interests to be paid by CDB New Energy to the Company under the specific agreements concerned		10,000	9,916
(5)	**Financing Service Framework Agreement**			
	Maximum daily balance of financing to be provided by CDB to the Group with collaterals	CDB	14,000,000	1,612,000
	Interests to be paid by the Group to CDB		494,000	121,233

No.	Continuing connected transactions	Connected Person(s)	Annual cap for the year 2019 *(RMB in thousands)*	Actual transaction amount for the year 2019 *(RMB in thousands)*
(6)	**Deposit Service Framework Agreement**			
	Maximum daily balance of deposits to be placed by the Group with CDB	CDB	5,000,000	4,392,193
	Interest to be paid by CDB to the Group		67,000	1,397
(7)	**Debt Financing Instruments Investment Framework Agreement**			
	Amount of debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group	CDB and/or its associates	2,000,000	1,943,765
	Bond interests to be paid by CDB and/or its associates to the Group		91,000	26,090

Note:

1. With respect to the first to seventh continuing connected transactions mentioned above, the Company completed the renewal on such continuing connected transactions framework agreement on May 14, 2019 and obtained the approval on the fifth to seventh continuing connected transactions and their respective annual transaction amount caps for the years 2019, 2020 and 2021 on June 28, 2019.

Business Collaboration and Service Framework Agreement

Parties to the agreement

The Group and CDB

Principal terms

The Group entered into a Business Collaboration and Service Framework Agreement with CDB on May 14, 2019, pursuant to which the Company and CDB and/or its associates mutually provided business referral, project development, customer management, bank accounts supervision, agents, project consultation and bonds issue guarantee services, and service fees would be paid to the other party in respect of such services.

The period of the Business Collaboration and Service Framework Agreement was a term effective from January 1, 2019 to December 31, 2021.

Hong Kong Listing Rules implications

Given that CDB is the Controlling Shareholder of the Company, CDB and its associates constituted Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Business Collaboration and Service Framework Agreement entered into by the Group and CDB and/or its associates constituted continuing connected transactions of the Company under the Hong Kong Listing Rules.

In respect of the transactions under the Business Collaboration and Service Framework Agreement, as the highest applicable percentage ratio for the three years ended/ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules was more than 0.1%, but less than 5% on an annual basis, such transactions were subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but were exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

Brief description of the transactions and their purposes

The business collaboration and mutual provision of services between us and CDB and/or its associates enabled us to take advantage of the high quality and broad customer base and information resources of CDB and/or its associates to further develop our leasing business and maximize the interests of the Company and our Shareholders as a whole. In addition, CDB and/or its associates have been providing business referral, project development, customer management and bonds issue guarantee services to the Group during the last few years, and have developed a deep understanding of our business model and business needs. Meanwhile, the provision of the above services by CDB and/or its associates to the Group was able to satisfy our business needs for project development and customer management, including the management of our rental account at CDB. In addition, our provision of business referral, project development, customer management and project consultation services to CDB and/or its associates will be conducive to further increase in our income.

For details of the above transactions, please refer to the announcement of the Company dated May 14, 2019.

Bond Underwriting Service Framework Agreement

Parties to the agreement

The Group and CDB

Principal terms

We entered into a Bond Underwriting Service Framework Agreement with CDB on May 14, 2019, pursuant to which CDB and/or its associates (such as its subsidiary CDB Securities) acted as one of the underwriters for bonds issuance, and in turn we paid commissions (including sales commissions and underwriting fees) to them based on the mutually agreed commission rates.

The period of the Bond Underwriting Service Framework Agreement was a term effective from January 1, 2019 to December 31, 2021.

Hong Kong Listing Rules implications

Given that CDB is the Controlling Shareholder of the Company, CDB and its associates constituted Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Bond Underwriting Service Framework Agreement entered into by the Group and CDB and/or its associates constituted continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the transactions under the Bond Underwriting Service Framework Agreement for the three years ended/ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules was more than 0.1%, but less than 5% on an annual basis, such transactions were subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but were exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

Brief description of the transactions and their purposes

As major underwriters in the PRC bond market, CDB and CDB Securities have extensive underwriting experience and strong sales and investment capacities. It is expected that CDB and/or its associates, acting as our underwriters, will greatly benefit the issuance, sale and pricing of our bonds.

For details of the above transactions, please refer to the announcement of the Company dated May 14, 2019.

Operating Lease Framework Agreement

Parties to the agreement

The Group and CDB

Principal terms

We, as the lessor, entered into an Operating Lease Framework Agreement with CDB, as the lessee, on May 14, 2019, pursuant to which we provided operating lease services to CDB and/or its associates, including but not limited to property leases and electronic equipment leases. In turn, we received lease income from CDB and/or its associates for the provision of such operating lease services.

The period of the Operating Lease Framework Agreement was a term effective from January 1, 2019 to December 31, 2021.

Hong Kong Listing Rules implications

Given that CDB is the Controlling Shareholder of the Company, CDB and its associates constituted Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Operating Lease Framework Agreement entered into by the Group and CDB and/or its associates constituted continuing connected transactions of the Company under the Hong Kong Listing Rules.

In respect of the transactions under the Operating Lease Framework Agreement, as the highest applicable percentage ratio for the three years ended/ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules was more than 0.1%, but less than 5% on an annual basis, such transactions were subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but were exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

Brief description of the transactions and their purposes

The operating lease is a major part of our leasing business. Our provision of operating lease service to CDB and/or its associates was able to satisfy the business needs of both parties. On the one hand, as our quality customers, CDB and/or its associates have a strong capital background and solid financial strength. Engaging in operating lease business with CDB and/or its associates helped us obtain stable and low-risk income from the leasing business; and on the other hand, by providing operating lease services, we were able to meet the financing demand for property, electronic equipment and other fixed assets of CDB and its associates, such as CDB Capital and China-Africa Development Fund, etc. Thirdly, we have newly added self-owned office buildings in Wuhan and Shenzhen and signed lease contracts with CDB and/or its associates to meet the property leasing needs of China Development Bank Hubei Branch and Shenzhen Branch, and CDB Securities.

For details of the above transactions, please refer to the announcement of the Company dated May 14, 2019.

Lease Service Framework Agreement

Parties to the agreement

(1) CDB New Energy, as lessee (the "**Lessee**")

(2) The Company, as lessor (the "**Lessor**")

Principal terms

Term of agreement

We (as the Lessor) and CDB (as the Lessee) entered into the Lease Service Framework Agreement on May 14, 2019. The period of the Lease Service Framework Agreement was a term effective from January 1, 2019 to December 31, 2021.

Lease term

The Company and CDB New Energy entered into specific agreements in respect of each lease service. The lease term of each lease service under specific agreements was determined pursuant to the useful life of relevant Power Plant Equipment (as defined below), financing demands of the Lessee and financial status of the Lessor, but the lease term did not exceed the useful life of Power Plant Equipment.

Lease target
The power plant equipment of CDB New Energy and/or its subsidiaries, including but not limited to photovoltaic on-grid power plant equipment and other new energy power generation facilities (the "**Power Plant Equipment**").

Lease method
CDB New Energy, aiming at financing, paid rent and interest to the Company on a mutually agreed repayment schedule in accordance with the terms, conditions and interest rate set out in the specific agreement concerned entered into from time to time by way of, including but not limited to, sale-and-leaseback and direct lease.

Guarantee
Pursuant to the Lease Service Framework Agreement, CDB New Energy or its subsidiaries used its assets, equity interests, accounts receivable and credit security as credit enhancement measures. In addition, the Company, pursuant to the specific agreement concerned, charged CDB New Energy with an amount of no less than the highest installment of lease payment as the security deposit of the project on a one-off basis. The security deposit shall be refunded in full to CDB New Energy upon expiry of the specific agreement concerned.

Hong Kong Listing Rules implications

As of the Latest Practicable Date, given that CDB is the Controlling Shareholder of the Company, and holds an approximately 31.93% of equity interest in CDB New Energy through its wholly-owned subsidiary CDB Capital (國開金融), CDB New Energy and its subsidiaries constituted Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Lease Service Framework Agreement entered into by the Group and CDB New Energy constituted continuing connected transactions of the Company under the Hong Kong Listing Rules.

In respect of the transactions under the Lease Service Framework Agreement, as the highest applicable percentage ratio for the three years ended/ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules was more than 0.1%, but less than 5% on an annual basis, such transactions were subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but were exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

Brief description of the transactions and their purposes

The lease service (including but not limited to sale-and-leaseback and direct lease services) is the core business of the Company. The provision of lease service by the Company to CDB New Energy was able to satisfy the business needs of both parties. On one hand, as our quality customers, CDB has a strong capital background and solid financial strength. Providing lease services to CDB New Energy and its subsidiaries, as Connected Persons of the Company, helped us obtain stable and low-risk income; and on the other hand, the lease services provided by the Company were able to meet the respective business demand of the Company and CDB New Energy.

For details of the above transactions, please refer to the announcement of the Company dated May 14, 2019.

Financing Service Framework Agreement

Parties to the agreement

The Group and CDB

Principal terms

We entered into the Financing Service Framework Agreement with CDB on May 14, 2019, pursuant to which CDB provided financing service to the Group, and in turn we paid interests to CDB. We also provided our leased assets, rental balance in the account with CDB or bonds held by us as collateral. Financing facilities provided by CDB were used to carry out our leasing business, including but not limited to aircraft leasing, ship leasing and infrastructure leasing, in order to meet the capital needs of daily business.

The period of the Financing Service Framework Agreement was a term effective from January 1, 2019 to December 31, 2021.

Hong Kong Listing Rules implications

Given that CDB is the Controlling Shareholder of the Company, CDB and its associates constituted Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Financing Service Framework Agreement entered into by the Group and CDB and/or its associates constituted a continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the highest applicable percentage ratio for the transactions under the Financing Service Framework Agreement for the three years ended/ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules was more than 5% on an annual basis, such transactions were subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, and the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

The Company obtained approval on such continuing connected transactions and their annual transaction amount caps for the years of 2019, 2020 and 2021 at the 2018 annual general meeting on June 28, 2019.

Brief description of the transactions and their purposes

CDB has been providing financing facilities to the Group during the Track Record Period, thus it has developed a deep understanding of the leasing industry as well as our capital needs and business model. Its financing products were able to meet the diversified financing needs of the leasing business.

In addition, our financing from CDB is mainly medium- to long-term loans to support our financing needs in our leasing business. CDB enjoys a market leading position in China in domestic and overseas medium- to long-term loans with extensive industry experience in areas such as aviation, infrastructure and shipping, which are consistent with the scope of our core business. Therefore, the strength of CDB in medium- to long-term loans in the above areas will greatly benefit our leasing business, and its provision of financing service was able to meet the medium- to long-term loan needs of our business.

For details of the above transactions, please refer to the Company's announcement dated May 14, 2019 and circular dated June 13, 2019.

Deposit Service Framework Agreement

Parties to the agreement

The Group and CDB

Principal terms

We entered into a Deposit Service Framework Agreement with CDB on May 14, 2019, pursuant to which CDB provided deposit service to the Group, including but not limited to demand deposits, term deposits and agreement deposits. In particular, we deposited cash balances into the bank accounts at CDB's various branches, including: (a) cash generated from our daily business operations, including lease income and security deposits received from our leasing business; (b) proceeds from bonds issue; and (c) cash from financing facilities provided by CDB to the Group. In turn, CDB paid interests to the Group for such deposits.

The period of the Deposit Service Framework Agreement was a term effective from January 1, 2019 to December 31, 2021.

Hong Kong Listing Rules implications

Given that CDB is the Controlling Shareholder of the Company, CDB and its associates constituted Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Deposit Service Framework Agreement entered into by the Group and CDB and/or its associates constituted continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the transactions under the Deposit Service Framework Agreement for the three years ended/ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules was more than 5% on an annual basis, such transactions were subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

The Company obtained approval on such continuing connected transactions and their annual transaction amount caps for the years of 2019, 2020 and 2021 at the 2018 annual general meeting on June 28, 2019.

Brief description of the transactions and their purposes

For the three years ended December 31, 2018, CDB has been providing deposit service to the Group, thus it has developed a deep understanding of our capital needs and business model. CDB's deposit service was able to satisfy our liquidity fund management needs. In addition, CDB has been providing financing service to the Group for the three years ended December 31, 2018 as detailed under "Financing Service Framework Agreement" above, and such financing funds provided by CDB to the Group were also temporarily deposited in our accounts maintained at CDB.

For details of the above transactions, please refer to the Company's announcement dated May 14, 2019 and circular dated June 13, 2019.

Debt Financing Instruments Investment Framework Agreement

Parties to the agreement

The Group and CDB

Principal terms

We entered into a Debt Financing Instruments Investment Framework Agreement with CDB on May 14, 2019, pursuant to which, we invested in debt financing instruments issued by CDB and/or its associates. In turn, CDB and/or its associates paid bond interests to the Group.

The period of the Debt Financing Instruments Investment Framework Agreement was a term effective from January 1, 2019 to December 31, 2021.

Hong Kong Listing Rules implications

Given that CDB is the Controlling Shareholder of the Company, CDB and its associates constituted Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Debt Financing Instruments Investment Framework Agreement entered into by the Group and CDB and/or its associates constituted continuing connected transactions of the Company under the Hong Kong Listing Rules.

In respect of the transactions under the Debt Financing Instruments Investment Framework Agreement, as the highest applicable percentage ratio for the three years ended December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules was more than 5% on an annual basis, such transactions were subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

The Company obtained approval on such continuing connected transactions and their annual transaction amount caps for the years of 2019, 2020 and 2021 at the 2018 annual general meeting on June 28, 2019.

Brief description of the transaction and its purpose

We were approved by the PBOC to participate in the interbank bond market on June 23, 2015, based on which we are allowed to purchase debt financing instruments issued in the nationwide bond market. In addition, according to the Measures on Financial Leasing Companies (《金融租賃公司管理辦法》) issued by the CBIRC, a finance lease company is allowed to invest in fixed-income financial products, including debt financing instruments. The debt financing instruments issued by CDB and/or its associates would be our principal investments in fixed-income financial products. CDB is the largest bond issuer in the domestic bond markets. The debt financing instruments issued by CDB were among the main investment products in the interbank market with high ratings, leading market share and ample liquidity. The investment in the debt financing instruments issued by CDB and/or its associates helped us to improve our investment returns and to function as one of our liquidity management reserve tools.

For details of the above transactions, please refer to the Company's announcement dated May 14, 2019 and circular dated June 13, 2019.

Non-Exempt One-off Connected Transaction

Finance Lease Transaction

Parties to the agreement

(1) a state-owned enterprise located in Chengde City, Hebei Province, the PRC, as lessee (the "**Lessee**")

(2) the Company, as lessor (the "**Lessor**")

Principal terms

The Company (as the lessor) entered into the Finance Lease Agreement (the "**Finance Lease Agreement**") with the Lessee dated August 29, 2019, pursuant to which (i) the Lessee has agreed to transfer and/or change registration of the ownership of the Leased Assets under the name of the Lessor for a transfer price of RMB120,000,000; and (ii) the Lessor has agreed to lease back the Leased Assets to the Lessee with the lease principal of RMB120,000,000, with the total lease interest of approximately RMB12,175,833 and the total rent (lease principal and lease interest) of approximately RMB132,175,833. The lease period shall be four years.

Pursuant to the Finance Lease Agreement, the Lessor agreed to lease back the Leased Assets to the Lessee. The rent, including value-added tax, comprised lease principal and lease interest. The lease interest was calculated based on the number of days, of which the calculation method was: lease interest = outstanding lease principal x actual days of the lease period x lease annual interest ÷ 360. The rent was calculated and payable in RMB and divided into eight consecutive periods. The payment date for the first installment of rent is March 10, 2020, and the payment dates for the rent are March 10 and September 10 of each year. The last payment of rent is settled on September 10, 2023.

Upon the expiration of the lease period, the Lessee may purchase back the Leased Assets from the Lessor at nominal value of RMB100.

Hong Kong Listing Rules implications

As at the date of signing the Finance Lease Agreement , given that CDB is the Controlling Shareholder of the Company, and holds approximately 49.6% equity interest in the Lessee through its wholly-owned subsidiary CDB Development Fund, the Lessee constituted a Connected Person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the Finance Lease Agreement entered into between the Company and the Lessee constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the transaction contemplated under the Finance Lease Agreement was over 0.1% but less than 5%, such transaction was subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

Brief description of the transaction and its purpose

The Finance Lease Agreement was entered into by the Company during its ordinary course of business. Entering into the Finance Lease Agreement with the Lessee was beneficial for the Company to increase the income of its finance lease business and was consistent with the Company's business development strategy.

For details of the above transaction, please refer to the announcement of the Company dated August 29, 2019.

Finance Lease Transaction

Parties to the agreement

(1) a limited liability company located in Tianjin Municipality, the PRC, as lessee (the "**Lessee**")

(2) the Company, as lessor (the "**Lessor**")

Principal terms

The Company (as the Lessor) entered into the Finance Lease Agreement (the "**Finance Lease Agreement**") with the Lessee dated November 14, 2019, pursuant to which (1) the Lessee has agreed to transfer and/or change registration of the ownership of the Leased Assets under the name of the Lessor for a transfer price of RMB395,000,000; and (2) the Lessor has agreed to lease back the Leased Assets to the Lessee with the lease principal of RMB395,000,000, with the total lease interest of approximately RMB140,766,300 and the total rent (lease principal and lease interest) of approximately RMB535,766,300. The lease period shall be 11 years and nine months.

Pursuant to the Finance Lease Agreement, the Lessor agreed to lease back the Leased Assets to the Lessee. The rent, including value-added tax, comprised lease principal and lease interest. The lease interest was calculated based on the number of days, of which the calculation method was: lease interest = outstanding lease principal x actual days of the lease period x lease annual interest ÷ 360. The rent was calculated and payable in RMB and divided into 47 consecutive periods. The payment date for the first installment of rent is December 20, 2019. The payment dates of the rent are March 20, June 20, September 20 and December 20 of each year with the exception of the last payment of rent, which will be completed on August 20, 2031.

Three Gorges Capital PRC, the parent company of the Lessee, provides third-party joint liability limited assurance guarantee to the debt repayment of the Lessee under the Finance Lease Agreement, the guarantee limit of which is RMB110 million.

Upon the expiration of the lease period, the Lessee may purchase back the Leased Assets from the Lessor at nominal value of RMB100.

Hong Kong Listing Rules implications

As at the date of signing the Finance Lease Agreement, given that Three Gorges Corporation is a substantial shareholder of the Company, and Three Gorges Capital PRC (a wholly-owned subsidiary of Three Gorges Corporation) directly and indirectly holds 100% equity interest in aggregate in the Lessee, the Lessee constituted a Connected Person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the Finance Lease Agreement entered into between the Company and the Lessee constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the transaction contemplated under the Finance Lease Agreement was over 0.1% but less than 5%, such transaction was subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

Brief description of the transaction and its purpose

The Finance Lease Agreement was entered into by the Company during its ordinary course of business. Entering into the Finance Lease Agreement with the Lessee was beneficial for the Company to increase the income of its finance lease business and was consistent with the Company's business development strategy.

For details of the above transaction, please refer to the announcement of the Company dated November 14, 2019.

Finance Lease Transaction

Parties to the agreement

(1) a limited liability company located in Tianjin, China as lessee (the "**Lessee**")

(2) the Company, as lessor (the "**Lessor**")

Principal terms

The Company (as the Lessor) entered into the Finance Lease Agreement (the "**Finance Lease Agreement**") with the Lessee dated December 26, 2019, pursuant to which (i) the Lessee has agreed to transfer and/or change registration of the ownership of the Leased Assets under the name of the Lessor for a transfer price of RMB300,000,000; and (ii) the Lessor has agreed to lease back the Leased Assets to the Lessee with the lease principal of RMB300,000,000, with the total lease interest of approximately RMB116,893,379 and the total rent (lease principal and lease interest) of approximately RMB416,893,379. The lease period shall be twelve years.

Pursuant to the Finance Lease Agreement, the Lessor agreed to lease back the Leased Assets to the Lessee. The rent, including value-added tax, comprised lease principal and lease interest. The lease interest was calculated based on the number of days, of which the calculation method was: lease interest = outstanding lease principal x actual days of the lease period x lease annual interest ÷ 360. The rent was calculated and payable in RMB and divided into 48 consecutive periods. The payment date for the first installment of rent is March 20, 2020. The payment dates of the rent are on March 20, June 20, September 20 and December 20 of every subsequent year, which will be completed on December 20, 2031.

Upon the expiration of the lease period, the Lessee may purchase back the Leased Assets from the Lessor at nominal value of RMB100.

Hong Kong Listing Rules implications

As at the date of signing the Finance Lease Agreement, given that Three Gorges Corporation is a substantial shareholder of the Company, and Three Gorges Capital PRC (a wholly-owned subsidiary of Three Gorges Corporation) directly and indirectly holds 100% equity interest in aggregate in the Lessee, the Lessee constituted a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the Finance Lease Agreement entered into between the Company and the Lessee constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Company entered into the previous finance lease agreement (the "**Previous Finance Lease Agreement**") with the Lessee on November 14, 2019, in accordance with Rule 14.22 of the Listing Rules, the transaction under the Finance Lease Agreement must be aggregated with that under the Previous Finance Lease Agreement. As the highest applicable percentage ratio of the transaction contemplated under the Finance Lease Agreement, aggregated with the transaction under the Previous Finance Lease Agreement, was over 0.1% but less than 5%, such transaction was subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

Brief description of the transaction and its purpose

The Finance Lease Agreement was entered into by the Company during its ordinary course of business. Entering into the Finance Lease Agreement with the Lessee was beneficial for the Company to increase the income of its finance lease business and was consistent with the Company's business development strategy.

For details of the above transaction, please refer to the announcement of the Company dated December 26, 2019.

Off-market Buy-back of H Shares (the "**H Share Buy-back**") and Issue of New Domestic Shares under the Specific Mandate (the "**Domestic Share Issue**")

Principal terms

the H Share Buy-back

On September 26, 2019, the Company entered into the H Share Buy-back Agreement with Three Gorges Capital HK and Three Gorges Capital PRC, pursuant to which the Company conditionally agreed to buy back, Three Gorges Capital PRC conditionally agreed to procure to sell, and Three Gorges Capital HK conditionally agreed to sell 687,024,000 H Shares.

The H Share Buy-back Agreement

Parties

(a) the Company (as purchaser);

(b) Three Gorges Capital HK (as vendor); and

(c) Three Gorges Capital PRC

The Buy-back Shares

The Buy-back Shares comprise 687,024,000 H Shares, representing approximately 19.88% of the total number of H Shares in issue and approximately 5.43% of the total number of shares of the Company in issue as at the date of the agreement. It represents approximately 52.59% of the 1,306,500,000 H Shares held by Three Gorges Capital HK in the Company ("**3GC Investments**").

Consideration

The buy-back price for each Buy-back Share is US$0.2863 (equivalent to approximately HK$2.2443), which was determined based on the commercial and arm's length negotiations between the parties, taking into consideration of potential financial impacts on both the Company and Three Gorges Corporation, arising from the H Share Buy-back and Domestic Share Issue.

the Domestic Share Issue

On September 26, 2019, the Company entered into the Domestic Share Subscription Agreement with Three Gorges Corporation.

The Domestic Share Subscription Agreement

Parties

(a) Issuer: the Company

(b) Subscriber: Three Gorges Corporation

New Domestic Shares to be issued

Three Gorges Corporation conditionally agreed to subscribe for an aggregate of 687,024,000 new Domestic Shares, with an aggregate nominal value of RMB687,024,000. Such new Domestic Shares represent approximately 7.48% of the total number of Domestic Shares in issue and approximately 5.43% of the total number of shares of the Company in issue as at the date of the agreement.

Assuming there is no change to the number of shares of the Company in issue other than the issue of the new Domestic Shares pursuant to the Domestic Share Subscription Agreement and cancellation of the Buy-back Shares, immediately after completion of the Domestic Share Issue, Three Gorges Corporation will directly hold an aggregate of 687,024,000 Domestic Shares (representing approximately 7.48% of all the Domestic Shares in issue). Such 687,024,000 new Domestic Shares will be issued under the Specific Mandate.

Like the existing Domestic Shares in issue, the transfer and subsequent sale of the new Domestic Shares to be issued can be made in accordance with the relevant provisions of the Articles, subject to the applicable PRC laws. The new Domestic Shares to be issued will rank, upon issue, pari passu in all respects with the existing Domestic Shares in issue at the time of allotment and issue of such new Domestic Shares.

Subscription price

The subscription price per new Domestic Share for the Domestic Share Issue is equal to the RMB Equivalent of the Buy-back Unit Price of US$0.2863. The subscription price for the Domestic Share Issue is determined after arm's length negotiations between the Company and Three Gorges Corporation, with reference to the Buy-back Unit Price.

Use of Proceeds after Completion of the H Share Buy-back and the Domestic Share Issue

As the Company will, on the one hand, buy back from Three Gorges Capital HK 687,024,000 H Shares at the consideration of US$0.2863 (equivalent to approximately HK$2.2443) per Buy-back Share pursuant to the H Share Buy-back Agreement and the total consideration was US$196,694,971.20, and, on the other hand, issue to Three Gorges Corporation 687,024,000 Domestic Shares at a subscription price per new Domestic Share equal to the RMB Equivalent of the H Share Buy-back Price of US$0.2863 pursuant to the Domestic Share Subscription Agreement, and completion of the H Share Buy-back and completion of the Domestic Share Issue will be conditional upon each other and will take place on the same day, it is expected that no net proceeds will be derived by the Company from the completion of the H Share Buy-back and of the Domestic Share Issue, and the Company will not recognize any net profit or loss upon completion of those transactions.

Hong Kong Listing Rules implications

As at the date of the H Share Buy-back Agreement and the Domestic Share Subscription Agreement, Three Gorges Capital HK holds 1,306,500,000 H Shares, representing approximately 37.80% of the total number of H Shares in issue and approximately 10.33% of the total number of shares of the Company in issue. As a substantial shareholder of the Company, Three Gorges Capital HK constituted a Connected Person of the Company under the Listing Rules.

Three Gorges Corporation directly holds 70% of the shares in Three Gorges Capital PRC, which in turn holds the entire issued share capital of Three Gorges Capital HK. Three Gorges Capital PRC and Three Gorges Corporation are therefore also Connected Persons of the Company under the Listing Rules.

Accordingly, each of the H Share Buy-back and the Domestic Share Issue constitutes a connected transaction of the Company and will be subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Brief description of the transactions and their purposes

Under the Implementing Measures of the China Banking Regulatory Commission for Administrative Licensing Matters relating to Non-banking Financial Institutions (Order of the China Banking Regulatory Commission 2015 No.6) (《中國銀監會非銀行金融機構行政許可事項實施辦法》(中國銀行業監督管理委員會令2015年第6號)), if any investor and its related parties hold more than 5% of total shares of a non-banking financial institution(including a listed financial leasing company, such as shares in the Company), such investor must obtain the CBIRC Approval in respect of its investment. The Company started engaging in discussion and communication with the Shenzhen office of CBIRC in relation to the CBIRC Approval in respect of 3GC Investments before the Company's initial public offering in 2016. In March 2018, the Company received a regulatory notice from the Shenzhen office of CBIRC requesting the Company to rectify the problem of 3GC Investments. The Shenzhen office of CBIRC also indicated that it was not prepared to grant the CBIRC Approval over the 3GC Investments because Three Gorges Capital HK, which is not a financial institution registered outside the PRC, does not fall under the scope of permissible investors of a finance leasing company prescribed under Article 24 of Implementing Measures of the China Banking Regulatory Commission for Administrative Licensing Matters relating to Non-banking Financial Institutions (Order of the China Banking Regulatory Commission 2015 No.6) (《中國銀監會非銀行金融機構行政許可事項實施辦法》(中國銀行業監督管理委員會令2015年第6號)).

In order to resolve the problem of the 3GC Investments lest the regulatory authority might impose a significant penalty on the Company, the Company and Three Gorges Capital HK have carefully considered the alternatives to structure its investment in the Company, and the Company considers that the proposal involving Domestic Share Issue and H Share Buy-back is the most feasible way to rectify the aforesaid problem among all the alternatives available for their consideration. As such, the Company entered into the H Share Buy-back Agreement and the Domestic Share Subscription Agreement with Three Gorges Corporation to restructure the shareholding of Three Gorges Corporation in the Company which would be, as advised by the PRC counsel to the Company, permitted under the Implementing Measures of the China Banking Regulatory Commission for Administrative Licensing Matters relating to Non-banking Financial Institutions. The grant of the CBIRC Approval is a condition precedent to the completion of the Domestic Share Issue and the H Share Buy-back.

The percentage interest of Shareholders other than Three Gorges Capital HK or Three Gorges Corporation in the entire issued share capital of the Company will be the same following the cancellation of the Buy-back Shares and the issue of the new Domestic Shares.

The completion of the H Share Buy-back and the Domestic Share Issue will not result in a change in control (as defined under the Takeovers Code) of the Company. In addition, the Company considers that the value of the H shares will not be affected as a result of the H Share Buy-back and Domestic Share Issue.

Taking the foregoing into consideration, the Directors (including the non-executive Directors and the independent non-executive Directors after taking advice from the independent financial adviser) believe that the terms and conditions of the H Share Buy-back Agreement and the Domestic Share Subscription Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The H Share Buy-back and Domestic Share Issue were considered and approved as the special resolutions at the first extraordinary general meeting of 2019, the first Domestic Share class meeting of 2019 and the first H Share class meeting of 2019 of the Company on November 12, 2019. The H Share Buy-back and Domestic Share Issue were completed on December 27, 2019. As of the Latest Practicable Date, all repurchased shares were cancelled. No net proceeds were derived by the Company from the completion of the H Share Buy-back and of the Domestic Share Issue, and the Company did not recognize any net profit or loss upon completion of those transactions.

For details of the H Share Buy-back and Domestic Share Issue, please refer to the Company's announcement dated September 26, 2019, the circular dated October 2, 2019, and the announcements dated November 12, 2019 and December 27, 2019.

Confirmation from Independent Non-Executive Directors

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions:

(1) were entered into in our ordinary course of business of the Company;

(2) were conducted on normal commercial terms or better terms; and

(3) were conducted in accordance with relevant terms of the transaction agreements, and the transaction terms are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Auditors

Pursuant to Rule 14A.56 of the Hong Kong Listing Rules, the Ernst & Young as the international auditor of the Company to conduct a limited assurance engagement on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Directors confirmed that the auditor has reported the results of their procedures to the Board stating that:

(1) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

(4) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to the auditor's attention that causes the auditor to believe that such continuing connected transactions have exceeded the applied maximum aggregate annual caps for the year 2019.

Related party transactions as described in the notes of the consolidated financial statements constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and comply with the disclosure requirements of Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, during the Reporting Period, none of the connected transactions or continuing connected transactions of the Company shall be disclosed pursuant to the provisions in respect of connected transaction disclosure under Chapter 14A of the Hong Kong Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2019, the transaction volume of the five largest customers of the Group accounted for 21.60% (2018: 21.22%) of the Group's total revenue and the transaction volume of the Group's single largest customer accounted for 7.33% (2018: 8.58%) of the total revenue of the Group.

During the Reporting Period, none of the Directors, any of their respective close associates or any Shareholders (holding more than 5% of the number of issued Shares to the knowledge of Directors) had an interest in the top five customers of the Group.

Major Suppliers

The Group has no major suppliers due to the nature of our business. During the Reporting Period, we purchased aircraft primarily from the aircraft manufacturers Airbus and Boeing.

Relations with Customers

The Group is always concerned about the needs of customers and understands clearly the importance of maintaining good customer relationship. The Group insists on providing quality services to domestic and overseas customers with professional attitude to continuously enhance customers' trust to the Group, helping the Group consolidate its market position and create more sustainable development opportunities. As of the Latest Practicable Date, there were no legal proceedings constituting material impact on the Group.

Relations with Employees

The Company recognizes the importance of staff to the Company and considers that better employee development strengthens competitiveness of the Company and promotes sustainable development of the Company. Therefore, the Company actively establishes a good employee training system, facilitates career development for employees and promotes work-life balance of employees so as to enhance employees' satisfaction towards the work. Moreover, the Company is currently striving to construct mid- and long-term incentive mechanism to encourage employees to put efforts on innovative development so as to create a good environment of result-sharing. As of the Latest Practicable Date, there were not any labour disputes of the Company affecting ordinary business operation.

In addition, the Company provides safe and healthy working environment to employees of the Company through regular checking and maintenance of office equipment, as well as cleaning carpets and air-conditioning systems regularly. As of the Latest Practicable Date, there were not any reports on serious work injuries received by the Company.

TOP TEN SHAREHOLDERS AT THE END OF THE REPORTING PERIOD

As at the end of the Reporting Period, the Company had 12,642,380,000 Ordinary Shares in total; comprising 9,872,786,000 Domestic Shares, representing 78.09% of the total number of Ordinary Shares; and 2,769,594,000 H Shares, representing 21.91% of the total number of Ordinary Shares.

As at the end of the Reporting Period, the total number of Shareholders of Domestic Shares of the Company was nine.

During the Reporting Period, the Company issued 687,024,000 Domestic Shares, repurchased and cancelled 687,024,000 H Shares.

No.	Name	Number of Shares	Percentage in Total Shareholdings	Class of Shares	Number of Shares Pledged
1	China Development Bank	8,141,332,869	64.40%	Domestic Shares	–
2	HNA Group Company Ltd.	795,625,000	6.29%	Domestic Shares	–
3	China Three Gorges Corporation	687,024,000	5.43%	Domestic Shares	–
4	Three Gorges Capital Holdings	619,476,000	4.90%	H Shares	–
5	Hengjian International Investment Holding (HK) Limited	523,310,000	4.14%	H Shares	–
6	China Reinsurance (Group) Corporation	442,436,000	3.50%	H Shares	–
7	National Council for Social Security Fund	272,666,000	2.16%	H Shares	–
8	CSSC International Holding Company Ltd.	193,746,000	1.53%	H Shares	–
9	Express Glory Enterprises Ltd.	158,924,000	1.26%	H Shares	–
10	CCCC International Holding Ltd.	154,000,000	1.22%	H Shares	–

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at December 31, 2019, to the knowledge of the Directors, the following persons (not being Directors, Supervisors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Class of Shares	Capacity/ Nature of interest	Number of Shares	Long position/ Short position	Approximate shareholding percentage in the relevant class of Shares of the Company (%)	Approximate percentage in the Company's total shareholdings (%)
Central Huijin Investment Ltd.	Domestic Shares	Interest of controlled corporation(1)	8,141,332,869	Long position	82.46	64.40
	H Shares	Interest of controlled corporation(5)(7)	604,324,000	Long position	21.82	4.78
China Development Bank	Domestic Shares	Beneficial owner(1)	8,141,332,869	Long position	82.46	64.40

Name	Class of Shares	Capacity/ Nature of interest	Number of Shares	Long position/ Short position	Approximate shareholding percentage in the relevant class of Shares of the Company (%)	Approximate percentage in the Company's total shareholdings (%)
Shengtang Development (Yangpu) Co., Ltd.	Domestic Shares	Interest of controlled corporation(2)	795,625,000	Long position	8.06	6.29
Hainan Traffic Administration Holding Co., Ltd.	Domestic Shares	Interest of controlled corporation(2)	795,625,000	Long position	8.06	6.29
HNA Group Company Limited	Domestic Shares	Beneficial owner(2)	795,625,000	Long position	8.06	6.29
China Three Gorges Corporation	Domestic Shares	Beneficial owner	687,024,000	Long position	6.96	5.43
	H Shares	Interest of controlled corporation(3)	619,476,000	Long position	22.37	4.90
Three Gorges Capital Holdings Co., Ltd.	H Shares	Interest of controlled corporation(3)	619,476,000	Long position	22.37	4.90
Hengjian International Investment Holding (Hong Kong) Limited	H Shares	Beneficial owner(4)	523,310,000	Long position	18.89	4.14
Guangdong Hengjian Investment Holding Co., Ltd	H Shares	Interest of controlled corporation(4)	523,310,000	Long position	18.89	4.14
China Reinsurance (Group) Corporation	H Shares	Beneficial owner(5)	442,436,000	Long position	15.97	3.50
National Council for Social Security Fund	H Shares	Beneficial owner	272,666,000	Long position	9.84	2.16
State-owned Assets Supervision and Administration Commission of the State Council	H Shares	Interest of controlled corporation(6)	193,984,000	Long position	7.00	1.53
China State Shipbuilding Corporation	H Shares	Interest of controlled corporation(7)	193,984,000	Long position	7.00	1.53
CSSC International Holding Company Limited	H Shares	Beneficial owner(7)	193,984,000	Long position	7.00	1.53
Goldway Financial Corp.	H Shares	Interest of controlled corporation(7)	158,924,000	Long position	5.74	1.26
Express Glory Enterprises Ltd	H Shares	Beneficial owner(7)	158,924,000	Long position	5.74	1.26
Bank of China Limited	H Shares	Interest of controlled corporation(7)	158,924,000	Long position	5.74	1.26
Bank of China Group Investment Limited	H Shares	Interest of controlled corporation(7)	158,924,000	Long position	5.74	1.26
CCCC International Holding Ltd	H Shares	Beneficial owner	154,000,000	Long position	5.56	1.22
China Communications Construction Company	H Shares	Interest of controlled corporation	154,000,000	Long position	5.56	1.22

Notes:

(1) Central Huijin Investment Ltd. holds 34.68% of the equity interests in China Development Bank. Hence, pursuant to the SFO, Central Huijin Investment Ltd. is deemed to be interested in the 8,141,332,869 domestic Shares held by China Development Bank.

(2) Shengtang Development (Yangpu) Co., Ltd. holds 50% of the equity interests in Hainan Traffic Administration Holding Co., Ltd., which in turn holds 70% of the equity interests in HNA Group Company Limited. Hence, pursuant to the SFO, each of Shengtang Development (Yangpu) Co., Ltd. and Hainan Traffic Administration Holding Co., Ltd. is deemed to be interested in the 795,625,000 domestic Shares held by HNA Group Company Limited.

(3) China Three Gorges Corporation holds 70.00% of the equity interests in Three Gorges Capital Holdings Co., Ltd., which in turn holds 619,476,000 H Shares of the Company through its wholly-owned subsidiary, Three Gorges Capital Holdings (HK) Co., Ltd. Hence, pursuant to the SFO, each of China Three Gorges Corporation and Three Gorges Capital Holdings Co., Ltd. is deemed to be interested in the 619,476,000 H Shares held by Three Gorges Capital Holdings (HK) Co., Ltd.

(4) Hengjian International Investment Holding (Hong Kong) Limited is wholly-owned by Guangdong Hengjian Investment Holding Co., Ltd. Hence, pursuant to the SFO, Guangdong Hengjian Investment Holding Co., Ltd. is deemed to be interested in the 523,310,000 H Shares held by Hengjian International Investment Holding (Hong Kong) Limited.

(5) Central Huijin Investment Ltd. holds 71.56% of the equity interests in China Reinsurance (Group) Corporation. Hence, pursuant to the SFO, Central Huijin Investment Ltd. is deemed to be interested in the 442,436,000 H Shares held by China Reinsurance (Group) Corporation.

(6) CSSC International Holding Company Limited is wholly-owned by China State Shipbuilding Corporation. China State Shipbuilding Corporation is wholly-owned by State-owned Assets Supervision and Administration Commission of the State Council. Hence, pursuant to the SFO, each of China State Shipbuilding Corporation and State-owned Assets Supervision and Administration Commission of the State Council is deemed to be interested in the 193,984,000 H Shares held by CSSC International Holding Company Limited.

(7) Central Huijin Investment Ltd. holds 64.02% of the equity interests in Bank of China Limited, which in turn holds 100% of the equity interests in Bank of China Group Investment Limited. Bank of China Group Investment Limited holds 100% of the equity interests in Goldway Financial Corp., which in turn holds 100% of the equity interests in Express Glory Enterprises Ltd. Hence, pursuant to the SFO, each of Central Huijin Investment Ltd., Bank of China Limited, Bank of China Group Investment Limited and Goldway Financial Corp. is deemed to be interested in the 158,924,000 H Shares held by Express Glory Enterprises Ltd.

(8) According to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interest forms when certain criteria are fulfilled. When the shareholdings of the Shareholders in the Company change, it is not necessary for the Shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the Shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

Save as disclosed above, as at December 31, 2019, to the knowledge of the Directors, no other persons (not being Directors, Supervisors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2019, none of the Directors, Supervisors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors, chief executives or their respective associates are deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or its subsidiaries a party to any arrangements to enable the Directors or the Supervisors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate and none of the Directors, the Supervisors, their spouses or children under the age of 18, had any rights to subscribe for Shares in, or debt securities of the Company or any other body corporate, or had exercised any such rights during the period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2019, none of the Directors or their respective associates had interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CONTROLLING SHAREHOLDERS' NON-COMPETING UNDERTAKING

During the Reporting Period, CDB, the Controlling Shareholder of the Company, has complied with the undertakings made in the Prospectus. For details of the undertakings concerned, please refer to the "Relationship with CDB" section of the Prospectus.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Directors and Supervisors has entered into a service contract with the Group which cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

INDEMNITIES OF DIRECTORS AND SUPERVISORS

At no time during the Reporting Period was or is there any permitted indemnity provision being in force for the benefit of any of the Directors or Supervisors (whether made by the Company or otherwise) or an associated company (if made by the Company). The Company has arranged appropriate liability insurance coverage for the Directors, Supervisors and officers.

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENT OR CONTRACTS

During the Reporting Period, none of the Directors or Supervisors had material interests, either directly or indirectly in transactions, arrangement or contracts to which the Company, any of its subsidiaries or fellow subsidiaries was a party, and of significance to the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the Reporting Period, save as disclosed in this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of listed securities of the Company.

PRE-EMPTIVE RIGHTS

There is no provision under the Articles of Association and the PRC laws regarding pre-emptive rights that requires the Company to offer new Shares to its existing Shareholders on a pro rata basis.

SHARE OPTION ARRANGEMENTS

As of the Latest Practicable Date, the Company did not have any share option incentive plan.

ADMINISTRATION CONTRACT

During the Reporting Period, the Company did not enter into any contracts in respect of management and administration work in relation to its entire or any significant parts of business.

DISTRIBUTABLE RESERVES

As at December 31, 2019, the distributable reserves of the Group amounted to RMB6,412,086,397 (as at December 31, 2018: RMB5,103,745,537), and the distributable reserves of the Company was RMB1,393,214,485 (as at December 31, 2018: RMB1,370,353,545).

HOUSES, EQUIPMENT AND INVESTMENT PROPERTIES

Details of changes in houses, equipment and investment properties of the Company and the Group during the year ended December 31, 2019 are set forth in Note 30 to the consolidated financial statements.

RETIREMENT AND BENEFITS

Details of the retirement and employees benefit scheme of the Company are set forth in Note 9 to the consolidated financial statements.

DONATIONS

For the year ended December 31, 2019, the total charity donations and other donations made by the Group were RMB3 million.

LOAN AGREEMENTS

During the Reporting Period, the Company entered into loan agreements with specific banks, of which loans in a total amount of approximately RMB27,436 million include a condition requiring that China Development Bank, the Controlling Shareholder of the Company, shall hold directly or indirectly, no less than 51% of the Shares of the Company; The terms of such loan agreements range from two months to three years. Loans in a total amount of approximately RMB4,106 million include a condition requiring that China Development Bank, the Controlling Shareholder of the Company, shall remain as the single largest Shareholder of the Company; The terms of such loan agreements range from one month to one year. Loans in a total amount of approximately RMB3,162 million include the conditions requiring that China Development Bank, the Controlling Shareholder of the Company, shall hold directly or indirectly, no less than 51% of the Shares of the Company and remain as the single largest Shareholder of the Company; The terms of such loan agreements range from one month to three years.

AUDIT OF ANNUAL RESULTS

The accounting principles and practices adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2019 have been jointly reviewed by the Audit Committee of the Company together with the management and the external auditor of the Company.

Ernst & Young was appointed as the auditor of the Company for the year ended December 31, 2019. Ernst & Young has audited the annexed financial statements prepared in accordance with the IFRS.

By order of the Board of Directors
Wang Xuedong
Chairman

Shenzhen, PRC, March 26, 2020

During the Reporting Period, the Board of Supervisors and all members adhered to the principle of being faithful, diligent and prudent, focused on the major tasks of the Company, practically, efficiently and responsibly carried out the supervision of the Board of Supervisors, effectively monitored the performance of duties of the Board and senior management of the Company, financial activities, internal control, risk management and operating activities, and proposed independent opinions to the aforesaid matters, safeguarded the interests of Shareholders, the Company and employees, and at the same time tried to carry out constructive supervision for facilitating sustainable and healthy development of the Company pursuant to the Company Law of the People's Republic of China (《中華人民共和國公司法》), Guidelines on Corporate Governance for Commercial Banks of China Banking Regulatory Commission (《中國銀監會商業銀行公司治理指引》), the Articles of Association of CDB Leasing, Rule of Procedures of the Board of Supervisors of CDB Leasing (《國銀金融租賃股份有限公司監事會議事規則》) and other relevant laws and regulations.

CONVENTION OF MEETINGS OF THE BOARD OF SUPERVISORS

In 2019, the Board of Supervisors convened seven ordinary meetings in total, in which 24 resolutions were considered and approved, 54 matters were considered, and four matters were discussed, ensuring that the significant events of the Company were considered and supervised.

(1) On March 26, 2019, the Company convened the 2019 first ordinary meeting of the first session of the Board of Supervisors, in which the Board of Supervisors considered six resolutions such as the 2018 Annual Report, Profit Distribution Proposal for the year 2018, Rules on Reporting to Senior Management, Performance of Supervisors for the year 2018, Work Report of the Board of Supervisors for the year 2018 and Work Plan of the Board of Supervisors for the year 2019, and listened to 17 reported matters, including the Report on Remuneration Management, Report on Employee Benefits, Internal Audit Report for the year 2018 and Internal Audit Plan for the year 2019, Assessment Report on Internal Control, Report on Issuance of Bonds for the year 2018 and Fund Raising Plan for the year 2019, Report on Compliance and Internal Control Management for the year 2018, Report on Related Party Transactions Management for the year 2018, Report on Anti-Money Laundering for the year 2018, Report on Risk Management for the year 2018, Report on Consolidated Statement Management, Report on Risk Appetite Statement for the year 2019, Report on Rectification of Special Inspection Activities for IT Outsourcing for the year 2018, development strategies of the Company, Evaluation Report on Corporate Governance for the year 2018, Report on Information Disclosure and Self-Assessment for the year 2018, Financial Report for the year 2018, operation for the year 2018 and Work Plan for the year 2019.

(2) On April 26, 2019, the Company convened the 2019 second ordinary meeting of the first session of the Board of Supervisors, in which the Board of Supervisors considered four resolutions such as the performance of Directors for the year 2018, performance of the Board for the year 2018, performance of senior management members for the year 2018 and performance of senior management for the year 2018, and discussed the nomination of external Supervisors.

(3) On May 24, 2019, the Company convened the 2019 third ordinary meeting of the first session of the Board of Supervisors, in which the Board of Supervisors considered eight resolutions such as amendment to the Articles of Association of China Development Bank Financial Leasing Co., Ltd., application to the Hong Kong Stock Exchange for the renewal of framework agreements on continuing connected transactions with China Development Bank and its subsidiaries for the next three years, Report on Financial Budget for the year 2019, Financial Accounts Report for the year 2018, change in accounting estimates of useful lives and residual values of aircraft assets of CDB Leasing, appointment of accounting firm for the year 2019, sale-and-leaseback project of road assets and ancillary facilities of expressway of Shanxi Transportation Holdings Group Co., Ltd. (山西交通控股集團有限公司) and non-recourse factoring business on creditor's right under finance lease with Agricultural Bank of China, and listened to 11 reported matters, such as the operation management and financial management for the first quarter of 2019, management report on capital adequacy for the year 2018 and management plan of capital adequacy for the year 2019, internal capital adequacy assessment procedures for the year 2019, risk management for the first quarter of 2019, compliance and internal control management for the first quarter of 2019, general mandate to the Board to issue debt financing instruments, related party transaction on purchase of four 80,000 dwt bulk carriers with HNA Group, self-assessment on

internal audit quality for the year 2018, internal audit for the first quarter of 2019 and progress on rectification of the relevant issues of the Board indicated by the regulatory authorities for the year 2018.

(4) On August 20, 2019, the Company convened the 2019 forth ordinary meeting of the first session of the Board of Supervisors, in which the Board of Supervisors considered three resolutions such as the nomination of Mr. Ma Yongyi as an external Supervisor by the first session of the Board of Supervisors, nomination of Mr. Zhang Xiaosong as an external Supervisor by the first session of the Board of Supervisors and nomination of Mr. Zhong Qinglin as the candidate of shareholder representative Supervisor by Hengjian International Investment Holding (Hong Kong) Limited, the Shareholders of the Company.

(5) On August 27, 2019, the Company convened the 2019 fifth ordinary meeting of the first session of the Board of Supervisors, in which the Board of Supervisors considered the resolution of 2019 Interim Report and 2019 Interim Results Announcement, and listened to seven reported matters, such as the operation management for the second quarter of 2019, financial status for the second quarter of 2019, risk management for the second quarter of 2019, compliance and internal control for the second quarter of 2019, internal audit for the second quarter of 2019, performance of the first session of the Board of Supervisors and work summary of financial advisors of the Board of Supervisors for the years 2017-2019.

(6) On November 12, 2019, the Company convened the 2019 first ordinary meeting of the second session of the Board of Supervisors, in which the Board of Supervisors considered the resolution of election of chairman of the second session of the Board of Supervisors, and listened to 13 reported matters, including the environmental, social and corporate governance for the year 2018, operation for the year 2018 and operation plan for the year 2019, individual performance evaluation results of senior management for the year 2018, individual performance plan of senior management for the year 2019, risk management strategies for the year 2019, Administrative Measures for Stress Testing of China Development Bank Financial Leasing Co., Ltd. (《國銀金融租賃股份有限公司壓力測試管理辦法》), stress tests report for the year 2019, Administrative Rules on Regulatory System of China Development Bank Financial Leasing Co., Ltd. (《國銀金融租賃股份有限公司規章制度管理規定》), related party transaction on an office building of the local branch of China Development Bank leased by the Company, general mandate to the operation management by the Board to issue debt financing instruments, related party transaction on sale-and-leaseback project of ancillary facilities of ski resort with a state-owned enterprise in Hebei Province, China, equity transfer plan of Zhuhai Jin Yi Hua Trading Co., Ltd (珠海市金益華商貿有限公司) and special financial investigations on tendering and bidding for procurement projects under the service category for the year 2018, and discussed three matters such as remuneration plan of Supervisors, appointment of financial advisor and legal counsel of the Board of Supervisors and requirements on performance of Supervisors.

(7) On December 18, 2019, the Company convened the 2019 second ordinary meeting of the second session of the Board of Supervisors, in which the Board of Supervisors considered the resolution of remuneration plan of Supervisors, and listened to six reported matters such as the operation management for the third quarter of 2019, financial status for the third quarter of 2019, risk management for the third quarter of 2019, compliance and internal control for the third quarter of 2019, internal audit for the third quarter of 2019 and rectification of investigations on tendering and bidding projects under the service category for the year 2018.

WORK OF EXTERNAL SUPERVISORS

During the Reporting Period, external Supervisors participated in a total of 7 ordinary meetings of the Board of Supervisors, participated in the deliberation of 24 resolutions, reviewed 54 matters, discussed 4 matters, and provided independent opinions on the annual report, the semi-annual report, financial budget and final account reports and profit distribution proposals. External Supervisors attended a total of 2 shareholders' general meetings, and attended 7 meetings of the Board of Directors on a non-voting basis, which ensured that the Board of Supervisors reviewed and supervised major matters of the Company.

CONDUCTING SUPERVISION AND EVALUATION ON PERFORMANCE

The supervision and evaluation on the performance of six Directors and eight senior management members of the Company in the year 2018 were conducted by the Board of Supervisors in the first quarter of 2019. Evaluation on the performance included multiple evaluation dimensions such as self-evaluation, peer-evaluation, evaluation by the Board and the Board of Supervisors. The evaluation results have been prudently studied and formed correspondingly. Meanwhile, the Board of Supervisors also conducted evaluation on the performance of five Supervisors, and the evaluation results on the performance have been reported to the Shareholders' general meeting and regulatory departments in accordance with the requirements.

ORGANIZING AND CONDUCTING FINANCIAL SUPERVISION

The Board of Supervisors regularly listened to the financial work report and work plan including major financial indicators, assets and liabilities, gain or loss status, profits, overdue lease payment, fees, implementation of budget, etc. The Board of Supervisors suggested that the Accounting Department shall annually report the internal capital adequacy assessment to the Board for review and submit to the regulator on a timely basis in accordance with the requirements of the CBIRC. With the increase in the asset scale of the Company, the capital adequacy gradually decreased and almost reached the regulatory threshold, against which the Board of Supervisors shall remain vigilant to promote the capital replenishment. Meanwhile, in the third quarter of 2019, the Board of Supervisors also carried out special financial investigations on tendering and bidding for procurement projects under the service category for the year 2018 of the Company.

CONTINUOUSLY SUPERVISING THE RISK MANAGEMENT OF THE COMPANY

The Board of Supervisors regularly listened to the work report of comprehensive risk analysis and management, including asset structure, analysis of risk indicators and profit indicators, analysis of credit risk, industry risk, market risk, operational risk, stress test and other risks and further work arrangements for risk management. The Board of Supervisors suggested that the Company shall attach great importance to the operational risk of HNA Group, and proactively response to avoid negative impact on its future development. The Company shall focus on the relevant risk status of aviation business and strengthen the management and control of overseas subsidiaries. Meanwhile, the Company shall pay full attention to the foreign exchange risk management, to proactively response to the escalating frictions between China and the United States, enhance various risks troubleshooting work and take a firm grasp on daily supervision and management.

EARNESTLY CONDUCTING OTHER MANAGEMENT SUPERVISION

The Board of Supervisors regularly listened to the relevant work report. Based on the analysis of related management status of the Company, the Board of Supervisors suggested that the Company shall strengthen the post-system evaluation management and inspection on the implementation of system, pay attention to the synergy of related party transactions and main business, and accord with the main business when conducting specific business with the related parties. The Company shall also prudently consider the procurement modes from the single source in order to strengthen the single-source procurement management.

OPTIMIZING THE CONSTITUTION OF THE BOARD OF SUPERVISORS AND FULLY IMPLEMENTING THE CHANGE OF THE BOARD OF SUPERVISORS

Firstly, pursuant to the corporate governance needs and external regulatory requirements, the Company has completed the procedures such as addition of employee representative Supervisors of the first session of the Board of Supervisors, structure adjustment of the Board of Supervisors and review and approval at the Shareholders' general meeting, satisfied requirements for regulatory portion of employee representative Supervisors and strengthened the protection of employees' rights and interests by the Board of Supervisors. Secondly, in accordance with the requirements of change of the Board of Supervisors, the legal advisor was organized to continuously research the change plan and completed the procedures for nomination and review of Supervisors of the second session of the Board of Supervisors, review and approval at the Shareholders' general meeting and election of chairman of the Board of Supervisors, ensuring the smooth transition of the Board of Supervisors. Thirdly, the Company has completed the research and review of remuneration plan of the new Board of Supervisors, information disclosure of Supervisors on the Hong Kong Stock Exchange, the signing of supervisor employment contracts and confidential agreements and the appointment of the exclusive legal advisor and financial advisor of the new Board of Supervisors, laying a good foundation for smoothly performing duties of the Board of Supervisors.

By order of the Board of Supervisors of China Development Bank Financial Leasing Co., Ltd.
Zhang Xiaosong
Chairman of the Board of Supervisors
March 25, 2020

► Independent Auditor's Report

► Financial Statements and Notes

Independent Auditor's Report

To the shareholders of China Development Bank Financial Leasing Co., Ltd.
(Established in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of China Development Bank Financial Leasing Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 137 to 248, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
(1) Impairment of finance lease receivables and accounts receivable	
The Group is required to follow International Financial Reporting Standard 9 ("IFRS 9") in assessing impairment of finance lease receivables and accounts receivable at the end of reporting period. The Group applies significant judgements and assumptions in measuring expected credit losses ("ECL"), for example: • Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk are highly dependent on judgement and may have a significant impact on the ECL for finance lease receivables and accounts receivable with longer remaining periods to maturity; • Models and parameters – A three-stage impairment model is used to calculate ECL. For financial lease receivables and accounts receivable classified into stages 1 and 2, the risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default. For finance lease receivables and accounts receivable in stage 3, the management assesses impairment losses by estimating the cash flows from finance lease receivables and accounts receivable;	We evaluated and tested the effectiveness of design and implementation of key controls, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration. We also performed the following substantive procedures for the impairment loss of finance lease receivables and accounts receivable: We adopted a risk-based sampling approach in our credit review procedures. We assessed the lessees' repayment capacity, taking into consideration post-leasing investigation reports, lessees' financial information and other available information. We also assessed credit-impaired accounts receivables similarly. With the support of our internal credit risk modelling experts, we evaluated and tested the important parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects: • Assessed the reasonableness of indicators of significant increase in credit risk, including probability of default changes of the lessees, changes of credit risk categories and others;

Key audit matter	How our audit addressed the key audit matter

(1) Impairment of finance lease receivables and accounts receivable (Continued)

Key audit matter

- Forward-looking information – Judgement is used to create macroeconomic forecasts and to consider the impact to ECL under multiple economic scenarios given different weights;

- Individual impairment assessment – Identifying credit impaired finance lease receivables and accounts receivable requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.

The Group established governance processes and controls for the measurement of ECL.

Since impairment assessment of finance lease receivables and accounts receivable involves many judgements and assumptions, and in view of the significance of the amount (as at 31 December 2019, the net carrying amounts of the Group's finance lease receivables and accounts receivable were RMB141,498 million and RMB2,169 million, respectively, in which allowances for impairment losses of RMB5,656 million and RMB755 million were recorded), impairment of finance lease receivables and accounts receivable is considered a key audit matter.

Relevant disclosures are included in Note 2, 3, 15, 24, 25, 52, 53 to the consolidated financial statements.

How our audit addressed the key audit matter

- Assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure at default, and significant increase in credit risk;

- Assessed the forward-looking information management used to determine ECL, including the forecasts of macroeconomic variables and the assumptions of multiple macroeconomic scenarios;

- Evaluated the models and the related assumptions used in individual impairment assessment and analysed the amount, timing and likelihood of management's estimated future cash flows.

We evaluated the disclosures of credit risk and impairment allowance of finance lease receivables and accounts receivable.

Key audit matter	How our audit addressed the key audit matter
(2) Impairment of equipment held for operating lease business	
The Group applies International Accounting Standard 36 ("IAS 36") for the impairment measurement of equipment held for operating lease business at the end of reporting period. Management identifies operating lease equipment with impairment indicators and measures the recoverable amounts of these assets at the higher of: • fair value based on the market pricing data, less costs of disposal, and • the estimated value in use("VIU") based on the present value of the expected future cash flows from the lease discounted. Judgements and assumptions are used when identifying impairment indicators and determining a rate to discount the expected future cash flows when calculating VIU. The Group established governance processes and controls for the impairment measurement of equipment held for operating lease business. Since management exercises significant judgements during impairment identification and measurement, and in view of the significance of the amount (as at 31 December 2019, the net carrying amounts of the Group's equipment held for operating lease business was RMB72,361 million, and allowances for impairment losses of RMB1,355 million was recorded), impairment of equipment held for operating lease business is considered a key audit matter. Relevant disclosures are included in Note 2, 3, 30 to the consolidated financial statements.	We evaluated and tested the effectiveness of design and implementation of key controls, including those over the timely identification of impairment indicators, review and approval of discount rate and impairment calculation. We also performed the following substantive procedures for the impairment loss of equipment held for operating lease business: • We assessed management's identification of impairment indicators for equipment held for operating lease business. • For fair value less costs of disposal, we compared the carrying amounts of equipment with the publicly available pricing data of the industry less the estimated costs of disposal. • For VIU calculations, we compared the rental used in forecasts of future cash flows against the rental set out in the lease contracts. And with the support of our internal asset valuation experts, we assessed the reasonableness of discount rate used. We evaluated the disclosures of impairment allowance of equipment held for operating lease business.

Other Information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Benny Bing Yin Cheung.

Ernst & Young
Certified Public Accountants

Hong Kong
26 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019
(Amounts in thousands of RMB, unless otherwise stated)

	Notes	Year ended 31 December 2019	2018
Revenue			
Finance lease income	5	8,287,442	7,036,316
Operating lease income	5	8,236,710	6,584,804
Total revenue		16,524,152	13,621,120
Net investment gains	6	220,355	211,662
Other income, gains or losses	7	1,598,730	1,708,528
Total revenue and other income		18,343,237	15,541,310
Depreciation and amortisation	8	(3,738,448)	(2,989,253)
Staff costs	9	(561,884)	(508,889)
Fee and commission expenses	12	(53,912)	(74,559)
Interest expense	13	(7,167,284)	(6,863,247)
Other operating expenses	14	(791,761)	(538,049)
Net impairment losses on financial assets	15	(1,086,571)	(992,118)
Net impairment losses on other assets	16	(950,616)	(300,974)
Total expenses		(14,350,476)	(12,267,089)
Profit before tax		3,992,761	3,274,221
Income tax expense	17	(1,054,636)	(767,237)
Profit for the year attributable to owners of the Company		2,938,125	2,506,984
Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share)			
– Basic	18	0.23	0.20
– Diluted	18	0.23	0.20

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019
(Amounts in thousands of RMB, unless otherwise stated)

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

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019
(Amounts in thousands of RMB, unless otherwise stated)

	Notes	Year ended 31 December 2019	2018
Assets			
Cash and bank balances	19	**21,528,292**	23,497,845
Placement to banks and other financial institutions		**–**	500,000
Financial assets at fair value through profit or loss (FVTPL)	20	**148,774**	1,919,055
Derivative financial assets	21	**32,425**	36,877
Assets held-for-sale	22	**1,585,803**	1,324,969
Financial assets at fair value through other comprehensive income (FVOCI)	23	**–**	495,740
Accounts receivable	24	**2,168,454**	5,405,652
Finance lease receivables	25	**141,498,088**	125,141,605
Prepayments	26	**14,820,598**	12,332,839
Investment properties	29	**990,374**	1,075,266
Property and equipment	30	**73,260,791**	63,038,585
Right-of-use assets	31	**604,509**	–
Deferred tax assets	32	**1,428,924**	1,088,172
Other assets	33	**3,233,636**	2,210,381
Total assets		**261,300,668**	238,066,986
Liabilities			
Borrowings	34	**174,135,636**	157,186,898
Financial assets sold under repurchase agreements		**–**	880,000
Derivative financial liabilities	21	**789,218**	282,711
Accrued staff costs	35	**303,967**	249,855
Bonds payable	36	**42,811,268**	38,596,346
Tax payable		**576,568**	440,571
Lease liabilities	31	**626,523**	–
Deferred tax liabilities	32	**827,334**	614,081
Other liabilities	37	**15,560,912**	15,613,494
Total liabilities		**235,631,426**	213,863,956

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts in thousands of RMB, unless otherwise stated)

	Notes	Year ended 31 December 2019	2018
Equity			
Share capital	38	**12,642,380**	12,642,380
Capital reserve	39	**2,418,689**	2,418,689
Hedging and fair value reserve	40	**(641,994)**	(177,698)
Translation reserve		**293,648**	173,185
General reserves	41	**4,544,432**	4,042,728
Retained earnings	42	**6,412,087**	5,103,746
Total equity		**25,669,242**	24,203,030
Total liabilities and equity		**261,300,668**	238,066,986

The accompanying notes form an integral part of these consolidated financial statements.

The financial statements and the accompanying notes were approved by the Board of Directors on 26 March 2020 and were signed on its behalf.

WANG Xuedong

HUANG Min

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019
(Amounts in thousands of RMB, unless otherwise stated)

		Attributable to the equity holders of the Company						
	Notes	Share capital	Capital reserve	Hedging and fair value reserve	Translation reserve	General reserves	Retained earnings	Total equity
As at 1 January 2019		**12,642,380**	**2,418,689**	**(177,698)**	**173,185**	**4,042,728**	**5,103,746**	**24,203,030**
Profit for the year		–	–	–	–	–	2,938,125	2,938,125
Other comprehensive income for the year	40	–	–	(464,296)	120,463	–	–	(343,833)
Total comprehensive income for the year		–	–	(464,296)	120,463	–	2,938,125	2,594,292
Dividends paid	43	–	–	–	–	–	(1,128,080)	(1,128,080)
Appropriation to general reserves		–	–	–	–	501,704	(501,704)	–
As at 31 December 2019		**12,642,380**	**2,418,689**	**(641,994)**	**293,648**	**4,544,432**	**6,412,087**	**25,669,242**
As at 1 January 2018		12,642,380	2,418,689	(9,305)	(116,124)	3,188,170	4,418,388	22,542,198
Profit for the year		–	–	–	–	–	2,506,984	2,506,984
Other comprehensive income for the year	40	–	–	(168,393)	289,309	–	–	120,916
Total comprehensive income for the year		–	–	(168,393)	289,309	–	2,506,984	2,627,900
Dividends paid	43	–	–	–	–	–	(967,068)	(967,068)
Appropriation to general reserves		–	–	–	–	854,558	(854,558)	–
As at 31 December 2018		12,642,380	2,418,689	(177,698)	173,185	4,042,728	5,103,746	24,203,030

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019
(Amounts in thousands of RMB, unless otherwise stated)

	Notes	Year ended 31 December 2019	2018
OPERATING ACTIVITIES			
Profit before tax		**3,992,761**	3,274,221
Adjustments for:			
Bonds payable interest expense	13	**1,665,514**	1,244,488
Lease liabilities interest expense	31	**19,327**	–
Depreciation and amortisation	8	**3,738,448**	2,989,253
Net impairment losses on financial assets	15	**1,086,571**	992,118
Net impairment losses on other assets	16	**950,616**	300,974
Amortisation income of lease discount liabilities		**(67,245)**	–
Gains on disposal of equipment held for operating lease businesses	7	**(533,089)**	(651,418)
Losses on disposal of property and equipment held for administrative purposes		**154**	–
Gains on disposal of finance lease receivables	6	**(175,938)**	(8,839)
Gains on disposal of subsidiaries	6	**(19,747)**	–
Realised losses from derivatives	6	**241**	–
Realised gains from FVTPL	6	**(282,643)**	(8,961)
Realised gains from FVOCI	6	**(1,488)**	(75,757)
Unrealised fair value changes in derivatives	6	**17,138**	(4,613)
Unrealised fair value changes in FVTPL	6	**242,082**	(113,492)
Operating cash flows before movements in working capital		**10,632,702**	7,937,974
Decrease/(increase) in mandatory reserve deposits with central bank		**17,847**	(71,463)
Decrease in accounts receivable		**3,145,455**	787,028
Increase in finance lease receivables		**(17,356,426)**	(28,297,989)
Increase in other assets		**(735,729)**	(380,979)
Increase in borrowings		**16,080,025**	40,941,793
Decrease in financial assets sold under repurchase agreements		**(880,000)**	(1,150,000)
Increase in accrued staff costs		**54,112**	89,349
(Decrease)/increase in other liabilities		**(59,980)**	3,889,786
Cash inflow from operating activities		**10,898,006**	23,745,499
Income taxes paid		**(995,314)**	(802,691)
NET CASH INFLOW FROM OPERATING ACTIVITIES		**9,902,692**	22,942,808

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts in thousands of RMB, unless otherwise stated)

	Notes	Year ended 31 December 2019	2018
INVESTING ACTIVITIES			
Change in pledged and restricted bank deposits		3,522,024	(4,346,891)
Purchase of FVOCI		–	(1,845,922)
Purchase of FVTPL		–	(675,410)
Proceeds from disposal/maturity of FVTPL		1,782,402	896,128
Proceeds from disposal/maturity of FVOCI		701,425	1,717,799
Proceeds from disposal of property and equipment		4,204,247	7,301,667
Purchase of property and equipment		(20,365,075)	(26,015,684)
Proceeds from disposal of subsidiaries	28	17,928	–
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(10,137,049)	(22,968,313)
FINANCING ACTIVITIES			
Proceeds from issue of bonds payable		8,977,833	8,679,659
Repayments of bonds payable		(5,007,581)	(3,500,000)
Bonds issuance cost		(21,958)	(130,946)
Bonds interest paid		(1,645,278)	(1,241,856)
Dividends paid	43	(1,128,080)	(973,397)
Decrease in lease liabilities		(94,275)	–
NET CASH INFLOW FROM FINANCING ACTIVITIES		1,080,661	2,833,460
NET INCREASE IN CASH AND CASH EQUIVALENTS		846,304	2,807,955
Effects of foreign exchange changes		224,013	564,464
Cash and cash equivalents at beginning of the year		18,375,210	15,002,791
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	45	19,445,527	18,375,210
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		8,760,567	7,393,296
Interest paid, exclusive bonds payable interest expenses		(5,666,214)	(4,841,388)
Net interest received		3,094,353	2,551,908

The accompanying notes form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

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

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

Financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Assets that meet the criteria to be classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Other accounting items are measured at their historical costs. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 Significant accounting judgements, estimates and assumptions.

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

2.2 New and amended standards and interpretations

2.2.1 New and amended standards and interpretations have been adopted

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and amended standards and interpretations (Continued)

2.2.1 New and amended standards and interpretations have been adopted (Continued)

(a) Adoption of IFRS 16

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

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

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

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

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

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

(Amounts in thousands of RMB, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and amended standards and interpretations (Continued)

2.2.1 New and amended standards and interpretations have been adopted (Continued)

(a) Adoption of IFRS 16 (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition

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

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

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

Assets	
Increase in right-of-use assets	187,077
Liabilities	
Increase in lease liabilities	187,077

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and amended standards and interpretations (Continued)

2.2.2 Standards, amendments and interpretations that are not yet effective

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and amended standards and interpretations (Continued)

2.2.2 Standards, amendments and interpretations that are not yet effective (Continued)

Amendments to IFRS 3: Definition of a Business

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

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

Amendments to IAS 1 and IAS 8: Definition of Material

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

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

Amendments to IFRS 9, IAS 39 and IFRS 7

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

Amendments to IFRS 10 and IAS 28

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the entities (including structured entities) directly or indirectly controlled by the Company. Control is achieved if and only if the Company has all the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(Amounts in thousands of RMB, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Changes in accounting estimates

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income taxes" and IAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" are measured at fair value less costs to sell in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less accumulated impairment losses, if any.

2.7 Revenue recognition

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

- Operating lease income is recognised on a straight-line basis over the term of the relevant lease;

- Finance lease income is recognised as revenue in each period according to the effective interest rate method during the lease term;

- Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;

- Other income mainly includes consultancy fee income, management and commission fee income and gains on disposal of equipment held for operating lease business. Consultancy fee income is recognised in accordance with the terms of the contract when the relevant services have been rendered. Management and commission fee income is recognised in accordance with the management service contracts and by reference to the agreed rate of management fee on a daily basis. Gains on disposal of equipment held for operating leasing business is recognised as income when control of the related equipment has transferred, being when the equipment is delivered to the buyer and there is no unfulfilled obligation that could affect the buyer's acceptance of the equipment.

2.8 Leases (Policy applicable before 1 January 2019)

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

2.8.1 The Group as lessee under operating leases

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

(Amounts in thousands of RMB, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Leases (Policy applicable before 1 January 2019) (Continued)

2.8.2 The Group as lessor under operating leases

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

2.8.3 The Group as lessor under finance leases

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

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

2.9 Leases (Policy applicable from 1 January 2019)

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

2.9.1 Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term as follows:

	Lease term
Properties	15 – 229 months
Aircraft	134 months

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.19 "Impairment on non-financial assets".

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Leases (Policy applicable from 1 January 2019) (Continued)

2.9.1 Group as a lessee (Continued)

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Leases (Policy applicable from 1 January 2019) (Continued)

2.9.2 Group as a lessor

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

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

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

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

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

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

2.10 Cash and cash equivalents

Cash and cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Foreign currencies

The Group's consolidated financial statements are presented in RMB, which is also the parent company's functional currency. The Company's subsidiaries choose their functional currency on the basis of the primary economic environment in which they operate.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for (I) exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation; (II) exchange differences arising from the changes of the fair value of monetary assets classified as financial assets at fair value through other comprehensive income (other than the changes relating to the amortised cost of the monetary assets) which are recognised in other comprehensive income and accumulated in equity.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they occur.

2.13 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.14 Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability.

2.14.1 Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

2.14.2 Annuity scheme – defined contribution plan

The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.15.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.15.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Taxation (Continued)

2.15.2 Deferred tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.16 Property and equipment

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Property and equipment (Continued)

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

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

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

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

Both lease premium assets and maintenance rights assets are presented under other assets (Note 33).

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

(Amounts in thousands of RMB, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Property and equipment (Continued)

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

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

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

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

2.17 Investment properties

Investment properties are properties held to earn rentals.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

The estimate residual value rate and useful life of investment properties are 5% and 20 – 40 years respectively.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

2.19 Impairment on non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Impairment on non-financial assets (Continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

2.20 Provisions

Provisions are recognised when the Group has a present obligation related to a contingency such as action at law, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

2.21 Non-current assets held-for-sale and discounted operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Financial instruments

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

2.22.1 Determination of fair value

Fair value is determined in the manner described in Note 55 Fair value of the financial instruments.

2.22.2 Effective interest method

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

2.22.3 Classification, recognition and measurement of financial assets

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

Financial assets at amortised cost

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Financial instruments (Continued)

2.22.3 Classification, recognition and measurement of financial assets (Continued)

Financial assets at fair value through other comprehensive income

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at fair value through profit or loss

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

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

Equity instruments

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Financial instruments (Continued)

2.22.4 Impairment of financial assets

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

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

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

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;

- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL over the lifetime of the financial instruments.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Financial instruments (Continued)

2.22.4 Impairment of financial assets (Continued)

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Financial instruments (Continued)

2.22.4 Impairment of financial assets (Continued)

Definition of credit-impaired financial asset

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

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

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

Parameters of the ECL measurement

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Financial instruments (Continued)

2.22.5 Transfer of financial assets

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

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

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

2.22.6 Classification, recognition and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Financial instruments (Continued)

2.22.6 Classification, recognition and measurement of financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

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

Other financial liabilities

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

2.22.7 Derecognition of financial liabilities

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

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

2.23 Derivatives financial instruments and hedge accounting

2.23.1 Initial recognition and subsequent measurement

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

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

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

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

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

- Hedges of a net investment in a foreign operation.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Derivatives financial instruments and hedge accounting (Continued)

2.23.1 Initial recognition and subsequent measurement (Continued)

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

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

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

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

2.23.2 Cash flow hedges

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

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

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

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

2.24 Dividend payable

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of accounting policies as set out in Note 2, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, estimate and key assumptions that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognised in the consolidated financial statements:

3.1 Impairment loss for finance lease receivables and accounts receivable

The Group uses a number of models and assumptions when estimating the impairment allowance under IFRS 9 of finance lease receivables and accounts receivable at the balance sheet date, for example:

- Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk are highly dependent on judgement and may have a significant impact on the ECL for finance lease receivables and accounts receivable with longer remaining periods to maturity;

- Models and parameters – A three-stage impairment model is used to calculate ECL. For financial lease receivables and accounts receivable classified into stages 1 and 2, the model incorporates key parameters, including probability of default, loss given default and exposure at default. For finance lease receivables and accounts receivable in stage 3, the management assesses impairment losses by estimating the cash flows from finance lease receivables and accounts receivable;

- Forward-looking information – Judgement is used to create macroeconomic forecasts and to consider the impact to ECL under multiple economic scenarios given different weights.

The Group established governance processes and controls for the measurement of ECL.

Relevant disclosures are included in Note 53.2.2 to the consolidated financial statements.

3.2 Impairment loss for equipment held for operating lease business

The majority of the Group's equipment held for operating lease business are aircraft. According to the accounting policy stated in Note 2.19, management makes judgement regarding whether there is any indicator of assets impairment at the financial reporting date, and measures the recoverable amount of any assets with impairment indicators. The recoverable amount is the higher of the net amount of assets' fair value minus the cost of disposal, and the estimated value in use. These measurements involve estimation.

(Amounts in thousands of RMB, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.3 Depreciation of operating lease assets

The Group calculates depreciation expense of operating lease assets based on management's assumption on their useful life and residual value. The useful lives and the residual value of operating lease assets reflect the future economic benefit obtained from the use of the operating lease assets and the benefit from disposal estimated by the Group's management. The estimation may differ due to actual physical wear and tear of the assets, changes of the technology innovation and market competition.

3.4 Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

3.5 Fair value of financial instruments

The Group has adopted valuation models to calculate the fair value for the financial instrument without active market price. Such valuation models include discounted cash flow model and other valuation models. In practice, the discounted cash flow model only uses the observable data whenever possible, however, the management still needs to make assumption regarding the factors, such as counterparty's credit risk, market volatility and correlations. The estimated fair value of the financial instruments will be affected for any changes of the above factors.

3.6 Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as the present values of the minimum lease payments of the lease amount to at least substantially all of the fair value of the assets held for lease businesses at the inception of the leases. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statements of financial position and has instead, recognised finance lease receivables (Note 25). On the other hand, the Group includes the assets held for lease businesses under operating lease in property and equipment, and investment properties. The determination of whether the Group has transferred substantially all the risks and rewards incident to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgements by management.

4 TAXATION

The principal income and other taxes to which the Group is subject are listed below:

Taxes	Tax basis	Statutory rates
PRC corporate income tax	Taxable income	25%
Major income tax in other countries	Taxable income	12.5%, 16.5%
Value-added tax	Taxable added value	13%, 16%, 9%, 10%, 6%, 5% and 3%
City construction and maintenance tax	Turnover tax paid	1% and 7%
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	2%

(Amounts in thousands of RMB, unless otherwise stated)

5 TOTAL REVENUE

	Year ended 31 December	
	2019	2018
Finance lease income [1]	8,287,442	7,036,316
Operating lease income	8,236,710	6,584,804
	16,524,152	13,621,120

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

6 NET INVESTMENT GAINS

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

7 OTHER INCOME, GAINS OR LOSSES

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

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

(Amounts in thousands of RMB, unless otherwise stated)

7 OTHER INCOME, GAINS OR LOSSES (Continued)

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

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

8 DEPRECIATION AND AMORTISATION

	Year ended 31 December	
	2019	2018
Depreciation of property and equipment	**3,549,315**	2,932,005
Depreciation of right-of-use assets	**96,963**	–
Depreciation of investment properties	**37,169**	41,164
Amortisation of lease premium assets	**37,119**	–
Amortisation of land use rights	**10,174**	10,232
Amortisation of prepaid expenses	**1,970**	1,814
Amortisation of other intangible assets	**5,738**	4,038
	3,738,448	2,989,253

9 STAFF COSTS

	Year ended 31 December	
	2019	2018
Salaries, bonus and allowances	**412,619**	394,561
Social welfare [(1)]	**110,616**	53,593
Defined contribution plans – annuity schemes	**19,363**	44,135
Others	**19,286**	16,600
	561,884	508,889

The staff costs here include the emoluments of the directors and supervisors as disclosed in note 10 below.

(1) According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred. The domestic employees of the Group in the PRC participate in a state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, operated by the relevant municipal and provincial governments.

(Amounts in thousands of RMB, unless otherwise stated)

10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid and/or payable by the Group are set out below:

For the year ended 31 December 2019

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Wang Xuedong (i)	–	986	111	1,208	2,305
Peng Zhong (ii)	–	936	106	895	1,937
Huang Min (iii)	–	874	98	1,062	2,034
Non-executive Directors:					
Li Yingbao (iv)	–	–	–	–	–
Wang Bangyi (v)	–	–	–	–	–
Wang Ying (vi)	–	–	–	–	–
Independent non-executive Directors:					
Zheng Xueding (vii)	330	–	–	–	330
Xu Jin (vii)	330	–	–	–	330
Zhang Xianchu (vii)	330	–	–	–	330
Supervisors:					
Ma Yongyi (viii)	–	225	–	–	225
Huang Xuemei (ix)	–	896	69	607	1,572
Wang Yiyun (x)	–	634	49	424	1,107
Zhang Xiaosong (xi)	–	–	–	–	–
Zhong Qinglin (xi)	–	–	–	–	–
	990	4,551	433	4,196	10,170

(Amounts in thousands of RMB, unless otherwise stated)

10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2018

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Wang Xuedong (i)	–	875	86	1,192	2,153
Huang Min (iii)	–	711	72	994	1,777
Non-executive Directors:					
Li Yingbao (iv)	–	–	–	–	–
Independent non-executive Directors:					
Zheng Xueding (vi)	330	–	–	–	330
Xu Jin (vi)	330	–	–	–	330
Zhang Xianchu (vi)	330	–	–	–	330
Supervisors:					
Zhuang Ganlang (xii)	–	504	38	214	756
Huang Xuemei (ix)	–	758	68	647	1,473
Jiang Daozhen (ix)	–	255	21	950	1,226
Sun Zhikun (xiii)	–	–	–	–	–
Lei Yanzheng (xiv)	–	–	–	–	–
Ma Yongyi (viii)	–	150	–	–	150
	990	3,253	285	3,997	8,525

10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

(i) Wang Xuedong was appointed as executive director and CEO in October 2014 and approved by Shenzhen Office of CBIRC in January 2015.

(ii) Peng Zhong was appointed as executive director in November 2019 and approved by Shenzhen Office of CBIRC in January 2020.

(iii) Huang Min was appointed as executive directors in September 2015.

(iv) Li Yingbao were appointed as non-executive directors in September 2015.

(v) Wang Bangyi was appointed as non-executive directors in November 2019 and approved by Shenzhen Office of CBIRC in December 2019.

(vi) Wang Ying was appointed as non-executive director in November 2019 and approved by Shenzhen Office of CBIRC in January 2020.

(vii) Zheng Xueding, Xu Jin and Zhang Xianchu were appointed as independent non-executive directors in June 2016.

(viii) Ma Yongyi was appointed as supervisor in February 2018.

(ix) Huang Xuemei and Jiang Daozhen were appointed as supervisors in May 2015.

(x) Wang Yiyun was appointed as supervisor in July 2019.

(xi) Zhang Xiaosong and Zhong Qinglin were appointed as supervisors in November 2019.

(xii) Zhuang Ganlang was appointed as supervisor in September 2015. Zhuang Ganlang resigned in February 2018.

(xiii) Sun Zhikun was appointed as supervisor in June 2015. Sun Zhikun resigned in June 2019.

(xiv) Lei Yanzheng was appointed as supervisor in December 2013. Lei Yanzheng resigned in November 2019.

The Company did not operate any share option scheme during the years of 2019 and 2018.

The bonuses are discretionary and determined with reference to the Group's and the individuals' performance.

During the years of 2019 and 2018, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(Amounts in thousands of RMB, unless otherwise stated)

11 HIGHEST PAID INDIVIDUALS

None of the five individuals with the highest emoluments is the director of the Group for the year ended 31 December 2019 (none for the year end 31 December 2018). Details of the emoluments of the five highest paid employees during the years of 2019 and 2018 are as follows:

	Year ended 31 December	
	2019	2018
Basic salaries and allowances	37,782	28,006
Bonuses	43,795	26,097
Employer's contribution to pension schemes	1,265	1,424
	82,842	55,527

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year of 2019 and 2018.

The emoluments of the five highest paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2019 No. of employees	2018 No. of employees
Emolument bands		
– HKD7,000,001 to HKD8,000,000	–	1
– HKD9,000,001 to HKD10,000,000	1	1
– HKD10,000,001 to HKD11,000,000	1	–
– HKD11,000,001 to HKD12,000,000	–	1
– HKD13,000,001 to HKD14,000,000	1	–
– HKD18,000,001 to HKD19,000,000	–	1
– HKD19,000,001 to HKD20,000,000	–	1
– HKD21,000,001 to HKD22,000,000	1	–
– HKD38,000,001 to HKD39,000,000	1	–

The above personnel are employees of overseas aviation subsidiaries, and their remuneration standards are determined according to international market standards.

(Amounts in thousands of RMB, unless otherwise stated)

12 FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2019	2018
Business collaboration fee for leasing projects	32,515	31,222
Bank charges	21,397	43,337
	53,912	74,559

13 INTEREST EXPENSE

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

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

14 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2019	2018
Service fees of operating lease ship business	185,386	37,692
Taxes and surcharges	81,394	91,119
Business travel and transportation expenses	46,157	47,406
Auditor's remuneration	13,419	9,423
Minimum lease payments under operating leases	–	45,697
Lease payments not-included in the measurement of lease liabilities	6,155	–
Expenses and losses associated with repossession and maintenance of aircraft	276,237	42,469
Operating lease rentals in respect of rented aircraft	–	77,943
Sundry expenses	183,013	186,300
	791,761	538,049

(Amounts in thousands of RMB, unless otherwise stated)

15 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December	
	2019	2018
Finance lease receivables	992,333	773,735
Accounts receivable	91,743	216,092
Others	2,495	2,291
	1,086,571	992,118

16 NET IMPAIRMENT LOSSES ON OTHER ASSETS

	Year ended 31 December	
	2019	2018
Equipment held for operating lease businesses	902,893	209,308
Investment properties	47,723	91,666
	950,616	300,974

17 INCOME TAX EXPENSE

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

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

(Amounts in thousands of RMB, unless otherwise stated)

17 INCOME TAX EXPENSE (Continued)

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

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

18 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

19 CASH AND BANK BALANCES

	31 December 2019	31 December 2018
Pledged and restricted bank deposits (1)	1,675,517	5,197,540
Mandatory reserve deposits with central bank (2)	407,248	425,095
Surplus reserve deposits with central bank (3)	43,423	5,404
Cash and bank balances	19,402,104	17,869,806
	21,528,292	23,497,845

(1) There are no bank deposits were pledged as collateral for the Group's bank borrowings as at 31 December 2019 (31 December 2018: RMB3,682,759,000) (Note 34).

The bank deposits amounting to approximately RMB1,675,517,000 (31 December 2018: RMB1,514,781,000) were restricted for use, which represented the guaranteed deposit of approximately RMB127,902,000 held by the Group in relation to the financial lease receivables transferred as at 31 December 2019 (31 December 2018: RMB287,159,000), RMB1,460,615,000 in relation to the borrowings as at 31 December 2019 (31 December 2018: RMB1,070,102,000), and RMB87,000,000 in relation to the notes payable as at 31 December 2019 (31 December 2018: RMB157,520,000), respectively.

(2) The Group places mandatory reserve deposits in the PBOC, which include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

(3) Surplus reserve deposits primarily represent deposits maintained with the PBOC in addition to the mandatory reserve deposits.

(Amounts in thousands of RMB, unless otherwise stated)

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

	31 December 2019	31 December 2018
Measured at fair value:		
Assets management schemes, unlisted [(1)]	–	1,749,642
Equity investment, unlisted	148,774	169,413
	148,774	1,919,055

(1) As at 31 December 2018, the assets management schemes were issued and managed by non-bank financial institutions, which mainly invest on debt securities listed on exchanges and Interbank Bond Market in the PRC. The assets management schemes were classified as financial assets at fair value through profit or loss as they were managed and their performance were evaluated on a fair value basis, in accordance with the investment strategy, and information about the schemes were provided internally on that basis to the Group's key management personnel.

21 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	Contractual/ Notional amount	31 December 2018 Fair value	
		Assets	Liabilities
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	17,694,858	35,006	(265,775)
Cash flow hedge – cross currency swaps	1,679,195	191	(3,039)
Derivatives not under hedge accounting:			
Currency forwards	4,255,184	–	(13,897)
Interest rate swaps	638,319	1,680	–
	24,267,556	36,877	(282,711)

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

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

(Amounts in thousands of RMB, unless otherwise stated)

21 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

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

			Hedge rates		
	Outstanding notional amounts	Assets/ (Liabilities)	USD interest rates (p.a.)	Foreign currency rates	Maturity (Year)
31 December 2018					
Cash flow hedge					
Interest rate swaps (1)					
USD	17,694,858	(230,769)	1.55% to 4.45%	–	2019 to 2028
Cross currency swaps (2)					
HKD-USD	1,679,195	(2,848)	3.83% to 3.9625%	USD1:HKD7.8282 to USD1:HKD7.8376	2020 to 2021

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

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

(Amounts in thousands of RMB, unless otherwise stated)

22 ASSETS HELD-FOR-SALE

As at 31 December 2019, the directors of the Group decided to sell six aircraft, which were originally acquired for operating lease business. There are several interested parties and the sales are expected to be completed in 2020.

	31 December 2019	31 December 2018
Aircraft	1,585,803	1,324,969

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

	31 December 2019	31 December 2018
Measured at fair value:		
Certificate of deposits-listed	–	495,740

24 ACCOUNTS RECEIVABLE

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

24 ACCOUNTS RECEIVABLE (Continued)

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

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Amount as at 1 January 2019	**4,622,632**	**–**	**715,659**	**5,338,291**
Movement within stages	**–**	**–**	**–**	**–**
Transfer out to finance lease receivables	**–**	**–**	**–**	**–**
New assets originated/(repayment)	**(3,122,632)**	**–**	**–**	**(3,122,632)**
Amount as at 31 December 2019	**1,500,000**	**–**	**715,659**	**2,215,659**

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

(Amounts in thousands of RMB, unless otherwise stated)

24 ACCOUNTS RECEIVABLE (Continued)

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

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2019	15,432	–	643,501	658,933
Movement within stages	–	–	–	–
Transfer out to finance lease receivables	–	–	–	–
Net increase/(decrease) [(1)]	(10,059)	–	–	(10,059)
Charge/(recovered) for the year [(2)]	(289)	–	72,158	71,869
Amount as at 31 December 2019	5,084	–	715,659	720,743

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2018	18,437	427,918	–	446,355
Movement within stages:				
Move to stage 3	–	(427,918)	427,918	–
Transfer out to finance lease receivables	(3,983)	–	–	(3,983)
Net increase/(decrease) [(1)]	(609)	–	–	(609)
Charge/(recovered) for the year [(2)]	1,587	–	215,583	217,170
Amount as at 31 December 2018	15,432	–	643,501	658,933

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

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

(Amounts in thousands of RMB, unless otherwise stated)

25 FINANCE LEASE RECEIVABLES

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

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

The finance lease receivables with carrying amount of approximately RMB3,557,488,000 were pledged as collateral for the Group's bank borrowings as at 31 December 2019 (31 December 2018: RMB6,172,480,000) (Note 34).

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

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

(Amounts in thousands of RMB, unless otherwise stated)

25 FINANCE LEASE RECEIVABLES (Continued)

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

	Stage 1	Stage 2	Stage 3	Total
Present value of minimum finance lease receivables				
Amount as at 1 January 2019	110,544,074	17,671,497	1,601,560	129,817,131
Movement within stages:				
Move to stage 1	822,637	(822,637)	–	–
Move to stage 2	(5,473,192)	5,473,192	–	–
Move to stage 3	(120,292)	(155,139)	275,431	–
Transfer in from accounts receivable	–	–	–	–
Net assets originated/(repayment)	20,823,885	(3,613,241)	(54,147)	17,156,497
Written-off	–	–	(18,654)	(18,654)
Effect of foreign currency exchange differences	197,499	810	311	198,620
Amount as at 31 December 2019	126,794,611	18,554,482	1,804,501	147,153,594

	Stage 1	Stage 2	Stage 3	Total
Present value of minimum finance lease receivables				
Amount as at 1 January 2018	88,319,018	11,947,616	1,418,012	101,684,646
Movement within stages:				
Move to stage 1	2,917,519	(2,917,519)	–	–
Move to stage 2	(12,521,425)	12,521,425	–	–
Move to stage 3	–	(207,846)	207,846	–
Transfer in from accounts receivable	1,020,683	–	–	1,020,683
Net assets originated/(repayment)	30,092,860	(3,700,682)	(24,298)	26,367,880
Effect of foreign currency exchange differences	715,419	28,503	–	743,922
Amount as at 31 December 2018	110,544,074	17,671,497	1,601,560	129,817,131

(Amounts in thousands of RMB, unless otherwise stated)

25 FINANCE LEASE RECEIVABLES (Continued)

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

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2019	1,142,718	2,102,878	1,429,930	4,675,526
Movement within stages:				
Move to stage 1	187,033	(187,033)	–	–
Move to stage 2	(108,768)	108,768	–	–
Move to stage 3	(2,320)	(7,662)	9,982	–
Transfer in from accounts receivable	–	–	–	–
Net increase/(decrease) [1]	343,724	(873,101)	(13,655)	(543,032)
Charge/(recovered) for the year [2]	(269,881)	1,529,021	276,225	1,535,365
Written-off	–	–	(18,654)	(18,654)
Effect of foreign currency exchange differences	5,782	308	211	6,301
Amount as at 31 December 2019	1,298,288	2,673,179	1,684,039	5,655,506

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2018	778,351	2,032,950	1,072,621	3,883,922
Movement within stages:				
Move to stage 1	476,023	(476,023)	–	–
Move to stage 2	(113,520)	113,520	–	–
Move to stage 3	–	(21,835)	21,835	–
Transfer in from accounts receivable	3,983	–	–	3,983
Net increase/(decrease) [1]	340,542	(634,658)	141,990	(152,126)
Charge/(recovered) for the year [2]	(358,373)	1,086,767	193,484	921,878
Effect of foreign currency exchange differences	15,712	2,157	–	17,869
Amount as at 31 December 2018	1,142,718	2,102,878	1,429,930	4,675,526

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

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

26 PREPAYMENTS

	31 December 2019	31 December 2018
Prepayments for operating lease assets purchases [1]	14,820,598	12,332,839

(1) As of 31 December 2019, the balance of prepayment to The Boeing Company amounted to RMB5,540 million (31 December 2018: RMB4,983 million).

(Amounts in thousands of RMB, unless otherwise stated)

27 INVESTMENTS IN SUBSIDIARIES

The following is a list of principal subsidiaries, which are all limited liability companies, at 31 December 2019:

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal Activities
SFL-4 Limited	Cayman Islands 5 June 2007	100	100	USD1,000	Aircraft leasing
SFL-6 Limited	Cayman Islands 3 August 2007	100	100	USD1,000	Aircraft leasing
CLC-2 Limited	Cayman Islands 26 May 2008	100	100	USD1,000	Aircraft leasing
Aviation Capital Limited	Cayman Islands 8 September 2008	100	100	USD1,000	Aircraft leasing
CDB Aviation Lease Finance Designated Activity Company	Ireland 2 July 2009	100	100	USD50,000,000	Aircraft leasing/ Management
CDB Leasing (International) Company Limited	HK 3 September 2009	100	100	HKD10,000	Ship leasing
國銀飛機租賃(上海)有限公司 CLC Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 24 November 2010	100	100	RMB5,000,000	Aircraft leasing
國銀卓飛飛機租賃(天津)有限公司 CLC Zhuofei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100	100	RMB500,000	Aircraft leasing
國銀盛飛飛機租賃(天津)有限公司 CLC Shengfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 7 November 2012	100	100	RMB500,000	Aircraft leasing
國銀捷飛飛機租賃(天津)有限公司 CLC Jiefei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 7 November 2012	100	100	RMB500,000	Aircraft leasing
國銀宇飛飛機租賃(天津)有限公司 CLC Yufei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2012	100	100	RMB500,000	Aircraft leasing
國銀航辰飛機租賃(天津)有限公司 CLC Hangchen Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 3 July 2013	100	100	RMB500,000	Aircraft leasing
國銀航暉飛機租賃(天津)有限公司 CLC Hanghui Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 3 July 2013	100	100	RMB500,000	Aircraft leasing
國銀航宇飛機租賃(天津)有限公司 CLC Hangyu Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航凱飛機租賃(天津)有限公司 CLC Hangkai Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing

(Amounts in thousands of RMB, unless otherwise stated)

27 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal Activities
國銀航雲飛機租賃(天津)有限公司 CLC Hangyun Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航進飛機租賃(天津)有限公司 CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航皓飛機租賃(天津)有限公司 CLC Hanghao Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航傑飛機租賃(天津)有限公司 CLC Hangjie Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航軒飛機租賃(天津)有限公司 CLC Hangxuan Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航川飛機租賃(天津)有限公司 CLC Hangchuan Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航坤飛機租賃(天津)有限公司 CLC Hangkun Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航隆飛機租賃(天津)有限公司 CLC Hanglong Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航慶飛機租賃(天津)有限公司 CLC Hangqing Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航遠飛機租賃(天津)有限公司 CLC Hangyuan Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航際飛機租賃(天津)有限公司 CLC Hangji Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航鑫飛機租賃(天津)有限公司 CLC Hangxin Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航錦飛機租賃(天津)有限公司 CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航通飛機租賃(天津)有限公司 CLC Hangtong Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀慧天(廈門)飛機租賃有限公司 CLC Huitian Aircraft Leasing (Xiamen) Co., Ltd.*	PRC 10 August 2015	100	100	RMB100,000	Aircraft leasing

* These subsidiaries do not have official English names. English translated names are for identification only.

The above table lists the subsidiaries of the Group which, in opinion of the management of the Group, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

(Amounts in thousands of RMB, unless otherwise stated)

28 DISPOSAL OF SUBSIDIARIES

	31 December 2019
Net assets disposed of:	
Property and equipment	2,210
Cash and bank balances	10,098
FVTPL	28,200
Deferred tax liabilities	(3,800)
Accruals and other payables	(6,931)
Tax payable	(51)
	29,726
Gain on disposal of subsidiaries	19,300
	49,026
Satisfied by:	
Cash	28,026
Other receivables	21,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	31 December 2019
Cash consideration	28,026
Cash and bank balances disposed of	(10,098)
Net inflow of cash and cash equivalents in respect of the disposal subsidiaries	17,928

(Amounts in thousands of RMB, unless otherwise stated)

29 INVESTMENT PROPERTIES

	31 December 2019	31 December 2018
Cost		
At the beginning of the year	1,282,616	1,060,753
Additions	–	414,308
Transfer to property and equipment	–	(192,445)
At the end of the year	1,282,616	1,282,616
Accumulated depreciation		
At the beginning of the year	(115,684)	(76,044)
Charge for the year	(37,169)	(41,164)
Transfer to property and equipment	–	1,524
At the end of the year	(152,853)	(115,684)
Accumulated impairment		
At the beginning of the year	(91,666)	–
Charge for the year	(47,723)	(91,666)
At the end of the year	(139,389)	(91,666)
Net carrying amount		
At the beginning of the year	1,075,266	984,709
At the end of the year	990,374	1,075,266

Due to the high vacancy rate and decreasing rent in the market, one investment property that the Group held recognised an impairment. According to the recoverable amount of the investment property with a carrying value of RMB67,075,328 valued at the end of 2019 by independent qualified asset appraiser, impairment of approximately RMB47,723,000 was recognised to the investment property in the year of 2019 (2018: RMB91,666,000) and the impairment balance reached approximately RMB139,389,000 as at 31 December 2019 (31 December 2018: RMB91,666,000).

The Group recognised the operating lease income of approximately RMB113,288,000 from investment properties in the year of 2019 (2018: RMB105,560,000) which is disclosed in Note 5.

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

(Amounts in thousands of RMB, unless otherwise stated)

30 PROPERTY AND EQUIPMENT

Equipment held for operating lease businesses

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

(Amounts in thousands of RMB, unless otherwise stated)

30 PROPERTY AND EQUIPMENT (Continued)

Equipment held for operating lease businesses (Continued)

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

The aircraft with net book value of approximately RMB23,522,445,000 of the Group were pledged as collateral for the Group's bank borrowings as at 31 December 2019 (31 December 2018: RMB29,162,159,000) (Note 34).

(Amounts in thousands of RMB, unless otherwise stated)

30 PROPERTY AND EQUIPMENT (Continued)

Property and equipment held for administrative purposes

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

(Amounts in thousands of RMB, unless otherwise stated)

30 PROPERTY AND EQUIPMENT (Continued)

Property and equipment held for administrative purposes (Continued)

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

(Amounts in thousands of RMB, unless otherwise stated)

30 PROPERTY AND EQUIPMENT (Continued)

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

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

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

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

31 LEASES

The Group as a lessee

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties	Aircraft	Total
As at 1 January 2019	187,077	–	187,077
Additions	11,443	495,084	506,527
Depreciation charge	(28,254)	(68,709)	(96,963)
Foreign currency translation	2,524	5,344	7,868
As at 31 December 2019	172,790	431,719	604,509

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease Liabilities 2019
Carrying amount at 1 January	187,077
New leases	463,754
Accretion of interest recognised during the year	19,327
Payments	(51,768)
Foreign currency translation	8,133
Carrying amount at 31 December	626,523

(Amounts in thousands of RMB, unless otherwise stated)

31 LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019
Interest on lease liabilities	19,327
Depreciation charge of right-of-use assets	96,963
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	6,141
Expense relating to leases of low-value assets (included in administrative expenses)	14
Total amount recognised in profit or loss	122,445

(d) Purchase options

The Group has several lease contracts that include purchase options. The Group plans to execute the purchase option at the end of the lease term and the depreciation of the related right-of-use asset is calculated using the estimated useful life of the asset.

The Group acts as lessee for three aircraft, which are currently leased through the Group to an international airline using a lease in lease out structure (LILO). A right-of-use asset was calculated based on the discounted future lease payments. The Group will require all three aircraft in 2020 and will continue to lease these to the current international airline.

The Group as a lessor

The Group leases its investment properties (Note 29) and property and equipment (Note 30) consisting of aircraft, ships, special equipment and buildings under operating lease arrangements. The terms of the leases generally require the lessees to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB8,237 million (2018: RMB6,585 million), details of which are included in Note 5 to the financial statements.

As at 31 December 2019 and 2018, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December 2019	31 December 2018
Within one year	7,151,250	7,370,279
After one year but within two years	6,778,691	3,541,528
After two years but within three years	6,019,768	6,468,142
After three years but within four years	5,706,628	5,508,000
After four years but within five years	4,887,734	6,744,463
After five years	17,185,498	14,345,144
	47,729,569	43,977,556

(Amounts in thousands of RMB, unless otherwise stated)

32 DEFERRED TAXATION

For presentation purpose, certain deferred tax assets and deferred tax liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	31 December 2019	31 December 2018
Deferred tax assets		
– Deferred tax assets to be recovered after more than 12 months	1,427,386	1,083,049
– Deferred tax assets to be recovered within 12 months	1,538	5,123
	1,428,924	1,088,172
Deferred tax liabilities		
– Deferred tax liabilities to be recovered after more than 12 months	(808,141)	(524,963)
– Deferred tax liabilities to be recovered within 12 months	(19,193)	(89,118)
	(827,334)	(614,081)
	601,590	474,091

Deferred income tax liabilities of RMB295 million (31 December 2018: RMB256 million) have not been recognised for the taxable temporary differences arising from undistributed profit of foreign subsidiaries given that the timing of the reversal of the temporary difference is controlled by the Group and the directors of the Group are of the view that it is probable that the temporary differences will not be reversed in the foreseeable future.

The following are the unrecognised deferred tax assets in the years ended 31 December 2019 and 2018:

	31 December 2019	31 December 2018
Tax losses	44,358	6,232
Deductible temporary differences	29,332	–
	73,690	6,232

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

(Amounts in thousands of RMB, unless otherwise stated)

32 DEFERRED TAXATION (Continued)

The following are the major deferred tax assets/(liabilities) recognised and movements thereon in the years ended 31 December 2019 and 2018:

	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of FVTPL	Changes in fair value of FVOCI	Deductible tax losses	Accelerated depreciation of operating lease assets	Deferred income	Accrued staff costs	Others	Total
As at 1 January 2019	974,379	33,152	(83,514)	(4,492)	3,634	(483,323)	32,622	–	1,633	474,091
(Charged)/credited to profit or loss	283,060	9,670	60,520	–	(3,634)	(134,327)	(3,184)	17,726	(153,157)	76,674
Credited to other comprehensive income	–	42,533	–	4,492	–	–	–	–	–	47,025
Disposal of subsidiaries	–	–	3,800	–	–	–	–	–	–	3,800
As at 31 December 2019	1,257,439	85,355	(19,194)	–	–	(617,650)	29,438	17,726	(151,524)	601,590

	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of FVTPL	Changes in fair value of FVOCI	Deductible tax losses	Accelerated depreciation of operating lease assets	Deferred income	Others	Total
As at 1 January 2018	862,164	18,580	(41,842)	3,589	19,006	(484,796)	40,100	(182)	416,619
(Charged)/credit to profit or loss	112,215	(9,041)	(41,672)	–	(15,372)	1,473	(7,478)	1,815	41,940
(Charged)/credit to other comprehensive income	–	23,613	–	(8,081)	–	–	–	–	15,532
As at 31 December 2018	974,379	33,152	(83,514)	(4,492)	3,634	(483,323)	32,622	1,633	474,091

(Amounts in thousands of RMB, unless otherwise stated)

33 OTHER ASSETS

	31 December 2019	31 December 2018
Maintenance right assets	1,454,824	406,543
Deductible value-added tax	583,859	892,579
Other receivables [(1)]	191,727	278,914
Lease premium assets	227,559	111,329
Land use rights [(2)]	400,032	410,122
Prepaid expenses	367,141	152,864
Deposits for lease of business place	7,817	12,716
Other intangible assets	13,493	5,371
Interest receivable	–	16,274
	3,246,452	2,286,712
Less: Allowances for impairment losses – other receivables	(12,816)	(76,331)
	3,233,636	2,210,381

(1) Movements of allowances for impairment losses on other receivables during the years ended 31 December 2019 and 2018 are as follows:

	For the year ended 31 December	
	2019	2018
At the beginning of the year	76,331	66,992
Impairment loss during the year	(63,546)	9,240
Effect of foreign currency exchange differences	31	99
At the end of the year	12,816	76,331

(2) Land use rights of the Group represents the medium-term (50 years) leasehold land in the PRC.

(Amounts in thousands of RMB, unless otherwise stated)

34 BORROWINGS

	31 December 2019	31 December 2018
Secured bank borrowings [1]	17,523,360	29,331,068
Unsecured bank borrowings	156,612,276	127,855,830
	174,135,636	157,186,898

	31 December 2019	31 December 2018
Carrying amount repayable:		
Within one year	142,105,752	126,317,556
More than one year, but not exceeding two years	7,311,165	4,905,835
More than two years, but not exceeding five years	22,916,883	16,197,723
More than five years	1,801,836	9,765,784
	174,135,636	157,186,898

(Amounts in thousands of RMB, unless otherwise stated)

34 BORROWINGS (Continued)

(1) Secured bank borrowings

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

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

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

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

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

35 ACCRUED STAFF COSTS

	31 December 2019	31 December 2018
Salaries, bonus and allowances	209,587	187,713
Social welfare and others	94,380	62,142
	303,967	249,855

36 BONDS PAYABLE

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

36 BONDS PAYABLE (Continued)

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

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

(Amounts in thousands of RMB, unless otherwise stated)

37 OTHER LIABILITIES

	31 December 2019	31 December 2018
Guaranteed deposits from lessees	7,743,223	8,218,463
Maintenance deposits from lessees	2,528,956	2,002,759
Account payables	1,487,308	1,404,793
Interest payable	1,545,298	1,651,416
Lease discount liabilities	537,267	1,002,168
Notes payable	700,000	758,800
Other payables	608,764	169,737
Other taxes payable	107,640	135,696
Deferred income	155,479	154,737
Management consulting fees payable	57,650	70,421
Project arrangement fee in advance	83,995	35,794
Accrued liabilities	5,332	5,332
Receipt in advance for selling of aircraft	–	3,378
Total	15,560,912	15,613,494

38 SHARE CAPITAL

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

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

39 CAPITAL RESERVE

	31 December 2019	31 December 2018
Capital reserve	2,418,689	2,418,689

The balance of capital reserve mainly represents share premium arising from the Company's initial public offering and other previous shares issuances in current and prior years.

40 HEDGING AND FAIR VALUE RESERVE

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

	31 December 2019	31 December 2018
At the beginning of the year	(177,698)	(9,305)
Fair value changes on derivatives	(493,353)	(216,249)
Fair value changes on FVOCI	(17,968)	32,324
Income tax effects	47,025	15,532
At the end of the year	(641,994)	(177,698)

41 GENERAL RESERVES

The general reserves comprise statutory reserve and reserve for general risk. The movements of general reserves of the Group are set out below:

Year ended 31 December 2019

	Opening	Additions	Closing
Statutory reserve (1)	478,953	154,533	633,486
Reserve for general risk (2)	3,563,775	347,171	3,910,946
	4,042,728	501,704	4,544,432

Year ended 31 December 2018

	Opening	Additions	Closing
Statutory reserve (1)	387,800	91,153	478,953
Reserve for general risk (2)	2,800,370	763,405	3,563,775
	3,188,170	854,558	4,042,728

(Amounts in thousands of RMB, unless otherwise stated)

41 GENERAL RESERVES (Continued)

(1) Pursuant to the Company Law of the PRC and the articles of association of the Company and the subsidiaries in the PRC, 10% of the net profit of the Company and the subsidiaries in the PRC, as determined under the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the relevant entities. The reserve appropriated can be used for expansion of business and capitalization.

(2) Prior to 1 July 2012, pursuant to the Financial Rules for Financial Enterprises-Implementation Guide (Caijin[2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company and the subsidiaries in the PRC are required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from 1 July 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserve of Financial Enterprises (Caijin[2012] No. 20) issued by the MOF, the Company and the subsidiaries in the PRC are required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period.

42 RETAINED EARNINGS

The movements of retained earnings of the Group are set out below:

	31 December 2019	31 December 2018
At the beginning of the year	5,103,746	4,418,388
Profit for the year	2,938,125	2,506,984
Appropriation to general reserves	(501,704)	(854,558)
Dividends declared	(1,128,080)	(967,068)
At the end of the year	6,412,087	5,103,746

43 DIVIDENDS

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

(Amounts in thousands of RMB, unless otherwise stated)

44 TRANSFERS OF FINANCIAL ASSETS

Repurchase agreements

As at 31 December 2019, the Group had no repurchase agreements with certain counterparties to sell the Group's finance lease receivables (31 December 2018：RMB1.11 billion).

Sale and repurchase agreements are transactions in which the Group sells finance lease receivables and simultaneously agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of these receivables sold. These receivables are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group and the Company retain substantially all the risks and rewards of these receivables.

The proceeds from selling such receivables are presented as financial assets sold under repurchase agreements.

For all these arrangements, the counterparties have recourse to the transferred financial assets.

The following tables provide a summary of carrying amounts related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

	31 December 2019	31 December 2018
Carrying amount of transferred assets	–	1,111,562
Carrying amount of associated liabilities	–	(880,000)
Net position	–	231,562

45 CASH AND CASH EQUIVALENTS

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

	31 December 2019	31 December 2018
Cash and bank balances	**21,528,292**	23,497,845
Less: Pledged and restricted bank deposits	**1,675,517**	5,197,540
Less: Mandatory reserve deposit with central bank	**407,248**	425,095
Add: Placement to banks and other financial institutions (with original maturity within 3 months)	–	500,000
	19,445,527	18,375,210

(Amounts in thousands of RMB, unless otherwise stated)

46 CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, there were no significant legal proceedings outstanding against the Group. No provision has been made for pending assessments, lawsuits or possible violations of contracts as the outcome cannot be reasonably estimated or management believes that the probability of a loss is low or remote.

47 CAPITAL COMMITMENTS

Capital expenditures contracted by the Group as at 31 December 2019 and 2018 but are not yet to be recognised on the statements of financial position are as follows:

	31 December 2019	31 December 2018
Acquisition of equipment held for operating lease	**61,150,703**	65,798,012

48 FINANCE LEASE COMMITMENTS

	31 December 2019	31 December 2018
Finance lease commitments	**31,170,429**	27,001,603

Finance lease commitments are in relation to finance leases contracts signed by the Group as lessor are not yet effective as at 31 December 2019 and 2018.

49 OPERATING LEASE COMMITMENTS

The Group as lessee

As at 31 December 2018, operating lease payments represent rentals payable by the Group and the Company for certain of its office properties. Operating leases relate to leases of land with lease terms of between 1 and 20 years. The Group does not have an option to purchase the leased land at the expiry of the lease periods.

(Amounts in thousands of RMB, unless otherwise stated)

49 OPERATING LEASE COMMITMENTS (Continued)

The Group as lessee (Continued)

Non-cancellable operating leases commitments

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2018
Within one year	30,800
In the second to fifth years inclusive	69,620
Over five years	174,337
	274,757

The Group as lessor

Leasing arrangements

As at 31 December 2018, operating leases related to the investment properties owned by the Group with lease terms of between 1 to 10 years, and the aircraft, special equipment and electronic equipment owned by the Group with lease terms of between 1 to 15 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating leases receivable

As at 31 December 2018, the Group was entitled to receive the minimum cash lease rentals under non-cancellable operating leases which fall due as follows:

	31 December 2018
Within one year	7,370,279
In the second to fifth years inclusive	22,262,133
Over five years	14,345,144
	43,977,556

(Amounts in thousands of RMB, unless otherwise stated)

50 RELATED PARTY TRANSACTION

50.1 Parent Company

As at 31 December 2019, China Development Bank directly owned 64.4% of the share capital of the Company.

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled by the PRC government.

The Group had the following balances and entered into the following transactions with China Development Bank in its ordinary course of business:

The Group had the following balances with China Development Bank:

	As at 31 December	
	2019	2018
Bank balances	1,717,350	640,932
Operating leases receivable	7,062	4,433
Right-of-use assets	1,522	–
Other receivable	6,453	6,051
Bank borrowings	7,175,434	9,719,240
Derivative financial liabilities	21,354	12,342
Bonds payable	403,948	–
Lease liabilities	1,742	–
Interest payable	22,008	24,672
Other liabilities	148,536	–

The Group entered into the following transactions with China Development Bank:

	For the year ended 31 December	
	2019	2018
Interest income	1,528	35,831
Interest expense	248,003	368,093
Operating lease income	99,181	93,210
Net investment gains	(13,961)	–
Fee and commission expenses	44,523	41,215
Other operating expense	129	215

The Hong Kong branch of the China Development Bank provided guarantee to the Group for bonds described in Note 36[(1)], amounting to RMB6,976 million as at 31 December 2019 (31 December 2018: RMB6,863 million).

(Amounts in thousands of RMB, unless otherwise stated)

50 RELATED PARTY TRANSACTION (Continued)

50.2 Other related parties

50.2.1 China Development Bank Securities Co., Limited

The Group and China Development Bank Securities Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Securities Co., Limited:

	As at 31 December	
	2019	2018
Operating leases receivable	**168**	–
Other receivable	**2,008**	–
Bonds payable	**101,116**	100,860
Interest payable	**800**	–

The Group entered into the following transactions with China Development Bank Securities Co., Limited:

	For the year ended 31 December	
	2019	2018
Operating lease income	**3,227**	1,826
Interest expense	**4,604**	–

50.2.2 China Development Bank Capital Co., Limited and its subsidiaries

The Group and China Development Bank Capital Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Capital Co., Limited and its subsidiaries:

	As at 31 December	
	2019	2018
Finance lease receivables	**364,729**	193,545
Accounts receivables	**3,654**	3,649
Bonds payable	**210,719**	197,840
Other liabilities	**13,673**	–

(Amounts in thousands of RMB, unless otherwise stated)

50 RELATED PARTY TRANSACTION (Continued)

50.2 Other related parties (Continued)

50.2.2 China Development Bank Capital Co., Limited and its subsidiaries (Continued)

The Group entered into the following transactions with China Development Bank Capital Co., Limited and its subsidiaries:

	For the year ended 31 December	
	2019	2018
Finance lease income	16,413	11,533
Interest expense	6,250	–

50.2.3 China Development Bank Fund Co., Limited and its subsidiaries

The Group and China Development Bank Fund Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Fund Co., Limited and its subsidiaries:

	As at 31 December	
	2019	2018
Finance lease receivables	1,097,415	953,754
Other liabilities	11,000	–

The Group entered into the following transactions with China Development Bank Fund Co., Limited and its subsidiaries:

	For the year ended 31 December	
	2019	2018
Finance lease income	65,191	50,833

(Amounts in thousands of RMB, unless otherwise stated)

50 RELATED PARTY TRANSACTION (Continued)

50.3 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers.

	For the year ended 31 December	
	2019	2018
Basic salaries and allowances	10,265	8,320
Bonuses	9,290	8,881
Employer's contribution to pension schemes	912	658
	20,467	17,859

50.4 Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: purchase, sale and leases of property and other assets; bank deposits and borrowings; purchase of bonds issued by other state-owned entities; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

51 SEGMENT REPORTING

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

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

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

- Infrastructure leasing: mainly engaged in the leasing of transportation, urban and energy infrastructure;

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

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

- Others: mainly engaged in the leasing of commercial property and manufacturing equipment in various sectors such as chemicals, papermaking, textile, coal and steel, strategic emerging industries, environmental protection industry, manufacturing sectors supported by national policies, wind power, nuclear power, photovoltaic and other industries etc.

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

51 SEGMENT REPORTING (Continued)

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

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

(Amounts in thousands of RMB, unless otherwise stated)

51 SEGMENT REPORTING (Continued)

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

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

52 FINANCIAL INSTRUMENTS

Categories of financial instruments

	31 December 2019	31 December 2018
Financial assets		
Cash and bank balances	21,528,292	23,497,845
Placement to banks and other financial institutions	–	500,000
Financial assets at fair value through profit and loss	148,774	1,919,055
Derivative financial assets	32,425	36,877
Financial assets at fair value through other comprehensive income	–	495,740
Accounts receivable	2,168,454	5,405,652
Finance lease receivables	141,498,088	125,141,605
Other financial assets	186,728	231,573
	165,562,761	157,228,347

	31 December 2019	31 December 2018
Financial liabilities		
Borrowings	174,135,636	157,186,898
Financial assets sold under repurchase agreements	–	880,000
Derivative financial liabilities	789,218	282,711
Bonds payable	42,811,268	38,596,346
Lease liabilities	626,523	–
Other financial liabilities	12,147,575	12,282,340
	230,510,220	209,228,295

53 FINANCIAL RISK MANAGEMENT

53.1 Overview of financial risk management

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and monitors the risks continuously. The major financial risks of the Group are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk. The Group's objective is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The major derivative financial instruments adopted by the Group are interest rate swaps, cross currency swaps and currency forwards. The objective for interest rate swap is to hedge against the cash flow volatility risk caused by interest rate fluctuations of borrowings and bonds payable; the objective for cross currency swap is to hedge against the cash flow volatility risk caused by interest rate and foreign exchange fluctuations of bonds payable; the objective for currency forwards contract is to hedge against the foreign exchange rate volatility risk caused by foreign currency risk exposure.

The board of directors of the Company established the Group's risk management strategy. The senior management established related risk management policies and procedures, for credit risk, foreign exchange risk, interest rate risk, liquidity risk, and the use of derivative and non-derivative financial instruments, according to the risk management strategy approved by the board.

53.2 Credit risk

Credit risk for the Group represents the risk that the counterparty fails to meet its contractual obligations at the due date. Credit risk is considered as one of the most significant risk to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from leasing business and other financial assets, which include cash and bank balances, placement to banks and other financial institutions, derivative financial instruments, accounts receivable, FVOCI and other financial assets.

The Group establishes industry risk management framework and measurements which the Group will perform research by industry, implement credit evaluation, estimate the value of lease assets, monitor lessees business status and evaluate the impact of change in technology on lease assets, to strengthen the credit risk control and management.

53 FINANCIAL RISK MANAGEMENT (Continued)

53.2 Credit risk (Continued)

53.2.1 Credit risk management

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with which the Group has credit transactions. In addition, the Group monitors the leases receivable regularly to mitigate the risk of significant exposures from non-performing assets.

The Group employs a range of policies and practices to mitigate credit risk of leasing business. The most typical of these is the taking of collateral, margin deposits and guarantees by third parties. The Group provides guidelines on acceptable types of collateral, which mainly includes:

- Civil aircraft and engines
- Ships
- Machinery and equipment
- Highway toll rights
- Properties

The credit risk on bank balances and placements to banks and other financial institutions are limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

The credit risk on financial assets at fair value through profit and loss is limited because the assets management schemes mainly invest in debt securities with high credit ratings and listed in exchanges or Interbank Bond Market in the PRC.

53.2.2 Expected credit loss

The Group formulates the credit losses of cash and bank balances, placement to banks and other financial institutions, accounts receivable, finance lease receivables and FVOCI.

For financial assets whose impairment losses are measured using ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model (refer to Note 2.22.4) to calculate their impairment allowance and recognise their ECL.

53 FINANCIAL RISK MANAGEMENT (Continued)

53.2 Credit risk (Continued)

53.2.2 Expected credit loss (Continued)

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of EAD, PD and LGD.

The Group measures the loss allowance based on 12-month expected credit losses or lifetime expected credit losses, depending on whether the credit risk has increased significantly. The parameters and assumptions involved in ECL model are described below.

(i) Exposure at Default (EAD): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

(ii) Probabilities of Default (PD): The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

(iii) Loss given Default (LGD): LGD represents the Group's expectation of the extent of loss in a defaulted exposure. LGD is expressed as a percentage loss per unit EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the financial assets.

The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

53 FINANCIAL RISK MANAGEMENT (Continued)

53.2 Credit risk (Continued)

53.2.2 Expected credit loss (Continued)

Judgement of significant increase in credit risk ("SICR")

Under IFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group considers various reasonable and supportable information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial assets. Major factors being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group sets quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly include the PD changes of the lessees, changes of credit risk categories and other indicators of SICR, etc. In the judgement of whether the credit risk has SICR after initial recognition, the Group has not rebutted the 30 days past due as presumption of SICR.

The definition of credit-impaired assets

Under IFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets while considering quantitative and qualitative indicators. When the Group assesses whether the lessee has credit impairment, the following factors are mainly considered:

- Internal credit rating of the lessee is default grade;
- The lessee has overdue more than 90 days after the lease contract payment date;
- The lessee has significant financial difficulties;
- The lessee is likely to go bankrupt or other financial restructuring;
- The lessor gives the lessee concessions for economic or contractual reasons due to the lessee's financial difficulties, where such concessions are normally reluctant to be made by the lessor.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable event.

53 FINANCIAL RISK MANAGEMENT (Continued)

53.2 Credit risk (Continued)

53.2.2 Expected credit loss (Continued)

Forward-looking information

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macroeconomic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macroeconomic forward-looking adjustment ECL models by establishing a basket of factors, preparing data, filtering model factors and adjusting forward-looking elements. The basket of macroeconomic factors include Gross Domestic Product (GDP), Completed Investment in Fixed Assets, Newbuilding Price Index (NPI), and Global Revenue Passenger Kilometres (RPK) Growth. The forecasting methods and critical assumptions applied have no material change during the year ended 31 December 2019.

In 2019 and 2018, the Group used statistical analysis to determine the weights of 3 different scenarios, and also considered the range of possible outcomes represented by each scenario, including base, upside and downside scenarios, and determined the final macroeconomic assumptions and weights to measure the relevant expected credit loss.

Sensitivity analysis

Expected credit impairment allowance is sensitive to the parameters used in the model, the macroeconomic variables of the forward-looking forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Change in these input parameters, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

Assuming the weight for upside scenario increases by 10% and the weight for basic scenario falls by 10%, the expected credit impairment allowance will decrease by 25 million (2018: RMB141 million). If the weight for downside scenario increases by 10% and the weight for basic scenario decrease by 10%, then the expected credit impairment allowance will increase by 27 million (2018: RMB107 million).

(Amounts in thousands of RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT (Continued)

53.2 Credit risk (Continued)

53.2.2 Expected credit loss (Continued)

Credit risk exposure of financial assets

Without considering the impact of collateral and other credit enhancements, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements.

An analysis of concentration risk of credit exposure for finance lease receivables by segment is set out below:

	31 December 2019		31 December 2018	
	Amount	100%	Amount	100%
Aircraft leasing	320,131	0%	2,042,796	2%
Infrastructure leasing	96,948,944	66%	84,099,647	64%
Ship leasing	13,345,935	9%	14,274,758	11%
Inclusive finance	22,314,190	15%	20,165,006	16%
Other leasing business	14,224,394	10%	9,234,924	7%
	147,153,594	100%	129,817,131	100%

The following table presents the credit risk exposure of the financial assets under the scope of expected credit loss. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the gross carrying amount of the financial assets:

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Maximum credit risk exposure
Financial assets				
Cash and bank balances	21,528,247	–	–	21,528,247
Accounts receivable	2,207,548	–	715,659	2,923,207
Finance lease receivables	126,794,611	18,554,482	1,804,501	147,153,594
Other financial assets	190,143	–	9,401	199,544

(Amounts in thousands of RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT (Continued)

53.2 Credit risk (Continued)

53.2.2 Expected credit loss (Continued)

Credit risk exposure of financial assets (Continued)

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Maximum credit risk exposure
Financial assets				
Cash and bank balances	23,497,823	–	–	23,497,823
Placement to banks and other financial institutions	500,000	–	–	500,000
FVOCI	495,740	–	–	495,740
Accounts receivable	5,348,926	–	719,301	6,068,227
Finance lease receivables	110,544,074	17,671,497	1,601,560	129,817,131
Other financial assets	232,106	–	75,798	307,904

Finance lease receivables:

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified into 4 different levels as "low risk", "medium risk", "high risk" and "default" according to the internal rating scale. "Low risk" level means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. "Medium risk" level means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. "High risk" level means that there are factors revealing significant adverse impact on the asset quality, but there is no event indicating incurred default. The criteria of "default" level are consistent with those of "credit-impaired".

(Amounts in thousands of RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT (Continued)

53.2 Credit risk (Continued)

53.2.2 Expected credit loss (Continued)

Credit risk exposure of financial assets (Continued)

	31 December 2019				
	Stage 1	Stage 2	Stage 3	Purchased Credit-impaired	Total
Credit Rating:					
Low risk	113,593,069	6,843,804	–	–	120,436,873
Medium risk	13,201,542	11,441,501	–	–	24,643,043
High risk	–	269,177	–	–	269,177
Default	–	–	1,804,501	–	1,804,501
Net amount	126,794,611	18,554,482	1,804,501	–	147,153,594
Less: allowances for impairment losses	(1,298,288)	(2,673,179)	(1,684,039)	–	(5,655,506)
Net carrying amount	125,496,323	15,881,303	120,462	–	141,498,088

Advances for finance lease projects in accounts receivable:

	31 December 2019				
	Stage 1	Stage 2	Stage 3	Purchased Credit-impaired	Total
Credit Rating:					
Low risk	1,500,000	–	–	–	1,500,000
Medium risk	–	–	–	–	–
High risk	–	–	–	–	–
Default	–	–	715,659	–	715,659
Net amount	1,500,000	–	715,659	–	2,215,659
Less: allowances for impairment losses	(5,084)	–	(715,659)	–	(720,743)
Net carrying amount	1,494,916	–	–	–	1,494,916

53 FINANCIAL RISK MANAGEMENT (Continued)

53.3 Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse movements in market prices (including interest rates and exchange rates).

53.3.1 Market risks measurement techniques

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would mature in a certain period or need to be repriced, and then uses the exposure information to perform sensitivity analysis under changing market interest rate and exchange rate.

53.3.2 Currency risk

The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. Most aircraft and ship held under finance and operating leases that the Group has purchased are denominated in US dollars; and the corresponding finance lease receivables and operating lease receivables are denominated in US dollars; and the main sources of fund are from bank borrowings and bond issuance denominated in US dollars. Other than aircraft and ship leasing, the Group's remaining leasing businesses are mostly denominated in RMB, which does not expose the Group to significant currency risk. The exchange rate risk exposure primarily arises from the profits of some of the Group's overseas SPVs, which are denominated in foreign currencies.

The Group's policy has been reviewed and, due to the increased volatility in USD, it was decided to hedge up to currency risk exposure that affects profit and loss. The Group utilises a rollover hedging strategy, such as currency forward and cross currency swap (CCS), to offset or limit the exposure currency risk. For the years ended 31 December 2019 and 2018, the Group's hedge relationship between the hedging instrument, such as CCS, and the designated hedged items were highly effective. The hedge ratios for the Group's hedge relationships are 1:1. The maturity date of the Group's currency forward ranges from 21 January 2020 to 23 November 2020 (31 December 2018: 4 January 2019 to 16 December 2019).

(Amounts in thousands of RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT (Continued)

53.3 Market risk (Continued)

53.3.2 Currency risk (Continued)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is RMB:

	USD	HKD	Others	Total
31 December 2019				
Cash and bank balances	6,949,261	23,004	29,142	7,001,407
Finance lease receivables	551,742	–	–	551,742
Derivative financial assets	25,838	–	–	25,838
Other financial assets	42,666,886	95	–	42,666,981
Total financial assets	50,193,727	23,099	29,142	50,245,968
Bank borrowings	28,288,616	–	–	28,288,616
Derivative financial liabilities	65,349	–	–	65,349
Other financial liabilities	15,799,869	3,580,291	–	19,380,160
Total financial liabilities	44,153,834	3,580,291	–	47,734,125
Net exposure	6,039,893	(3,557,192)	29,142	2,511,843
Net off-balance sheet position	(5,700,956)	–	–	(5,700,956)

	USD	HKD	Others	Total
31 December 2018				
Cash and bank balances	7,777,538	25,632	29,261	7,832,431
Finance lease receivables	740,464	–	–	740,464
Derivative financial assets	191	–	–	191
Other financial assets	9,336,013	–	–	9,336,013
Total financial assets	17,854,206	25,632	29,261	17,909,099
Bank borrowings	30,955,534	–	–	30,955,534
Derivative financial liabilities	17,201	–	–	17,201
Other financial liabilities	177,312	1,449,151	–	1,626,463
Total financial liabilities	31,150,047	1,449,151	–	32,599,198
Net exposure	(13,295,841)	(1,423,519)	29,261	(14,690,099)
Net off-balance sheet position	4,255,184	–	–	4,255,184

(Amounts in thousands of RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT (Continued)

53.3 Market risk (Continued)

53.3.2 Currency risk (Continued)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is US dollar:

	RMB	HKD	Others	Total
31 December 2019				
Cash and bank balances	1,056,439	5,106	1,721	1,063,266
Other financial assets	807,483	3,580,425	–	4,387,908
Total financial assets	1,863,922	3,585,531	1,721	5,451,174
Bonds payable	710,803	3,691,797	–	4,402,600
Lease liabilities	–	7,743	153,219	160,962
Other financial liabilities	6,526,165	24,108	–	6,550,273
Total financial liabilities	7,236,968	3,723,648	153,219	11,113,835
Net exposure	(5,373,046)	(138,117)	(151,498)	(5,662,661)

	RMB	HKD	Others	Total
31 December 2018				
Cash and bank balances	1,064,852	3,540	8,716	1,077,108
Accounts receivable	408,634	–	–	408,634
Total financial assets	1,473,486	3,540	8,716	1,485,742
Bonds payable	–	1,451,146	–	1,451,146
Other financial liabilities	1,514,374	5,646	–	1,520,020
Total financial liabilities	1,514,374	1,456,792	–	2,971,166
Net exposure	(40,888)	(1,453,252)	8,716	(1,485,424)

(Amounts in thousands of RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT (Continued)

53.3 Market risk (Continued)

53.3.2 Currency risk (Continued)

The following table indicates the potential effect on profit before tax and equity of a 5% appreciation or depreciation of USD's spot and forward exchange rates against RMB, respectively.

	31 December 2019	31 December 2018
Profit before tax:		
5% appreciation	286,273	143,826
5% depreciation	(286,273)	(143,826)
Equity:		
5% appreciation	574,803	429,070
5% depreciation	(574,803)	(429,070)

53.3.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The Group takes on exposure to the effects of fluctuations in the prevailing of market interest rates on its cash flow risks.

Interest margins may increase as a result of fluctuation in market interest rates, but may reduce or create losses in the event that unexpected movements arise. Therefore, the Group primarily manages the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities.

Most of the Group's operating lease business receive fixed rate rents, while certain bonds and bank borrowings carry interest at floating rates. The Group hedges the cash flow volatility risk as the result of the interest rate fluctuation through the interest rate swap contracts and cross currency swaps (CCS), as cash flow hedges strategy. The Group switches the floating rate into fixed rate through interest rate swap contract to effectively match the future fixed rental income, and fix the interest spread.

The interest rate swaps are settled at maturity. The floating rate on the interest rate swaps is London Inter Bank Offered Rate. The Group will settle the difference between the fixed and floating interest rate on a net basis. For the years ended 31 December 2019 and 2018, the Group's hedge relationship between interest rate swaps and CCS, and the designated hedged items were highly effective. The hedge ratios for the Group's hedge relationships are 1:1. The maturity date of the Group's CCS and interest swap ranges from 12 March 2020 to 27 December 2028 (31 December 2018: 25 January 2019 to 27 December 2028).

(Amounts in thousands of RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT (Continued)

53.3 Market risk (Continued)

53.3.3 Interest rate risk (Continued)

As at 31 December 2019 and 2018, the Group's assets and liabilities at carrying amounts, categorised by remaining maturity based on the earlier of contractual repricing or remaining maturity dates are as follows:

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2019						
Cash and bank balances	21,336,247	87,000	105,000	–	45	21,528,292
FVTPL	–	–	–	–	148,774	148,774
Derivative financial assets	–	–	–	–	32,425	32,425
Accounts receivable	1,494,916	–	–	–	673,538	2,168,454
Finance lease receivables	109,762,889	24,861,090	293,685	6,580,424	–	141,498,088
Other financial assets	–	–	–	–	186,728	186,728
Total financial assets	132,594,052	24,948,090	398,685	6,580,424	1,041,510	165,562,761
Bank borrowings	61,823,700	84,107,486	20,172,921	8,031,529	–	174,135,636
Derivative financial liabilities	–	–	–	–	789,218	789,218
Bonds payable	6,261,579	6,496,915	27,291,127	2,761,647	–	42,811,268
Lease liabilities	29	441,736	3,849	180,909	–	626,523
Other financial liabilities	–	700,000	168,323	815,809	10,463,443	12,147,575
Total financial liabilities	68,085,308	91,746,137	47,636,220	11,789,894	11,252,661	230,510,220
Interest rate gap	64,508,744	(66,798,047)	(47,237,535)	(5,209,470)	(10,211,151)	(64,947,459)

(Amounts in thousands of RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT (Continued)

53.3 Market risk (Continued)

53.3.3 Interest rate risk (Continued)

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2018						
Cash and bank balances	18,300,283	–	5,092,540	105,000	22	23,497,845
Placement to banks and other financial institutions	500,000	–	–	–	–	500,000
FVTPL	–	–	–	–	1,919,055	1,919,055
Derivative financial assets	–	–	–	–	36,877	36,877
FVOCI	–	–	–	–	495,740	495,740
Accounts receivable	–	4,679,359	–	–	726,293	5,405,652
Finance lease receivables	114,772,979	3,446,960	603,519	6,318,147	–	125,141,605
Other financial assets	–	–	–	–	231,573	231,573
Total financial assets	133,573,262	8,126,319	5,696,059	6,423,147	3,409,560	157,228,347
Bank borrowings	84,004,855	65,255,196	6,402,479	1,524,368	–	157,186,898
Financial assets sold under repurchase agreement	880,000	–	–	–	–	880,000
Derivative financial liabilities	–	–	–	–	282,711	282,711
Bonds payable	3,417,314	4,759,260	27,702,227	2,717,545	–	38,596,346
Other financial liabilities	21,045	64,530	391,590	491,046	11,314,129	12,282,340
Total financial liabilities	88,323,214	70,078,986	34,496,296	4,732,959	11,596,840	209,228,295
Interest rate gap	45,250,048	(61,952,667)	(28,800,237)	1,690,188	(8,187,280)	(51,999,948)

(Amounts in thousands of RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT (Continued)

53.3 Market risk (Continued)

53.3.3 Interest rate risk (Continued)

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's profit before tax and equity, based on the Group's positions of interest-generating assets, interest-bearing liabilities and interest rate swap contracts at the end of 31 December 2019 and 2018.

	31 December 2019	31 December 2018
Profit before tax:		
+ 100 basis points	307,899	161,275
– 100 basis points	(307,899)	(161,275)
Equity:		
+ 100 basis points	230,807	120,973
– 100 basis points	(230,807)	(120,973)

53.4 Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management target is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the financial demand of leasing business investment.

The major payment demand of the Group is the repayments of matured bank borrowings and withdraw request from lessees under finance leases.

53.4.1 Liquidity risk management policy

The Group implements the following procedures to manage the liquidity:

(a) proactive management of the maturity profile of our assets and liabilities and maintaining appropriate liquidity provision for mitigating the liquidity risk; and

(b) obtaining diversified funding via multiple channels, thereby preserving sufficient funds to purchase assets and repay debt.

(Amounts in thousands of RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT (Continued)

53.4 Liquidity risk (Continued)

53.4.2 Cash flow for non-derivative financial assets and liabilities

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities by remaining contractual maturities as at 31 December 2019 and 2018. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

	Indefinite/ Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2019							
Cash and bank balances	21,292,869	43,423	–	88,731	108,641	–	21,533,664
Accounts receivable	1,389,197	1,500,000	–	–	–	–	2,889,197
Finance lease receivables	4,078,068	4,392,645	11,263,629	26,796,969	90,137,547	43,492,486	180,161,344
Other financial assets	–	–	–	591,676	191,727	–	783,403
Non-derivative financial assets total	26,760,134	5,936,068	11,263,629	27,477,376	90,437,915	43,492,486	205,367,608
Bank borrowings	–	15,769,201	53,650,136	79,727,055	23,876,530	5,508,307	178,531,229
Bonds payable	–	11,257	65,788	7,670,623	35,526,525	3,083,480	46,357,673
Lease liabilities	692	9,532	19,611	449,406	71,459	169,619	720,319
Other financial liabilities	2,260,927	59,887	731,313	6,822,978	5,949,765	3,423,748	19,248,618
Non-derivative financial liabilities total	2,261,619	15,849,877	54,466,848	94,670,062	65,424,279	12,185,154	244,857,839
Net position	24,498,515	(9,913,809)	(43,203,219)	(67,192,686)	25,013,636	31,307,332	(39,490,231)

(Amounts in thousands of RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT (Continued)

53.4 Liquidity risk (Continued)

53.4.2 Cash flow for non-derivative financial assets and liabilities (Continued)

	Indefinite/ Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2018							
Cash and bank balances	430,521	–	18,940,793	–	5,270,779	108,675	24,750,768
Placement to banks and other financial institutions	525,500	–	–	–	–	–	525,500
FVTPL	1,749,643	–	–	–	–	–	1,749,643
FVOCI	512,013	–	–	–	–	–	512,013
Accounts receivable	714,211	–	4,691,442	–	–	–	5,405,653
Finance lease receivables	2,409,837	1,409,469	6,784,806	26,334,112	84,968,314	37,346,077	159,252,615
Other financial assets	–	–	–	1,059,351	278,914	–	1,338,265
Non-derivative financial assets total	6,341,725	1,409,469	30,417,041	27,393,463	90,518,007	37,454,752	193,534,457
Bank borrowings	–	19,364,213	34,017,068	79,040,327	22,668,776	9,324,876	164,415,260
Financial assets sold under repurchase agreement	–	139,405	410,262	367,496	–	–	917,163
Bonds payable	–	36,674	132,605	6,676,166	30,963,647	5,991,574	43,800,666
Other financial liabilities	11,946,501	9,038	28,199	870,182	594,319	608,384	14,056,623
Non-derivative financial liabilities total	11,946,501	19,549,330	34,588,134	86,954,171	54,226,742	15,924,834	223,189,712
Net position	(5,604,776)	(18,139,861)	(4,171,093)	(59,560,708)	36,291,265	21,529,918	(29,655,255)

(Amounts in thousands of RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT (Continued)

53.4 Liquidity risk (Continued)

53.4.3 Cash flow analysis for derivative financial instruments

The following table illustrates the details of the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that are settled on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves as at 31 December 2019 and 2018 for exchange rate as well.

53.4.3.1 Derivative settled on a gross basis

	Within 1 months	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2019						
Currency forward						
Total inflows	–	–	187,665	–	–	187,665
Total outflows	–	–	(195,588)	–	–	(195,588)
Total	–	–	(7,923)	–	–	(7,923)
Cross currency swap						
Total inflows	27,644	28,961	342,735	4,798,978	–	5,198,318
Total outflows	(32,326)	(30,695)	(354,874)	(4,832,765)	–	(5,250,660)
Total	(4,682)	(1,734)	(12,139)	(33,787)	–	(52,342)

	Within 1 months	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2018						
Cross currency swap						
Total inflows	9,291	4,630	685,017	1,662,135	–	2,361,073
Total outflows	(10,302)	(5,205)	(692,041)	(1,673,191)	–	(2,380,739)
Total	(1,011)	(575)	(7,024)	(11,056)	–	(19,666)

(Amounts in thousands of RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT (Continued)

53.4 Liquidity risk (Continued)

53.4.3 Cash flow analysis for derivative financial instruments (Continued)

53.4.3.2 Derivative settled on a net basis

	Within 1 months	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2019						
Currency forward						
Total outflows	(6,228)	(2,484)	2,111	–	–	(6,601)
Interest rate swap						
Total outflows	(5,129)	(22,918)	(123,836)	(498,548)	(46,725)	(697,156)

	Within 1 months	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2018						
Currency forward						
Total outflows	(719)	–	–	–	–	(719)
Interest rate swap						
Total outflows	(8,222)	(15,855)	(12,679)	(176,428)	(33,388)	(246,572)

54 CAPITAL MANAGEMENT

The Group's objectives of managing its capital, which adopts a broader concept than the equity as presented on the consolidated statements of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operates;
- to safeguard the Group's ability to continue as a going concern so as to provide returns for shareholders; and
- to maintain a strong capital base to support its business development.

Capital adequacy and the utilisation of regulatory capital are closely monitored by the management in accordance with the guidelines developed by the Basel Commission and relevant regulations promulgated by the CBIRC. The Group files the required information to CBIRC quarterly. As at 31 December 2019, the capital adequacy ratio is 11.69% (31 December 2018: 11.91%).

55 FAIR VALUE OF THE FINANCIAL INSTRUMENTS

55.1 Determination of fair value and valuation techniques

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

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

55 FAIR VALUE OF THE FINANCIAL INSTRUMENTS (Continued)

55.1 Determination of fair value and valuation techniques (Continued)

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

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

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

55.2 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			
	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds payable	42,811,268	43,540,363	38,596,346	38,269,127

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

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

(Amounts in thousands of RMB, unless otherwise stated)

55 FAIR VALUE OF THE FINANCIAL INSTRUMENTS (Continued)

55.3 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 2019 and 2018. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Financial asset/ financial liabilities	Fair value as at 31 December 2019	Fair value as at 31 December 2018	Fair value hierarchy	Valuation technique(s) and key Input(s)
Currency forwards (Note 21)	Liabilities	**14,069**	13,897	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contractual forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps (Note 21)	Assets	**32,425**	36,686	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contractual interest rates, discounted at a rate that reflects the credit risk of various counterparties.
	Liabilities	**723,869**	265,775		
Unlisted equity investments (Note 20)	Assets	**148,774**	169,413	Level 3	Market comparison approach. The valuation of the equity investment is based on comparing comparable listed companies in operating and financial index and then adjusted for non-liquidity.
Cross Currency Swaps (Note 21)	Assets	**–**	191	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest and exchange rates (from observable yield curves and observable forward exchange rates at the end of the reporting period) and contractual interest and exchange rates, discounted at a rate that reflects the credit risk of various counterparties.
	Liabilities	**51,280**	3,039		
FVOCI – Bonds investment (Note 21)	Assets	**–**	495,740	Level 1	Open market quotations
FVTPL – exclude unlisted equity investments (Note 20)	Assets	**–**	1,749,642	Level 2	Based on the net asset values of the asset management schemes, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

56 EVENTS AFTER THE REPORTING PERIOD

56.1 Impact assessment on Boeing 737 Max event

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

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

56.2 Impact assessment on COVID-19

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

57 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2019	2018
Assets		
Cash and bank balances	9,015,689	8,287,681
Placement to banks and other financial institutions	–	500,000
Financial assets at fair value through profit or loss (FVTPL)	148,774	1,890,856
Derivative financial assets	12,419	–
Financial assets at fair value through other comprehensive income (FVOCI)	–	495,740
Accounts receivable	1,512,156	4,699,632
Finance lease receivables	129,977,309	111,142,259
Amounts due from subsidiaries	5,441,848	16,250,259
Prepayments	10,270,721	9,214,526
Investments in subsidiaries	382,335	386,055
Investment properties	990,374	1,161,232
Property and equipment	1,112,322	1,375,314
Right-of-use assets	24,109	–
Deferred tax assets	1,284,270	919,754
Other assets	9,433,846	1,553,328
Total assets	169,606,172	157,876,636
Liabilities		
Borrowings	137,255,522	122,453,280
Financial assets sold under repurchase agreements	–	880,000
Derivative financial liabilities	7,861	633
Accrued staff costs	146,740	105,302
Bonds payable	3,497,102	6,490,902
Tax payable	523,407	260,144
Lease liabilities	24,708	–
Other liabilities	8,728,407	8,674,568
Total liabilities	150,183,747	138,864,829
Equity		
Share capital	12,642,380	12,642,380
Capital reserve	2,418,689	2,418,689
Hedging and fair value reserve	9,315	13,056
General reserves	2,958,826	2,567,327
Retained earnings	1,393,215	1,370,355
Total equity	19,422,425	19,011,807
Total liabilities and equity	169,606,172	157,876,636

The balance sheet of the Company was approved by the Board of Directors on 26 March 2020 and was signed on its behalf.

WANG Xuedong HUANG Min

(Amounts in thousands of RMB, unless otherwise stated)

57 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

	Capital reserve	Hedging and fair value reserve	General reserve	Retained earnings	Total Reserve
At 1 January 2019	2,418,689	13,056	2,567,327	1,370,355	6,369,427
Profit for the year	–	–	–	1,542,439	1,542,439
Other comprehensive income for the year	–	(3,741)	–	–	(3,741)
Dividends paid	–	–	–	(1,128,080)	(1,128,080)
Appropriation to general reserves	–	–	391,499	(391,499)	–
At 31 December 2019	2,418,689	9,315	2,958,826	1,393,215	6,780,045
At 1 January 2018	2,418,689	(11,916)	3,149,450	855,167	6,411,390
Profit for the year	–	–	–	900,133	900,133
Other comprehensive income for the year	–	24,972	–	–	24,972
Dividends paid	–	–	–	(967,068)	(967,068)
Appropriation to general reserves	–	–	(582,123)	582,123	–
At 31 December 2018	2,418,689	13,056	2,567,327	1,370,355	6,369,427

58 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised by the Board of Directors on 26 March 2020.

国银租赁

CHINA DEVELOPMENT BANK LEASING