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***本公告及其提及的上市文件乃根據香港聯合交易所有限公司證券上市規則（「上市規則」）規定刊發，僅供參考之用，且並不構成出售任何證券的要約或招攬購買證券的要約。本公告及其提及的任何內容（包上市文件）並不構成任何合約或承諾的依據。**為免生疑，刊發本公告及隨附的上市文件不應被視為就香港法例第32章公司（清盤及雜項條文）條例而言由發行人、CDBALF及本公司（各自定義見下文）或其代表刊發的招股章程提出的證券要約，亦不構成就香港法例第571章證券及期貨條例所指其中載有向公眾人士發出邀請以訂立或發出要約以訂立有關購買、出售、認購或承銷證券的協議的廣告、邀請或文件。*

***香港投資者謹請注意：**發行人、CDBALF及本公司均確認，該等票據（定義見下文）僅擬供專業投資者（定義見上市規則第37章）購買，計劃（定義見下文）已經及該等票據（如該等票據將於香港聯合交易所有限公司上市）將按該基準於香港聯合交易所有限公司上市。因此，發行人、CDBALF及本公司均確認，該等票據不適合作為香港散戶之投資。投資者應審慎考慮所涉及的風險。*

刊發發售通函

3,000,000,000美元中期票據計劃

CDBL FUNDING 1
(於開曼群島註冊成立的有限公司)
(作為「擔保票據及維好票據的發行人」)

或由

CHINA DEVELOPMENT BANK LEASING

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.*
(國銀金融租賃股份有限公司)*
(於中華人民共和國註冊成立的股份有限公司)
(股份代號:1606)
(作為「擔保票據的擔保人」)

無條件及不可撤回地提供擔保

或由
CDB AVIATION LEASE FINANCE DESIGNATED ACTIVITY COMPANY
國銀航空金融租賃有限公司
(於愛爾蘭註冊成立的有限公司)
(作為「維好票據的擔保人」)

無條件及不可撤回地提供擔保

及由
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.*
(國銀金融租賃股份有限公司)*
(於中華人民共和國註冊成立的股份有限公司)

提供維持良好及資產購買契據之利益

安排行及交易商
渣打銀行

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* 國銀金融租賃股份有限公司(a)並非《銀行業條例》涵義內獲授權的機構;(b)未獲授權在香港開展銀行業務/吸收存款業務;及(c)不受香港金融管理局監管。

在該3,000,000,000美元中期票據計劃(「**計劃**」)下，CDBL Funding 1(「**發行人**」)，在遵守所有相關法律、法規和指令的情況下，可能會不時發行(1)由國銀金融租賃股份有限公司(「**本公司**」)無條件及不可撤回地提供擔保的中期票據(「**擔保票據**」)，或(2)由國銀航空金融租賃有限公司(「**CDBALF**」)無條件及不可撤回地提供擔保且由本公司提供維持良好及資產購買契據的中期票據(「**維好票據**」及連同擔保票據，統稱「**該等票據**」)。

本公告乃根據上市規則第37.39A條刊發。

請參閱本公告所附日期為2025年5月9日有關計劃的發售通函(「**發售通函**」)。誠如發售通函所披露，根據計劃將予發行的該等票據僅擬供專業投資者(定義見上市規則第37章)購買，計劃已經及該等票據(將於香港聯合交易所有限公司上市)將按該基準於香港聯合交易所有限公司上市。

發售通函並不構成向任何司法權區的公眾提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告，且並非向公眾發出邀請以就認購或購買任何證券作出要約，亦非供傳閱以邀請公眾就認購或購買任何證券作出要約。

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中國，深圳
2025年5月12日

於本公告日期，本公司執行董事為馬紅女士及靳濤先生；非執行董事為張克升先生及張傳紅先生；獨立非執行董事為劉民先生及王貴國先生。

於本公告日期，CDBALF董事為馬紅女士、陳傑先生、陳宇先生、Alan GERAGHTY先生、Stephen KAVANAGH先生及Chris QUINN先生。

於本公告日期，發行人董事為陳宇先生、Alicia ABBEY女士、Caroline HARTE女士及Sean MCEVOY先生。

IMPORTANT NOTICE

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

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) (the "**Company**"), CDBL Funding 1 (the "**Issuer**"), CDB Aviation Lease Finance Designated Activity Company ("**CDBALF**") (formerly known as SinoAero Leasing Co., Limited) as a result of such access. In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States. You acknowledge that the access to the Offering Circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

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

By accepting this e-mail and accessing the attached Offering Circular, if you are an investor in Singapore, you (I) represent and warrant to the Arrangers and Dealers that you are either an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "**SFA**")) pursuant to Section 274 of the SFA, or are an "accredited investor" (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (II) agree to be bound by the limitations and restrictions described herein. Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

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

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

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OFFERING CIRCULAR

U.S.$3,000,000,000
Medium Term Note Programme
CDBL FUNDING 1
(an exempted company incorporated with limited liability in the Cayman Islands)
either
unconditionally and irrevocably guaranteed by

国银金租
CHINA DEVELOPMENT BANK LEASING

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

(a joint stock limited company incorporated in the People's Republic of China)
(Hong Kong Stock Exchange Stock Code: 1606)
or
unconditionally and irrevocably guaranteed by
CDB AVIATION LEASE FINANCE DESIGNATED ACTIVITY COMPANY
(a company incorporated in Ireland with limited liability)
and
with the benefit of a Keepwell and Asset Purchase Deed provided by
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.
(國銀金融租賃股份有限公司)
(a joint stock limited company incorporated in the People's Republic of China)

Under the U.S.$3,000,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), CDBL Funding 1 (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue (1) medium term notes (the "**Guaranteed Notes**") unconditionally and irrevocably guaranteed (the "**Guaranteed Note Guarantee**") by China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) (the "**Company**") or (2) medium term notes (the "**KW Notes**" and, together with the Guaranteed Notes, the "**Notes**") unconditionally and irrevocably guaranteed (the "**KW Note Guarantee**" and, together with the Guaranteed Note Guarantee, the "**Guarantees**") by CDB Aviation Lease Finance Designated Activity Company ("**CDBALF**") and with the benefit of the Keepwell and Asset Purchase Deed (as defined below) provided by the Company. The Issuer is an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of CDBALF. CDBALF is a wholly-owned subsidiary of the Company. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$3,000,000,000 (or the equivalent in other currencies), subject to increase as further described in "*Summary of the Programme*".

The Issuer, CDBALF and the Company entered into an amended and restated Keepwell and Asset Purchase Deed on 9 May 2025 with Citicorp International Limited (the "**Trustee**") as trustee of the KW Notes (the "**Keepwell and Asset Purchase Deed**") as further described in "*Description of the Keepwell and Asset Purchase Deed*". **The Keepwell and Asset Purchase Deed does not constitute a guarantee by the Company of the obligations of the Issuer under the KW Notes or of CDBALF under the KW Note Guarantee and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company, and will only be applicable to the KW Notes. There are various other risks relating to the KW Notes. See "*Risk Factors*" beginning on page 21. See "*Risk Factors – Risks Relating to the Notes Issued Under the Programme – Risks Relating to the KW Notes – The Keepwell and Asset Purchase Deed is not a guarantee of the payment obligations under the KW Notes and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company, and performance by the Company of its obligations under the Keepwell and Asset Purchase Deed is subject to the approvals of the PRC authorities*" beginning on page 39.**

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

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

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

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

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

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

In respect of each Tranche of Guaranteed Notes, the Company will enter into a deed of guarantee (each, a "**Deed of Guarantee**" and, collectively, the "**Deeds of Guarantee**") on the relevant issue date ("**Issue Date**") of each Tranche of the Guaranteed Notes issued under the Programme. The Company will be required to register or cause to be registered with the State Administration of Foreign Exchange of the PRC ("**SAFE**") each Deed of Guarantee (the "**Guaranteed Note Cross-border Security Registration**") in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 and the Guidelines for Implementing the Provisions on the Administration of Foreign Exchange of Cross-border Guarantee (跨境擔保外匯管理操作指引) promulgated by SAFE on 12 May 2014 (collectively, the "**SAFE Cross-border Security Provisions**"). The Company shall use its best endeavours to complete the Guaranteed Note Cross-border Security Registration and obtain a registration record from SAFE on or before the Registration Deadline (being 90 Registration Deadline Business Days (as defined herein) after the date of the relevant Issue Date). See the section headed "*The Guaranteed Note Guarantee*" for further details.

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

Product Governance under Directive 2014/65/EU (as amended) – The Pricing Supplement in respect of any Notes may include a legend entitled "**EU MiFID II Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**EU MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**EU MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

Product Governance under UK MiFIR – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

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

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

Product classification pursuant to Section 309B of the Securities and Futures Act 2001 – The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to Section 309B(1) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**"). If applicable, the Issuer will make a determination and provide the appropriate written notification to "relevant persons" in relation to each issue about the classification of the Notes being offered for the purposes of Section 309B(1)(a) and Section 309B(1)(c) of the SFA.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer, CDBALF or the Company (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

The Guaranteed Notes issuable under the Programme have been assigned a rating of "A1" by Moody's Investors Service, Inc. ("**Moody's**") and a rating of "A" by Fitch Ratings Ltd. ("**Fitch**"). The KW Notes issuable under the Programme have been assigned a rating of "A2" by Moody's and a rating of "A" by Fitch. In addition, the Company has been assigned a rating of "A1" by Moody's, "A" by S&P Global Ratings ("**S&P**") and "A" by Fitch. These ratings are only correct as at the date of this Offering Circular. Tranches of Notes (as defined in "*Summary of the Programme*") to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular.

Arrangers and Dealers
Standard Chartered Bank

9 May 2025

NOTICE TO INVESTORS

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

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

Each of the Issuer, CDBALF and the Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, CDBALF, the Company and its subsidiaries taken as a whole (the "**Group**"), the Notes, the Guarantees and the Keepwell and Asset Purchase Deed (in respect of the KW Notes), which is material in the context of the issue and offering of the Notes; (ii) the statements contained in this Offering Circular relating to the Issuer, CDBALF, the Company and the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, CDBALF, the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, CDBALF, the Company, the Group, the Notes, the Guarantees, the Keepwell and Asset Purchase Deed (in respect of the KW Notes), the omission of which would, in the context of the issue and offering of the Notes and the Guarantees make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer, CDBALF and the Company to ascertain such facts and to verify the accuracy of all such information and statements.

Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, CDBALF, the Company or the Notes.

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

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

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

Product Governance under Directive 2014/65/EU (as amended) – The Pricing Supplement in respect of any Notes may include a legend entitled "**EU MiFID II Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**EU MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**EU MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

Product Governance under UK MiFIR – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

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

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU)

2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Product classification pursuant to Section 309B of the Securities and Futures Act 2001

The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to Section 309B(1) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**"). If applicable, the Issuer will make a determination and provide the appropriate written notification to "relevant persons" in relation to each issue about the classification of the Notes being offered for the purposes of Section 309B(1)(a) and Section 309B(1)(c) of the SFA.

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

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

No representation or warranty, express or implied, is made or given by the Dealers, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Dealers, the Trustee or the Agents. None of the Dealers, the Trustee and the Agents has independently verified any of the information contained in this Offering Circular and can give any assurance that this information is accurate, truthful or complete. This Offering Circular, the Pricing Supplement and any other information supplied in connection with the Programme or any Notes are not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, CDBALF, the Company, the Dealers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular, any Pricing Supplement and any other information supplied in connection with the Programme and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

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

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

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

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER(S) DESIGNATED AS THE STABILISATION MANAGER(S) (OR ANY PERSON(S) ACTING FOR IT) (THE "STABILISATION MANAGER(S)") IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISATION MANAGER(S) TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

In making an investment decision, investors must rely on their own examination of the Issuer, CDBALF, the Company, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

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

Important Notice to Prospective Investors

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

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

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer, CDBALF and/or the Company to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

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

Notice to investors in Singapore

By accepting this Offering Circular, if you are an investor in Singapore, you: (I) represent and warrant that you are either (1) an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "**SFA**")) pursuant to Section 274 of the SFA; or (2) an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA, and (II) agree to be bound by the limitations and restrictions described therein.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

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

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

Solely for convenience, this Offering Circular contains translations of certain Hong Kong dollar amounts and Renminbi amounts into U.S. dollars amounts. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollars amounts has been made at the rate of RMB7.2993 to U.S.$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 31 December 2024. These translations should not be construed as representations that the Hong Kong dollar or Renminbi amounts could actually be converted into any U.S. dollars amounts, or vice versa at the rates indicated or at all. Unless specified otherwise, references in this Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Company compiled on a consolidated basis.

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

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

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

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Company as at and for the years ended 31 December 2023 (the "**Company's 2023 Audited Consolidated Financial Statements**") and 31 December 2024 (the "**Company's 2024 Audited Consolidated Financial Statements**", together with the Company's 2023 Audited Consolidated Financial Statements, the "**Company's Audited Consolidated Financial Statements**"), which are included elsewhere in this Offering Circular, were prepared and presented in accordance with the International Financial Reporting Standards ("**IFRS**"). The Company's 2023 Audited Consolidated Financial Statements and the Company's 2024 Audited Consolidated Financial Statements have been audited by BDO Limited ("**BDO**"), the Company's independent auditor for the years ended 31 December 2023 and 2024, respectively.

The audited consolidated financial statements of CDBALF as at and for the years ended 31 December 2023 (the "**CDBALF 2023 Consolidated Financial Statements**") and 31 December 2024 (the "**CDBALF 2024 Consolidated Financial Statements**", together with the CDBALF 2023 Consolidated Financial Statements, the "**CDBALF Consolidated Financial Statements**"), which are included elsewhere in this Offering Circular, were prepared and presented in accordance with IFRS as adopted by the European Union. The CDBALF 2023 Consolidated Financial Statements and the CDBALF 2024 Consolidated Financial Statements have been audited by Ernst & Young Chartered Accountants ("**EY**"), CDBALF's independent auditor for the years ended 31 December 2023 and 2024, respectively.

In preparing the Company's 2023 Audited Consolidated Financial Statements, the Company has adopted the following revised IFRSs for the first time: IFRS 17 and its amendments: Insurance Contract, Amendments to IAS 8: Definition of Accounting Estimates, Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules and Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies and has applied these amendments as detailed in the Company's 2023 Audited Consolidated Financial Statements. Please refer to note 2.2 of the Company's 2023 Audited Consolidated Financial Statements. Please also refer to "*Risk Factors – Risks Relating to Our Business and Industry – We face risks relating to changes in accounting standards"*.

In preparing the Company's 2024 Audited Consolidated Financial Statements, the Company has adopted the following revised IFRSs for the first time: Amendments to IFRS 16: Lease Liability in a Sale and Leaseback, Amendments to IAS 1: Classification of Liabilities as Current or Non-current, Amendments to IAS 1: Non-current Liabilities with Covenants and Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements and has applied these amendments as detailed in the Company's 2024 Audited Consolidated Financial Statements. Please refer to note 2.2 of the Company's 2024 Audited Consolidated Financial Statements. Please also refer to "*Risk Factors – Risks Relating to Our Business and Industry – We face risks relating to changes in accounting standards*".

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

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

(i) each relevant Pricing Supplement;

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

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

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

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

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available (upon written request and satisfactory proof of holding) free of charge, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the specified office of the Trustee set out at the end of this Offering Circular.

FORWARD-LOOKING STATEMENTS

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

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

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

All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the Issuer, CDBALF, the Company and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. The Issuer, CDBALF and the Company undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Issuer's, CDBALF's and the Company's actual results could differ materially from those anticipated in these forward-looking statements.

All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set forth in this section.

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

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SUMMARY

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

THE ISSUER

CDBL Funding 1 is an exempted company incorporated with limited liability under the Companies Act (as amended) of the Cayman Islands. It was incorporated in the Cayman Islands on 23 October 2014 as a special purpose vehicle. The Issuer expects to be tax resident in Ireland. Its registered office is at c/o Maples Corporate Services Limited, Ugland House, South Church Street, PO Box 309, Grand Cayman KY1-1104, Cayman Islands.

CDBALF

CDBALF is a designated activity company limited by shares incorporated under the laws of Ireland under company registration number 472612. CDBALF was incorporated on 2 July 2009 as SinoAero Leasing Co., Limited and commenced trading on 17 September 2009. On 21 October 2016, CDBALF re-registered as a designated activity company ("**DAC**") in Ireland. On 3 November 2016, CDBALF changed its name from SinoAero Leasing Designated Activity Company to CDB Aviation Lease Finance Designated Activity Company.

CDBALF provides a management platform for the entire aircraft portfolio of the Group. The aircraft portfolio is owned by multiple entities, established primarily in Ireland and the PRC, which enter into aircraft leasing agreements with airline customers.

CDBALF's operations constitute the Aircraft Leasing business segment of the Group. CDBALF's aircraft portfolio (the "**Aircraft Portfolio**") described herein is comprised of aircraft owned by CDBALF directly and through its various special purpose company subsidiaries (the "**SPCs**"); aircraft owned by SPCs that are direct subsidiaries of the Company; aircraft serviced by CDBALF on behalf of the Group; aircraft managed by CDBALF on behalf of third parties in return for a fee; and all aircraft purchase commitments. References herein to CDBALF's Aircraft Portfolio or aircraft purchased, leased, subleased, financed, disposed of or managed by CDBALF may refer to aircraft owned directly, or indirectly, by CDBALF, or by other Group entities.

The principal activities of CDBALF are the purchase, leasing and subleasing, financing, trading and disposal of aircraft. CDBALF also acts as a holding company for subsidiaries which operate the same business. CDBALF is focused on building and maintaining an attractive fleet of liquid, in-demand aircraft that are attractive to its airline customers, have a high degree of re-marketability and tradability and generate returns that meet its requirements. CDBALF seeks to build a globally diversified customer base and to structure its transactions in such a way as to deliver superior risk adjusted returns. CDBALF has developed, and will continue to enhance, a global platform focused on serving its customers.

As at 31 December 2024, CDBALF owns 260 aircraft under operating leases and 4 aircraft under finance lease to international airlines and holds one aircraft as held-for-sale. In addition, it manages 46 aircraft that are owned by the Company directly under operating leases.

Regarding the Aircraft Portfolio, for the year ended 31 December 2024, CDBALF executed 36 transactions for 70 new and used aircraft, covering order placement, remarketing and extensions, sale and leaseback deals, aircraft acquisitions and sales and selling 5 aircraft. As at 31 December 2024, the Aircraft Portfolio comprised 521 aircraft, consisting of 311 owned aircraft and 210 committed aircraft (consisting of 197 direct orders with manufacturers, 8 sale and lease-back and 5 aircraft from portfolio acquisition). Among the Aircraft Portfolio, the owned and in-service fleet mainly includes narrow-body aircraft types comprising the Airbus A320ceo and A320neo family and Boeing 737NG and 737MAX family, and wide-body types such as Airbus A330ceo, A330neo and A350, and Boeing 777-300ER and 787-9. As at 31 December 2024, Airbus and Boeing aircraft collectively represented 98.8% of total owned aircraft of the Group by net book value. Owned aircraft under operating leases maintained a 95.6% fleet utilisation as at 31 December 2024.

CDBALF intends to pursue sustainable growth opportunities as well as pursue opportunistic transactions to sell aircraft to manage the composition of the Aircraft Portfolio. In addition to the proceeds from operations and aircraft sales, CDBALF plans to raise additional debt, with credit support from the Company, to finance both new aircraft additions and to refinance maturing debt.

As at 31 December 2024, the Group has committed to purchasing 197 narrow-body aircraft under its direct OEM order, including 85 aircraft from Boeing and 112 aircraft from Airbus. These aircraft are scheduled to be delivered between 2025 and 2032. The Group also has contractual commitments to acquire a further 8 aircraft under sale-lease-back transactions and 5 aircraft from portfolio acquisition. The aggregate future capital expenditure commitments were RMB83,198.1 million. In addition to the above committed aircraft, the Group has 70 non-binding entitlements with The Commercial Aircraft Corporation of China, Ltd., consisting of 20 C909 aircraft and 50 C919 aircraft.

Competitive Strengths

- Strong parental support from and close collaboration with both the Company and CDB provides unique advantages.
- Access to competitively priced financing.
- Experienced, market-oriented management team with global and domestic PRC aviation expertise.
- Extensive, well-established relationships with global airlines and manufacturers and a long-term commitment to the sector.
- Young, modern, fuel-efficient and in-demand aircraft fleet.
- Long-term contracted revenue cash flows from a diversified pool of high-quality airline customers.
- Sophisticated and rigorous risk management underpinned by comprehensive capability.

Business Strategies

- Maintain sustainable growth of the Aircraft Portfolio and expand CDBALF’s global customer base while maintaining and leveraging its leading position in the fast recovering global aviation market.
- Maintain a professional top tier global leasing platform.
- Actively manage the Aircraft Portfolio and transaction execution process to optimise assets and mitigate risks.
- Continue to leverage and expand CDBALF’s financing capabilities, including optimisation of capital structure and maintenance of very competitive financing costs.

The Group

Founded in 1984, we were among the first leasing companies in the PRC and the first NFRA-regulated leasing companies. We are the sole leasing business platform and one of the key strategic business segments of CDB. CDB is a development financial institution which is wholly-owned by the PRC government and reports directly to the PRC's highest administrative authority, the State Council of the PRC, and is one of the world's largest development finance institutions with PRC sovereign level credit ratings. We are dedicated to providing comprehensive leasing services to high-quality customers in fields, including aircraft, shipping, regional development, inclusive finance, green energy and high-end equipment manufacturing, with leasing assets and business partners. We are a pioneer and a leader in the PRC leasing industry and have one of the highest international credit ratings among PRC financial institutions.

As at 31 December 2024, our business segments are as follows:

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

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

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

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

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

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

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

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

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

For the year ended 31 December 2024, our Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance and Green Energy and High-end Equipment Leasing businesses accounted for 32.3%, 17.2%, 27.1%, 10.4% and 13.0% of our revenue and other income, respectively. As at 31 December 2024, our assets in the Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance and Green Energy and High-end Equipment Leasing businesses accounted for 29.8%, 21.7%, 16.0%, 8.4% and 24.1% of our total segment assets, respectively.

Competitive Strengths

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

Business Strategies

- Maintain a diversified and well-balanced business development framework aligning with the needs of the real economy.
- Expand our business scale through both organic growth and acquisitions, and continue to enhance our international operational capabilities.
- Continue to enhance the diversification of financing channels and balance financing costs.
- Continue to enhance our risk management and control capabilities.
- Establish a high-performing and professional team through an effective incentive mechanism.

SUMMARY OF THE PROGRAMME

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

Company	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司)
Issuer	CDBL Funding 1
Guarantor in respect of the Guaranteed Notes	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司)
Guarantor in respect of the KW Notes	CDB Aviation Lease Finance Designated Activity Company
Keepwell and Asset Purchase Deed provider in respect of the KW Notes	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司)
Guaranteed Note Guarantee	The Company will, in respect of a Tranche of Guaranteed Notes, unconditionally and irrevocably guarantee (the "**Guaranteed Note Guarantee**") the due and punctual payment of all sums from time to time payable by the Issuer under the Trust Deed, the Guaranteed Notes and the Receipts and the Coupons.
KW Note Guarantee	CDBALF will, in respect of a Tranche of KW Notes, unconditionally and irrevocably guarantee (the "**KW Note Guarantee**") the due and punctual payment of all sums from time to time payable by the Issuer under the Trust Deed, the KW Notes and the Receipts and the Coupons.

Undertakings in relation to the Guaranteed Notes	For the benefit of each Tranche of the Guaranteed Notes to be issued in accordance with the terms and conditions of the Guaranteed Notes, the Company undertakes that it will (i) execute a Deed of Guarantee in connection with such Tranche substantially in the form attached to the Trust Deed on the relevant Issue Date; (ii) register or cause to be registered with SAFE (as defined below) the relevant Deed of Guarantee (the "**Guaranteed Note Cross-border Security Registration**") in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 and the Guidelines for Implementing the Provisions on the Administration of Foreign Exchange of Cross-border Guarantee (跨境擔保外匯管理操作指引) promulgated by SAFE on 12 May 2014 (collectively, the "**SAFE Cross-border Security Provisions**"); (iii) use its best endeavours to complete the Guaranteed Note Cross-border Security Registration and obtain a registration record from SAFE on or before the Registration Deadline (as defined in Condition 6(g)); (iv) ensure that the registration from SAFE in respect of the giving of the Guaranteed Note Guarantee of the relevant Tranche of the Guaranteed Notes remains in full force and effect for so long as such Tranche of the Guaranteed Notes remain outstanding; and (v) procure that within five PRC Business Days after the certificate and documents referred to in the definition of Release Condition in Condition 6(g) are delivered to the Trustee, the Issuer gives notice to the relevant Noteholders (in accordance with Condition 16) confirming the completion of the Guaranteed Note Cross-Border Security Registration.
Information Report to NDRC	Where the NDRC Administrative Measures apply, for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with the terms and conditions of Notes (the "**Terms and Conditions of the Notes**"), the Company undertakes to, among other things, file or cause to be filed with the NDRC the requisite information and documents within the prescribed time period and to comply with the continuing obligations in accordance with the NDRC Administrative Measures, as further described in Condition 4(b) of the Terms and Conditions of the Notes.
Description	Medium Term Note Programme.
Size	Up to U.S.$3,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of the Notes outstanding at any one time. The Issuer may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer, CDBALF and the Company to fulfil their respective obligations in respect of the relevant Notes, the Trust Deed, the Guarantees and the Keepwell and Asset Purchase Deed are discussed under "*Risk Factors*".

Arrangers	Standard Chartered Bank and Standard Chartered Bank (Hong Kong) Limited.
Dealers	Standard Chartered Bank and Standard Chartered Bank (Hong Kong) Limited.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*"). Further restrictions may apply in connection with any particular Series or Tranches of Notes.
Trustee	Citicorp International Limited.
Principal Paying Agent, Paying Agent and Calculation Agent	Citibank N.A., London Branch.
CMU Lodging and Paying Agent	Citicorp International Limited.
Registrar in respect of Notes Held in the CMU and Transfer Agent	Citicorp International Limited.
Registrar and Transfer Agent in respect of Notes Held in Clearstream and Euroclear	Citibank N.A., London Branch.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and/or the issue price, nominal amount, the date from which interest starts to accrue, the NDRC Post-issue Information Report (including the timing for the submission and/or completion therefor) and, in respect of a Tranche of Guaranteed Notes, the Guaranteed Note Cross-border Security Registration (including the timing for the submission and/or completion therefor)), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of a Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Form of Notes	Notes may be issued in bearer or registered form as described in "*Terms and Conditions of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*. A Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. A Tranche of Registered Notes will initially be represented by a Global Certificate. Where TEFRA D (as defined below) is applicable, Bearer Notes must initially be issued in the form of a Temporary Global Note, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.
Clearing Systems	Clearstream, Euroclear, the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, CDBALF, and/or the Company, as the case may be, the Principal Paying Agent, the Trustee and the relevant Dealer(s).
Initial Delivery of Notes	On or before the issue date for a Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, CDBALF and/or the Company, as the case may be, the Trustee, the Principal Paying Agent and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, CDBALF and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, CDBALF and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent.
Specified Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives. Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Fixed Rate Notes	Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer, CDBALF, and/or the Company, as the case may be, and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, CDBALF and/or the Company, as the case may be the relevant Dealer(s) and the Principal Paying Agent.
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: • on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first Tranche of the Notes of the relevant Series); or • on the basis of SOFR reference rates appearing on the agreed screen page of a commercial quotation service (in relation to Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as SOFR Benchmark, please see Condition 5(b)(iii)(C); or • by reference to EURIBOR, HIBOR, SHIBOR or CNH HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or • on such other basis as may be agreed between the Issuer, CDBALF, and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent. Interest periods will be specified in the relevant Pricing Supplement.
Zero Coupon Notes	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in "*Terms and Conditions of the Notes*") will be made in such currencies, and based on such rates of exchange, as the Issuer, CDBALF and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent may agree and as may be specified in the relevant Pricing Supplement.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes (as defined in "*Terms and Conditions of the Notes*") or of interest in respect of Index Linked Interest Notes (as defined in "*Terms and Conditions of the Notes*") will be calculated by reference to such index and/or formula or to changes in prices of securities or commodities or to such other factors as the Issuer, CDBALF and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent may agree and as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable (detailed in a formula, index or otherwise). Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or if the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.
Redemption for Change of Control	Following the occurrence of a Change of Control, any Noteholder will have the right at such holder's option, to require the Issuer to redeem all, or some only, of such holder's relevant Note at 101% of their principal amount together with unpaid interest accrued to the date fixed for redemption, as further described in Condition 6(f) of the Terms and Conditions of the Notes.

Redemption for No Registration Event	Following the occurrence of a No Registration Event, the Issuer shall, at the option of the holder of any Guaranteed Note redeem all but not some only of the Guaranteed Notes of the relevant Tranche held by such holder at a price equal to their principal amount (together with interest accrued to the date fixed for redemption), as further described in Condition 6(g) of the Terms and Conditions of the Notes.
Redemption for Taxation Reasons	Notes will be redeemable at the option of the Issuer prior to maturity for taxation reasons as further described in Condition 6(c) of the Terms and Conditions of the Notes.
Status of the Notes	The Notes and the Receipts and the Coupons relating to them constitute direct, general, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the relevant Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Status of the Guaranteed Note Guarantee	The Guaranteed Note Guarantee constitutes direct, general, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Company which will at all times rank at least *pari passu* with all other present and future (subject to Condition 4(a)) unsecured and unsubordinated obligations of the Company, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Status of the KW Note Guarantee	The KW Note Guarantee constitutes direct, general, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of CDBALF which will at all times rank at least pari passu with all other present and future (subject to Condition 4(a)) unsecured and unsubordinated obligations of CDBALF, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Notes.
Cross-Acceleration	The Terms and Conditions of the Notes will contain a cross acceleration provision as described in Condition 10(c) of the Terms and Conditions of the Notes.

Withholding Tax	All payments of principal, premium (if any) and interest in respect of the Notes, the Receipts, the Coupons, the Trust Deed and under the relevant Guarantee by or on behalf of the Issuer, CDBALF (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Guaranteed Notes) shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. The Issuer, CDBALF (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Guaranteed Notes) will, subject to certain customary exceptions, pay such additional amounts as will result in the receipt by the Noteholders, Couponholders and Receiptholders of such amounts as would have been received by them had no such withholding or deduction been required. See Condition 8 of the Terms and Conditions of the Notes.
Ratings	Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.
Governing Law and Jurisdiction	English law with the submission to the exclusive jurisdiction of Hong Kong courts.
Listing and Admission to Trading	Application has been made to the SEHK for the listing of the Programme, under which Notes may be issued during the 12-month period after the date of this Offering Circular on the SEHK by way of debt issues to Professional Investors only. Separate application will be made for the listing of, and permission to deal in, the Notes on the SEHK. Notes listed on the SEHK are required to have a denomination of at least HK$500,000 (or its equivalent in other currencies). However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the SEHK or listed, traded or quoted on or by any other competent authority, stock exchange or quotation system.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, the Cayman Islands, Ireland, Japan, Hong Kong, the PRC, Singapore, Taiwan, Macau, Australia and New Zealand and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

	Bearer Notes will be issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**Code**") ("**TEFRA D**") unless (i) the relevant Pricing Supplement states that the Bearer Notes are issued in compliance with rules in substantially the same form as U.S. Treasury Regulation §1.163- 5(c)(2)(i)(C) for purposes of Section 4701 of the Code ("**TEFRA C**") or (ii) the Bearer Notes are issued other than in compliance with TEFRA D or TEFRA C. In the case of Bearer Notes, only Notes with a term of 365 days or less (taking into account any unilateral rights to rollover or extend the term) will be issued other than in compliance with TEFRA D or TEFRA C and will be referred to in the relevant Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**") is not applicable. Bearer Notes with a term of more than 365 days (taking into account any unilateral rights to rollover or extend the term) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the Issuer to comply with the certification requirements under TEFRA D. Where TEFRA D is applicable, Bearer Notes must initially be issued in the form of Temporary Global Notes, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.
Keepwell and Asset Purchase Deed	The Issuer, CDBALF, the Company and the Trustee have entered into the Keepwell and Asset Purchase Deed, which will only be applicable to the KW Notes, as further described in "*Description of the Keepwell and Asset Purchase Deed*".
Legal Entity Identifier of the Issuer	254900PLOF8VWTAH3F83

SELECTED FINANCIAL INFORMATION OF THE COMPANY

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

The summary consolidated financial information of the Company as at and for the years ended 31 December 2023 and 2024, as set forth below, has been derived from the Company's 2024 Audited Consolidated Financial Statements, which have been audited by BDO Limited, the Company's independent auditor for the years ended 31 December 2023 and 2024, respectively. The Company's 2024 Audited Consolidated Financial Statements have been prepared and presented in accordance with IFRS.

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	For the year ended 31 December	
	2023	**2024**
	RMB'000	
	(audited)	
Revenue		
Finance lease income	10,644,247	10,846,075
Operating lease income	12,361,652	14,588,980
Total revenue	**23,005,899**	**25,435,055**
Net investment gains	155,509	205,030
Other income, gains or losses	3,493,943	2,923,022
Total revenue and other income	**26,655,351**	**28,563,107**
Depreciation and amortisation	(6,097,374)	(7,102,295)
Staff costs	(502,419)	(514,692)
Fee and commission expenses	(85,725)	(55,073)
Interest expense	(10,362,441)	(12,978,413)
Other operating expenses	(1,916,287)	(2,051,396)
Net impairment losses under expected credit loss model	(773,305)	355,337
Net impairment losses on other assets	(1,499,054)	(213,810)
Total expenses	**(21,236,605)**	**(22,560,342)**
Profit before tax	**5,418,746**	**6,002,765**
Income tax expense	(1,268,597)	(1,499,777)
Profit for the year attributable to owners of the Company	**4,150,149**	**4,502,988**
Earnings per share attributable to owners of the Company (Expressed in RMB Yuan per share) – Basic and diluted	**0.33**	**0.36**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December	
	2023	**2024**
	RMB'000	
	(audited)	
Assets		
Cash and bank balances	69,440,305	43,670,649
Financial assets at fair value through profit or loss (FVTPL)	156,472	213,910
Derivative financial assets	675,904	437,938
Financial assets at fair value through other comprehensive income (FVOCI)	3,001,187	–
Accounts receivable	1,335,131	624,734
Finance leases receivable	195,101,137	202,099,637
Assets held-for-sale	–	175,805
Prepayments	12,708,141	13,535,354
Investment properties	1,089,534	1,058,369
Property and equipment	118,640,179	133,593,877
Right-of-use assets	174,329	143,192
Deferred tax assets	2,131,711	2,327,409
Other assets	5,240,873	7,969,456
Total assets	**409,694,903**	**405,850,330**
Liabilities		
Borrowings	295,875,445	309,814,063
Due to banks and other financial institutions	12,509,021	5,185,420
Financial assets sold under repurchase agreements	2,556,855	–
Derivative financial liabilities	246,329	856,453
Accrued staff costs	282,495	274,566
Bonds payable	32,187,230	27,072,912
Tax payable	446,635	466,952
Lease liabilities	192,262	160,754
Deferred tax liabilities	1,108,668	1,044,984
Other liabilities	27,008,123	20,710,467
Total liabilities	**372,413,063**	**365,586,571**
Equity		
Share capital	12,642,380	12,642,380
Capital reserve	2,418,689	2,418,689
Hedging and fair value reserve	389,237	(129,748)
Translation reserve	667,892	910,830
General reserves	7,869,271	8,175,006
Retained earnings	13,294,371	16,246,602
Total equity	**37,281,840**	**40,263,759**
Total liabilities and equity	**409,694,903**	**405,850,330**

SELECTED FINANCIAL RATIOS

	For the year ended 31 December/ As at 31 December	
	2023	2024
Return on average total assets(1)	1.09%	1.10%
Return on average equity(2)	11.60%	11.61%
Cost-to-income ratio(3)	9.55%	9.35%
Net profit margin before tax and impairment losses(4)	33.43%	23.04%
Net profit margin(5)	18.04%	17.70%
Non-performing asset ratio(6)	0.60%	0.56%
Non-performing asset ratio of finance lease business(7)	0.81%	0.80%
Financial Leverage Ratio(8)	7.89x	8.25x

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

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

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

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

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

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

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

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

CAPITAL RATIO DATA

	As at 31 December	
	2023	2024
Capital Adequacy Indicators(1)		
Core tier-one capital adequacy ratio(2)	9.96%	10.49%
Tier-one capital adequacy ratio(3)	9.96%	10.49%
Capital adequacy ratio(4)	12.47%	12.95%
Asset Quality Indicators		
Ratio of allowance to non-performing finance lease related assets(5)	547.72%	551.24%

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

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

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

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

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

SELECTED FINANCIAL INFORMATION OF CDBALF

The summary consolidated financial information of CDBALF as at and for the years ended 31 December 2023 and 2024, as set forth below, has been derived from the CDBALF 2024 Consolidated Financial Statements, which are included elsewhere in this Offering Circular. The CDBALF 2024 Consolidated Financial Statements have been prepared and presented in accordance with IFRS as adopted by the European Union, and have been audited by EY, CDBALF's independent auditor for the years ended 31 December 2023 and 2024, respectively. The summary consolidated financial information as set forth below should be read in conjunction with the relevant consolidated financial statements of CDBALF and the notes included therein.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2023	**2024**
	(U.S.$'000)	
	(audited)	
Lease revenue and other income	1,248,928	1,048,795
Profit/(loss) on sale of aircraft	(14,638)	11,276
Operating income	**1,234,290**	**1,060,071**
Operating expenses	(115,927)	(111,813)
Depreciation and amortisation	(463,008)	(497,343)
Impairment of aircraft assets	(131,053)	(23,367)
Reversal/(charge) of expected credit losses	(27,259)	79,703
Expenses	**(737,247)**	**(552,820)**
Net operating income	**497,043**	**507,251**
Interest income calculated using effective interest method	19,216	20,470
Other interest and similar income	76,762	54,109
Finance expense	(528,484)	(573,394)
Fair value movement on investments	639	1,918
Fair value movement on derivative financial instruments	866	(3,279)
Net finance and other expenses	**(431,001)**	**(500,176)**
Profit before tax	**66,042**	**7,075**
Taxation benefit/(charge)	(5,541)	1,595
Profit for the financial year	**60,501**	**8,670**
Other Comprehensive income Items that are or may be reclassified subsequently to profit or loss		
Net losses on cashflow hedge derivatives	(42,340)	(7,762)
Total comprehensive income for the financial year	**18,161**	**908**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2023	**2024**
	(U.S.$'000)	
	(audited)	
Assets		
Non-current assets		
Aircraft	10,105,123	10,842,473
Finance lease assets	57,577	73,622
Property, plant and equipment	5,518	5,289
Intangible assets	131,946	105,249
Investments at fair value through Profit or Loss	8,920	27,124
Trade and other receivables	158,994	181,249
Pre-delivery payments	47,676	–
Derivative financial instruments	59,205	48,766
Right of use asset	19,717	17,121
Other assets	80,471	78,545
Total non-current assets	**10,675,147**	**11,379,438**
Current assets		
Trade and other receivables	61,700	56,296
Finance lease assets	5,171	14,763
Derivative financial instruments	7,439	4,466
Pre-delivery payments	79,869	113,091
Cash and cash equivalents	937,463	379,884
Other assets	32,935	39,673
Assets held-for-sale	–	6,100
Total current assets	**1,124,577**	**614,273**
Total assets	**11,799,724**	**11,993,711**
Equity		
Called up share capital	173,288	173,288
Share premium	64	64
Merger reserve	(193)	(193)
Hedging reserve	50,323	42,561
General reserve	176,852	176,852
Retained earnings	100,082	108,752
Total Equity	**500,416**	**501,324**

	As at 31 December	
	2023	2024
	(U.S.$'000)	
	(audited)	
Liabilities		
Non-current liabilities		
Deferred tax liability	74,281	70,450
Notes issued	397,869	398,420
Loans and borrowings	5,284,639	5,579,944
Intangible liabilities	–	10,208
Other creditors	548,379	560,961
Derivative financial instruments	1,001	5,826
Trade and other payables	47,907	62,360
Lease liability	20,286	17,133
Total non-current liabilities	**6,374,362**	**6,705,302**
Current liabilities		
Trade and other payables	336,769	353,844
Notes issued	529,304	–
Loans and borrowings	4,018,526	4,263,107
Other creditors	37,929	166,957
Lease liability	2,418	2,567
Liabilities held-for-sale	–	610
Total current liabilities	**4,924,946**	**4,787,085**
Total liabilities	**11,299,308**	**11,492,387**
Total equity and liabilities	**11,799,724**	**11,993,711**

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

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

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

While the International Monetary Fund (IMF) maintains a cautiously optimistic outlook projecting global growth at approximately 3.3% for both 2025 and 2026, this forecast remains notably below the historical (2000-2019) average of 3.7% and is subject to multiple uncertainties and downside risks. The global economy has experienced significant challenges in recent years due to political tensions, ongoing international trade disputes, the elevated uncertainty stemming from monetary and fiscal policies adopted by central banks and other leading financial authorities globally and other relevant factors.

Increased economic nationalism and trade protectionism have increased geopolitical uncertainty and unpredictability throughout the world. The renewed U.S. tariffs under the Trump administration in 2025. These tariffs could disrupt global supply chains and increase costs and unpredictability for businesses worldwide. These developments may adversely affect airline customers' operating costs and demand for international travel. The uncertainty surrounding tariff and trade policies has also led to and could continue to lead to heightened volatility in global stock and bond markets. The Russian-Ukrainian conflicts have led to severe trade sanctions and energy export restrictions, further increases in the prices of energy, oil and other commodities and to volatility in financial markets globally, as well as a new landscape in relation to international sanctions and export-control measures. The conflict in Israel and Gaza that commenced in October 2023 have increased the risk of destabilisation of the Middle East region, which led to further military conflicts between Israel and Iran, and the situation remains highly volatile and uncertain which may have further implications for the global economy. Other geopolitical events such as continued tensions in various countries in the Middle East, the Korean peninsula, Eastern Europe as well as Africa could significantly undermine the stability of the global economy and financial markets as well. Such geopolitical risks may have a material adverse impact on macroeconomic factors which affect our business, financial condition and results of operations.

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

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

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

The sustainability and future growth of our business are largely dependent on our ability to effectively manage and maintain the asset quality of our leased asset portfolio, a substantial portion of which is our finance lease related assets. If the asset quality of our finance lease related assets deteriorates, it may materially and adversely affect our business and results of operations. As at 31 December 2023 and 2024, the Group's non-performing asset ratio was 0.60% and 0.56%, respectively.

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

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

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

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

Our business primarily comprises Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance and Green Energy and High-end Equipment Leasing businesses. These businesses involve various industries, and could be affected, to various extents, by the economic cycle of the relevant industries. The nature, timing and extent of changes in industry-wide conditions are largely unpredictable. In the event of an industry downturn, unfavourable economic and market conditions may lead to a decline in demand for our leasing services, and an increase in our clients' default, as well as the deterioration in the quality of our leased assets, which may, in turn, materially and adversely affect our business, financial condition and results of operations.

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

- Our Aircraft Leasing business largely depends on the market demand for aircraft. Unfavourable global economic and market conditions as well as other factors may discourage the use of air travel. For example, the decline in air passenger volumes, due to, among other things, flight restrictions and quarantine measures imposed by countries as a result of COVID-19 pandemic adversely affected our airline lessees' businesses and led to reduced demand for aircraft in 2021 and 2022. In addition, the surge in or fluctuations of fuel prices may also affect the profitability of our airline lessees and hence their ability to timely make lease payments to us. Even during periods of strong demand for air travel and air cargo transportation services, we may face a reduction in demand for leasing our aircraft, as such demand typically leads to sustained periods of financial strength and stability for certain airline customers. Under such circumstances, these airline customers may seek to purchase their own aircraft rather than entering into aircraft leasing arrangements. In addition, airline consolidation, industry liberalisation or deregulation, interest rates fluctuation and high volatility in jet fuel prices in the past, removal of visa or travel restrictions and growth in new airline business models may also affect financial performance for our airline customers. Airlines or other aircraft owners may also seek to lease out their own aircraft, thereby leading to increased competition in the aircraft leasing industry, which could materially and adversely affect our business, financial condition and results of operations.

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

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

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

- Certain of our customers in the Inclusive Finance business are small and medium-sized enterprises (the "**SMEs**") from various industries. Due to the constraint in size, SMEs may lack the financial and management resources necessary to withstand the adverse impacts of substantial economic volatility, an increasingly stringent regulatory environment or other factors, which could leave them more susceptible to macroeconomic recession. Compared with larger enterprises, SMEs generally have less financial transparency, and therefore we may not be able to assess their credit risks accurately.

In addition, some lessees may reduce or cease their business scale as required by the PRC government due to concerns over environmental impacts and excess production capacity in certain manufacturing industries. As a result, these lessees may delay or default on their lease payments, which could lead to an increase in our non-performing assets, and therefore materially and adversely affect our business, financial condition and results of operations.

However, we focused on business structure optimisation and stepped-up restructuring and innovation to maintain steady and orderly growth of the leasing business.

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

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

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

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

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

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

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

Although the PRC leasing industry has developed rapidly, its regulatory framework is still evolving. Promulgation of new rules and regulations, and changes in interpretation or application of existing rules and regulations, may affect our implementation of new businesses, the concentration of our clients, and our operating costs, which may affect our business strategies and prospects as well as our ability to effectively compete with other companies not similarly affected. For example, on 13 March 2014, the former China Banking Regulatory Commission (the former "**CBRC**") revised the Measures for the

Administration of Financial Leasing Companies (金融租賃公司管理辦法) which was further updated on 14 September 2024, which introduced a new rule that limits the amount of lease financing towards a single shareholder. On 30 December 2021, the former CBIRC issued the Administrative Measures for Project Companies of Financial Leasing Companies (金融租賃公司項目公司管理辦法) which introduced new rules for the establishment and management of project companies and special purpose vehicles for the purpose of carrying out financial leasing businesses, including shareholding requirement, capital requirement, permitted businesses, accounting and risk management and reporting requirement, including the reporting obligation imposed on a professional subsidiary when a management project company under the control of such professional subsidiary issue bonds. In addition, in February 2022, the former CBIRC issued the Notice on Issues Related to Strengthening the Compliance Supervision of Financial Leasing Businesses of Financial Leasing Companies (關於加強金融租賃公司融資租賃業務合規監管有關問題的通知) and other documents for leasing companies, which continued to provide direction for the business compliance, the division of regulatory responsibilities and the optimisation of business structure and leasehold management in the leasing industry. Such new measures may necessitate reorganisation of certain leasing businesses carried out by us and/or our onshore and offshore project companies, and we expect to consult the NFRA and the relevant regulators on their regulatory opinions and suggestions when structuring such reorganisation.

Pursuant to the minimum capital requirements contained in the Administrative Measures for the Capital of Commercial Banks (商業銀行資本管理辦法) published by the NFRA on 26 October 2023 and came into effect on 1 January 2024, we are required to maintain a minimum Core Tier 1 capital adequacy ratio of 7.5%, a minimum Tier 1 capital adequacy ratio of 8.5% and a minimum capital adequacy ratio of 10.5%. As at 31 December 2024, our Core Tier 1 capital adequacy ratio and Tier 1 capital adequacy ratio were both 10.49%, and our capital adequacy ratio was 12.95%, all of which complied with the increases in regulatory requirements. Certain factors could adversely affect our ability to comply with applicable capital adequacy requirements in the future, including deterioration in our asset quality and a decline in our profitability. Meanwhile, our ability to satisfy the current regulatory capital requirements may be constrained by any government's regulatory approval, changes in our credit ratings, and any PRC and overseas economic, political, market and other conditions that may affect our capital-raising activities. There can be no assurance that we will continue to meet the capital adequacy requirements enforced by PRC regulatory authorities from time to time. We may also incur additional compliance and capital related costs as a result. We may have to reduce our growth rate or the scale of our lease financing to customers, such as by selling or disposing of certain leased assets on terms which are unfavourable to us or inconsistent with our business plans or development strategies, or by raising additional capital. If we are unable to maintain our compliance with regulatory requirements and sufficient capital, the NFRA may take a number of measures against us, including imposing restrictions on our ability to develop innovative business models and to assign or pay dividends. These measures may also trigger mandatory prepayments for some of our debts. As a result, our reputation may be significantly damaged and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Meanwhile, we will need to comply with more stringent regulations in the future. For example, the NFRA required us to meet the regulatory requirements for a minimum ratio of allowance to non-performing finance lease related assets of 100%, and a minimum ratio of allowance to total finance lease related assets of 2.5%, which we had met as at 31 December 2024. Satisfying such regulatory ratios may require us to accrue additional provisioning, leading to increased impairment losses, decreased profit and decreased net book value of leased assets. If we fail to meet such requirements, the regulator may reprimand us, issue risk warnings or take corresponding regulatory measures, which may materially and adversely affect our business, financial condition, results of operations and prospects. In addition, there can be no assurance that regulatory requirements that would materially and adversely affect our business, financial condition and results of operations will not change in the future. As at 31 December 2024, our ratio of allowance for non-performing finance lease related assets was 551.24%.

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

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

Our leasing business is balance sheet-driven, which requires a substantial amount of funding to support the growth of our leased asset portfolio, fund our operations and repay our debts. We have to make significant principal and interest payments on our outstanding indebtedness. Although we generally generate considerable funds from our operations, meeting our cash requirements for business needs in the long term requires substantial liquidity and stable access to multiple sources of funding. We fund our operations and expansion primarily through borrowings and bonds payable, in addition to the cash generated from our business operations. As at 31 December 2024, the balances of our outstanding debts from the foregoing funding sources were RMB309.8 billion and RMB27.1 billion, respectively. We continued to deepen cooperation with domestic and overseas banks and other financial institutions to ensure sufficient funds available for business development. As at 31 December 2024, we had business relationships with 160 banks and was granted credit facilities amounting to a total of approximately RMB790 billion, including unused credit facilities of approximately RMB472.72 billion. In 2024, amidst the complex and changeable macroeconomic and financial environment both domestically and internationally, we closely monitored market changes, adjusted the financing strategy in time, continued to expand financing channels, optimised the debt duration structure and enhanced the stability of debts. If we fail to maintain our existing and future funding arrangements on commercially acceptable terms, we may not be able to continue obtaining sufficient funding from our current sources. Our current sources of funding may not be sufficient to meet our liquidity needs in the future, and we may not be able to timely explore new sources to raise financing for our business.

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

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

Due to the balance sheet-driven nature of our business, we expect that we will continue to maintain significant levels of indebtedness. As at 31 December 2024, our total liabilities amounted to RMB365.6 billion. As at 31 December 2023 and 2024, our gearing ratio was 7.89x and 8.25x, respectively. In certain of our financing agreements, our creditors are entitled to require us to repay our debts early subject to certain conditions, if any mandatory prepayment event occurs, such as our violation of certain regulatory indicators or failure to satisfy specified loan-to-value ratios. There can be no assurance that such events will not occur. A mandatory prepayment of debt could reduce our working capital and liquidity and affect our financing ability.

In addition, our level of indebtedness requires a portion of our cash flows from operations to be dedicated to interest and principal payments, and therefore these will not be available to fund our operations, working capital, capital expenditures, expansion, acquisitions or general corporate purposes. For the years ended 31 December 2023 and 2024, our interest expenses were RMB10.4 billion and RMB13.0 billion, respectively, representing 45.0% and 51.0% of our total revenue, respectively. In order to meet our current debt commitments, and to maintain an adequate level of unrestricted cash to properly fund our operations and expansion, we may need to raise additional funds by accessing additional funding from banks or other financial institutions. As at 31 December 2024, we had business relationships with 160 banks and was granted credit facilities amounting to a total of approximately RMB790 billion, including unused credit facilities of approximately RMB472.72 billion. Our inability to raise such funds may materially and adversely affect our financial condition and growth prospects.

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

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

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

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

We are subject to liquidity risk.

We rely on diversified funding sources through the reserve of sufficient credit. We use quasi-cash assets, such as bank deposits and money market bonds as our main liquidity reserves, and hold a certain proportion of senior bonds to ensure that liquidity reserves can mitigate liquidity risks. As at 31 December 2023 and 2024, our cash and bank balances amounted to RMB69,440.3 million and RMB43,670.6 million, respectively. Although systems and procedures are in place as part of our liquidity management mechanism to identify and manage on a timely basis the liquidity risks arising from our businesses, there can be no assurance that these systems and procedures will successfully manage and mitigate our Group's liquidity risks. Our ability to obtain additional sources of funding may also be affected by factors such as deterioration in market conditions and disruptions to financial markets. Global capital markets have experienced and may continue to experience negative investor sentiment, significant volatility and liquidity disruptions. We may not be able to secure required funding on commercially acceptable terms on a timely basis or at all, which could result in liquidity risk and materially and adversely affect our business, financial condition and results of operations.

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

We make allowance for impairment losses on finance lease related assets[1] in accordance with IAS. As at 31 December 2023 and 2024, our allowance for impairment losses on finance lease related assets were RMB9,033.9 million and RMB9,277.9 million, respectively, representing 4.4% and 4.4% of our total finance lease related assets before allowance for impairment losses, respectively. The amount of allowance for impairment losses on our finance lease related assets is determined on the basis of our internal provisioning procedures and guidelines, taking into account a number of factors, such as the nature and industry-specific characteristics of our lessees and their creditworthiness, economic conditions and trends, delinquencies and the value of the underlying collateral and guarantees. As the accounting standards require significant judgement and estimation on the future credit risks at certain points of time, we may underestimate future risks and thus our allowance may not be adequate to cover the actual credit losses. Furthermore, impairment losses may differ substantially from time to time and may be difficult to predict. For the year ended 31 December 2023, our impairment losses amounted to RMB2,272 million, representing an decrease of 46.6% as compared with the impairment losses for the year ended 31 December 2022, primarily due to the fact that the Group recorded a large impairment loss in the previous year in respect of aircraft stranded in Russia and the conversion of non-performing items under finance leases, and that no large impairment loss was recorded for the year ended 31 December 2023 due to the improvement in the risk situation of the lessees and the quality of the leased assets. For the year ended 31 December 2024, net impairment losses of the Group amounted to RMB(141.5) million, representing a decrease of RMB2,413.9 million, or 106.2% as compared with that of last year, primarily due to the improvement in the risk situation of the lessees and the quality of the leased assets. Our allowance may prove to be inadequate if unforeseen or adverse changes occur in the PRC or overseas economies in which we operate, or if other events adversely affect specific lessees, industries or markets. Under such circumstances, we may need to make additional allowance for our finance lease related assets, which could significantly reduce our profit and may materially and adversely affect our business, financial condition and results of operations.

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

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

We operate in industries that are in transformation phase.

The Chinese financial leasing industry has entered a transformation phase, shifting from credit-driven business models to one centered around operating leases and direct leases, focusing on the integration of operation and finance. Although the PRC leasing industry still has great potential for development, there is no assurance that we will be able to maintain our advantageous position as a result of the transformation.

Due to the diverse and international nature of our business, we mainly face challenges from PRC and overseas leasing companies, including bank-affiliated, captive and independent leasing companies relating to business transformation, the development of characteristic leasing products, and fluctuations in yield levels. Some of our peers may adjust better for the transformation by having greater financial and management resources than we do. Some of our peers may have greater operational and financial resources as well as customer networks and relationships, lower financing costs, and higher risk tolerance or different methods of risk assessment, such that they can consider or afford a wider variety of investments, establish more relationships, and bid more aggressively on assets available for sale. In addition, some of our peers may offer better terms to prospective lessees than us.

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

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

Against the backdrop of our economy transitioning to a high-quality development phase, as well as external economic conditions and market changes, our Aircraft Leasing business generally faces challenges in the acquisitions of new aircraft, sales of aircraft, and purchases of asset portfolios from domestic and overseas large and medium-sized aircraft leasing companies, airlines, aircraft brokers, aircraft manufacturers, and investors and funds with greater capital to invest in aircraft. The key to successful transformation in the leasing industry mainly depends on aircraft models, aircraft conditions, specifications and configurations, aircraft slots, rental, lease tenure, lease conditions, management experience, and reputation. The ability to adjust along the transformation in the purchases and sales of leased aircraft mainly depends on the availability of the leased aircraft, price, the terms they are subject to, and the creditworthiness of the lessees, if any.

We may not always be able to maintain our leading position in the industry for our core businesses during transformation phase, which could materially and adversely affect our business and growth prospects.

Some industries that we are engaged in are cyclical.

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

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

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

For our Aircraft Leasing business, the fleet utilisation rate of our owned portfolio under operating leases for the year ended 31 December 2024 was 95.6%. As at 31 December 2024, our had 210 committed aircraft including 119 aircraft from Airbus and 91 aircraft from Boeing. In addition to the aforesaid committed aircraft, the Group has 70 non-binding entitlements with The Commercial Aircraft Corporation of China, Ltd., consisting of 20 C909 aircraft and 50 C919 aircraft. Among the 210 committed aircraft as at 31 December 2024 (including aircraft under direct OEM (being collectively or individually, Boeing, Airbus and other airline manufacturers) orders, sale-lease-back and portfolio acquisition), 30 were scheduled for delivery in 2025, 31 in 2026 and 149 from 2027 onwards. As at 31 December 2024, (i) among 197 aircraft committed to be purchased directly from OEMs, 37 were committed for lease, of which 19 were scheduled for delivery in 2025, 15 in 2026 and 3 in 2027 and (ii) the Group was committed to sale-lease-back transactions covering 8 aircraft and 5 aircraft via portfolio acquisition, of which 9 were scheduled for delivery in 2025 and 4 in 2026. There can be no assurance that such lessees or purchasers will proceed with the leasing or purchasing arrangement under our expected conditions as scheduled, and there can be no assurance that we would be able to, under such expected conditions, avoid significant off-lease time, find interested lessees or purchasers for our aircraft in advance, and enter into contracts on favourable terms with them in the future.

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

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

- general political and economic instability in international markets;
- difficulties with managing overseas operations, including complying with the relevant laws and regulations of international organisations or various regulatory and legal requirements of different jurisdictions, and obtaining different approval or licence requirements;
- challenges in providing leasing services, and recruiting, in overseas markets;
- limitations on the repatriation of our assets and profits to China;
- expropriation of our international assets;
- differences in accounting treatment in different jurisdictions;
- potential adverse tax consequences;
- foreign exchange losses;
- inability to effectively enforce contractual or legal rights; and
- different liability standards and legal systems that may be less developed and less predictable than those in advanced economies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A recurrence of Ebola virus disease, Severe Acute Respiratory Syndrome, or other epidemic or pandemic diseases such as H5N1 bird flu, H1N1 swine flu, Type A H1N1 influenza, Middle East Respiratory Syndrome or the COVID-19, especially in the areas where we or our lessees operate, may result in widespread health crises and restrict business activities in the affected areas, which may in turn cause material disruptions to our and our lessees' businesses. Natural disasters such as earthquakes, floods, volcano eruptions, severe weather conditions, or other catastrophic events, may also severely affect the regions where we or our lessees operate. Severe and prolonged contagious disease outbreaks could result in a widespread health crisis that could dampen investor sentiment, and the business activities and operations in the affected regions operated by us could be severely affected. Any of these factors could have a material adverse effect on our financial condition, business and results of operations, including the fair value of leased assets and cash flow generated by future operating activities.

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

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

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

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

- we conduct business through collaboration with CDB in our Regional Development Leasing business, given its strong resources in customer selection and marketing, due diligence and project review;

- for risk management, we are able to access CDB's resources and data on risk assessment when necessary;

- we have credit lines granted by CDB;

- according to regulatory requirements and the articles of association of the Issuer (the "**Articles of Association**"), CDB is required to provide us with liquidity support and capital injection under certain circumstances specified by the NFRA; and

- as our credit standing is largely affected by that of CDB's, we benefit from the sound credit rating of CDB, which has helped reduce our financing costs, further expanded our financing channels and enhanced our bargaining power.

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

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

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

We are subject to the PRC's economic, political and social conditions, as well as government policies and legal system.

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

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

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

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

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

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

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

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

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

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

We face risks relating to changes in accounting standards.

Our historical consolidated financial information must be evaluated in light of any changes in accounting standards. There can be no assurance that our historical financial information was or will be indicative of what our results of operations, financial condition or cash flow will be in the future or that financial information is comparable on a year-to-year basis. For example, in preparing the Company's 2023 Audited Consolidated Financial Statements, the Company has adopted the following revised IFRSs for the first time: IFRS 17 and its amendments: Insurance Contract, Amendments to IAS 8: Definition of Accounting Estimates, Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules and Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies and has applied these amendments as detailed in the Company's 2023 Audited Consolidated Financial Statements. In preparing the Company's 2024 Audited Consolidated Financial Statements, the Company has adopted the following revised IFRSs for the first time: Amendments to IFRS 16: Lease Liability in a Sale and Leaseback, Amendments to IAS 1: Classification of Liabilities as Current or Non-current, Amendments to IAS 1: Non-current Liabilities with Covenants and Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements and has applied these amendments as detailed in the Company's 2024 Audited Consolidated Financial Statements. Please refer to note 2.2 of the Company's 2023 Audited Consolidated Financial Statements, note 2.2 of the Company's 2024 Audited Consolidated Financial Statements, respectively, for the nature and impact of such revised IFRSs.

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

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

RISKS RELATING TO THE NOTES ISSUED UNDER THE PROGRAMME

Risks Relating to the KW Notes

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

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

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

Moreover, claims by the Issuer, CDBALF, the Trustee and/or holders of the KW Notes against the Company in relation to the Keepwell and Asset Purchase Deed will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (which do not guarantee the KW Notes), particularly the onshore operating subsidiaries of the Company. All claims by creditors of such subsidiaries (which do not guarantee the KW Notes) will have priority to the assets of such entities over the claims of the Issuer, CDBALF, the Trustee and/or holders of the KW Notes under the Keepwell and Asset Purchase Deed. In addition, the Trustee's claim against the sale proceeds will be an unsecured claim and may rank lower in priority to any claims by secured third party creditors of such Relevant Transferor where it is CDBALF. Where a Relevant Transferor is not CDBALF, the Trustee will not have a direct claim against the sale proceeds received by such Relevant Transferor.

In recent years, the effectiveness of credit enhancement arrangements similar to the Keepwell and Asset Purchase Deed has been subject to judicial scrutiny in Hong Kong and the PRC in the event of a bankruptcy or administration of the keepwell provider. The obligations under the Keepwell and Asset Purchase Deed may not give rise to a debt claim against the Company or be recognised by PRC courts in the event of any insolvency proceedings in relation to the Company in the PRC. Additionally, recent judicial proceedings show that there may be certain limitations imposed on the types of claims that the issuer and/or the guarantor may raise against the keepwell provider but bondholders and the trustee of the relevant bonds could have standing to raise a claim themselves before the courts to look after their own interests in connection with the keepwell provider's obligations.

As the parties to the Keepwell and Asset Purchase Deed have submitted to the exclusive jurisdiction of Hong Kong courts, parties who have successfully obtained a judgment from Hong Kong courts in relation to a claim under a Keepwell and Asset Purchase Deed and wish to enforce such a judgment in the PRC may do so pursuant to the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**"). However, it is currently uncertain as to whether such a judgment will be recognised and enforced by PRC courts where it relates to insolvency proceedings commenced in the PRC as the judicial practice in this area is still evolving. Consequently, even if the holders of the KW Notes or the Trustee have successfully obtained judgment in Hong Kong courts in relation to the Keepwell and Asset Purchase Deed, there can be no assurance that PRC courts will recognise and enforce such a judgment in insolvency proceedings relating to the Company. Accordingly, the holders of the KW Notes may have limited or no remedies against the Company in connection with such insolvency proceedings.

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

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

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

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

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

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

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

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

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

Risks Relating to the Guaranteed Notes

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

In respect of each Tranche of Guaranteed Notes, the Company is required to do the Guaranteed Note Cross-border Security Registration in accordance with, and within the time period prescribed by the SAFE Cross-border Security Provisions. Although the non-registration does not render the Guaranteed Note Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Company if the Company fails to complete the Guaranteed Note Cross-border Security Registration. Further, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Company under the Guaranteed Note Guarantee) as domestic banks may require evidence of the Guaranteed Note Cross-border Security Registration in connection with the Guaranteed Note Guarantee in order to effect such remittance. The Company intends to register each Guaranteed Note Guarantee as soon as practicable and in any event before the Registration Deadline (being 90 Registration Deadline Business Days after the relevant Issue Date). If the registration is not completed on or before the Registration Deadline, each holder of the Guaranteed Notes will have the right to request the Issuer to redeem all of that holder's Notes and will need to rely on the Issuer to source sufficient funds to fully discharge its obligations under such Guaranteed Notes. Prior to the performance or discharge of its obligations under the Guaranteed Note Guarantee, the Company is also required to complete a verification process with banks for each remittance under the Guaranteed Note Guarantee.

The SAFE Cross-border Security Provisions is a relatively recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability of the Guaranteed Note Guarantee in the PRC. In addition, the administration of the SAFE Cross-border Security Provisions may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the Guaranteed Note Guarantee with SAFE can be completed or that the registration with SAFE obtained by the Company will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the Guaranteed Note Guarantee in the PRC.

Risks Relating to the Notes Generally

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

The Issuer is an offshore subsidiary of the Company incorporated specifically for the purpose of raising finance through the issuance of the Notes. The Issuer has limited assets as recourse for holders of the Notes. The Issuer does not and will not have any business activities other than the issue of notes and other debt securities and the lending of the proceeds thereof to any of the Company's subsidiaries and affiliates located outside the PRC, and any other activities reasonably incidental thereto, and its ability to make payments under the Notes will depend on its receipt of timely remittance of funds from the Company and/or the Company's subsidiaries. There is no assurance that the Issuer could receive timely and sufficient funds from the Company and/or the Company's subsidiaries to meet its payment obligations under the Notes.

The Notes and the Guarantees are unsecured obligations.

The Notes and the Guarantees are unsecured obligations of the Issuer, CDBALF (in respect of the KW Note Guarantee) and the Company (in respect of the Guaranteed Note Guarantee), respectively. The repayment of the Notes and payment under the relevant Guarantee may be adversely affected if:

- the Issuer, CDBALF (in respect of each Tranche of KW Notes) or the Company (in respect of each Tranche of Guaranteed Notes) enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's, CDBALF's (in respect of each Tranche of KW Notes) or the Company's (in respect of each Tranche of Guaranteed Notes) future secured indebtedness or other unsecured indebtedness;
- there is an acceleration of any of the Issuer's, CDBALF's (in respect of each Tranche of KW Notes) or the Company's (in respect of each Tranche of Guaranteed Notes) indebtedness;
- there is not enough foreign currency from domestic commercial banks for the Company to purchase to fulfil its payment obligations under the Guaranteed Note Guarantee; or
- the foreign exchange authority adopts more stringent controls over cross-border foreign exchange.

If any of these events were to occur, the Issuer's, CDBALF's (in respect of each Tranche of KW Notes) or the Company's (in respect of each Tranche of Guaranteed Notes) assets may not be sufficient to pay amounts due on the Notes.

The Company is ultimately a state owned entity, but none of the PRC governmental bodies is an obligor under the Notes.

The Ministry of Finance of the People's Republic of China ("**MOF**") holds 36.54% equity interest of China Development Bank, which in turn holds 64.40% equity interest of the Company, but none of the MOF, China Development Bank or any of the PRC governmental bodies is an obligor under the Notes. The payment obligations under the Notes remain the sole obligations of the Issuer or the Guarantor (as the case may be), and any such ownership or control by the PRC government or related governmental bodies does not necessarily correlate to, or provide any assurance as to, the financial condition of the Issuer and the relevant guarantor of the Notes. Under no circumstances shall any of the PRC governmental bodies have any obligation arising out of or in connection with the Notes in lieu of the Issuer or such guarantor (as the case may be).

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

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

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

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

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

If the Company fails to complete the post-issuance report to the NDRC in connection with the Notes, NDRC may impose penalties or other administrative procedures on the Company.

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

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

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

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

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

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

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

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

The liquidity and price of the Notes may be volatile.

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

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

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

A trading market for the Notes may not develop.

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

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

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

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

The ratings of the Notes may be downgraded or withdrawn.

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

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

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

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

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

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

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

The Terms and Conditions of the Notes also provide that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Guarantees, the Keepwell and Asset Purchase Deed, the Agency Agreement or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such. There is a risk that the decision made by the Trustee may be adverse to the interests of the individual holders of the Notes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional procedures may be required to effect service of process or to enforce any judgments obtained from non-PRC courts against the Group or its management residing in the PRC.

The Terms and Conditions of the Notes and the Programme documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters, Hong Kong courts may require certain additional procedures to be taken. In addition, a substantial amount of the Group's assets and companies are located in the PRC and most of the Group's management reside in the PRC, together with their personal assets. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in a few jurisdictions. Therefore, additional procedures may be required to effect service of process from outside PRC upon the Group or its management.

On 18 January 2019, the Supreme People's Court of the PRC and the Hong Kong government signed the 2019 Arrangement. The 2019 Arrangement has been implemented in Hong Kong by the Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Cap. 645), which came into operation on 29 January 2024. In the Mainland, the Supreme People's Court promulgated a judicial interpretation to implement the 2019 Arrangement on 26 January 2024 (the "Judicial Interpretation"). The 2019 Arrangement applies to judgments made on or after 29 January 2024.

As the Noteholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, the Noteholders' ability to initiate a claim outside Hong Kong will be limited.

Under the 2019 Arrangement, where the Hong Kong court has given a legally effective judgment in a civil and commercial matter, any party concerned may apply to the relevant People's Court of the Mainland for recognition and enforcement of the judgment, subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement and the Judicial Interpretation. The recognition and enforcement of a Hong Kong court judgment could be refused if the relevant People's Court of the Mainland consider that the enforcement of such judgment is contrary to the basic principles of law of the Mainland or the social and public interests of the Mainland. While it is expected that the relevant People's Courts of the Mainland will recognise and enforce a judgment given by a Hong Kong court and governed by English law, there can be no assurance that such courts will do so for all such judgments as there is no established practice in this area.

Risks Relating to the Structure of a Particular Issue of Notes under the Programme

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

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

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

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

(ii) they may receive no interest;

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

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

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

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

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

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

Regulation of benchmarks may lead to future reforms or discontinuation.

The Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be benchmarks have been subject to significant regulatory scrutiny and legislative intervention in recent years. This relates not only to creation and administration of benchmarks, but, also, to the use of a benchmark rate. In the EU, for example, Regulation (EU) No. 2016/1011, as amended (the "**EU Benchmarks Regulation**") applies to the provision of, contribution of input data to, and the use of, a benchmark within the EU, subject to certain transitional provisions. Similarly, Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**UK Benchmarks Regulation**") applies to the provision of, contribution of input data to, and the use of, a benchmark within the UK, subject to certain transitional provisions.

Legislation such as the EU Benchmarks Regulation or the UK Benchmarks Regulation, if applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index – for example, if the methodology or other terms of the benchmark are changed in the future in order to comply with the terms of the EU Benchmarks Regulation or UK Benchmarks Regulation or other similar legislation, or if a critical benchmark is discontinued or is determined to be by a regulator to be "no longer representative". Such factors could (amongst other things) have the effect of reducing or increasing the rate or level or may affect the volatility of the published rate or level of the benchmark. They may may also have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks", or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

Although EURIBOR has subsequently been reformed in order to comply with the terms of the EU Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with the Euro Short Term Rate ("**€STR**") or an alternative benchmark.

The elimination of EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Terms and Conditions of the Notes (as further described in Conditions 5(b)(v) *(Benchmark Replacement for Floating Rate Notes (other than Floating Rate Notes where Reference Rate is specified as being SOFR Benchmark)) and 5(b)(vi) (Benchmark Replacement (SOFR))*, or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The administrator of SOFR or €STR or any related indices may make changes that could change the value of SONIA, SOFR or €STR or any related index, or discontinue SONIA, SOFR or €STR or any related index.

Newer reference rates or any related indices and rates that fall outside the scope of the EU Benchmarks Regulation and UK Benchmarks Regulation may also be subject to changes or discontinuation. For example, the Federal Reserve, Bank of New York or the European Central Bank (or their successors) as administrators of SOFR (and the SOFR Compounded Index) or €STR, respectively, may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SOFR or €STR, or timing related to the publication of SOFR or €STR or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SOFR or €STR or any related index (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

Interest rate "fallback" arrangements may lead to Notes performing differently or the effective application of a "fixed rate".

If a relevant benchmark (including any page on which such benchmark may be published (or any other successor service)) becomes unavailable or a Benchmark Event or a SOFR Benchmark Transition Event (each as defined in the Terms and Conditions of the Notes), as applicable, occurs, the Terms and Conditions of the Notes provide for certain fallback arrangements. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective.

Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. It is also possible that such an event may be deemed to have occurred prior to the issue date for a Series of Notes. Moreover, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Terms and Conditions of the Notes) in certain circumstances, the relevant fallback provisions may not operate as intended at the relevant time. Additionally, in certain circumstances, the ultimate fallback of interest for a particular Interest Accrual Period may result in the rate of interest for the last preceding Interest Accrual Period being used, which may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Investors should consult their own independent advisers and make their own assessment about the potential risks arising from the possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Methodologies for the calculation of risk-free rates (including overnight rates or forward-looking rates) as reference rates for Floating Rate Notes may vary and may evolve.

"Risk-free" rates, such as the Secured Overnight Financing Rate ("**SOFR**") and the euro short-term rate ("**€STR**"), as reference rates for Eurobonds, have become more commonly used as benchmark rates for bonds in recent years. Most of the rates are backwards-looking, but the methodologies to calculate the risk-free rates are not uniform. Such different methodologies may result in slightly different interest amounts being determined in respect of otherwise similar securities.

The Issuer may in the future also issue Notes referencing SOFR, the SOFR Compounded Index or €STR that differ materially in terms of interest determination when compared with any previous Notes issued by it under this Programme.

Such variations could result in reduced liquidity or increased volatility or might otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time. In addition, investors should consider how any mismatch between applicable conventions for the use of reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such risk-free rates. Investors should consider these matters when making their investment decision with respect to any Notes which reference SOFR, €STR or any related indices.

It is not possible to calculate interest rates in advance for Notes which reference SONIA, SOFR, €STR or any related indices.

Interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may therefore be difficult for investors in Notes which reference such risk-free rates reliably to estimate the amount of interest which will be payable on such Notes.

Further, in contrast to Notes linked to interbank offered rates, if Notes referencing backwards-looking rates become due and payable as a result of an Event of Default under Condition 10 (*Events of Default*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

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

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

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

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

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

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

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

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

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

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

Risks Relating to Renminbi-denominated Notes

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes may contain particular risks for potential investors.

There are restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes.

The PRC government regulates conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

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

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

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

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

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

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

Investment in the Renminbi Notes is subject to exchange rate risks.

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

Investment in the Renminbi Notes is subject to interest rate risks.

The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

Remittance of proceeds in Renminbi into or out of the PRC.

If the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the PRC government will not impose any interim or long-term restrictions on capital inflow or outflow which may restrict cross-border Renminbi remittances, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. If the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

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

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

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

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

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

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

Risks Relating to Irish Taxes

Changes in Irish Tax Laws

Changes in Irish tax laws may adversely impact the business of the Issuer and the value of Noteholders' investment.

In particular, the Issuer intends to satisfy the conditions to be a "Qualifying Company" as defined in Section 110 of Ireland's Taxes Consolidation Act 1997 ("**TCA 1997**"). There is no guarantee that the tax treatment of an Irish securitisation company will not change in the future. The tax deductibility of the Issuer's reserves and its interest costs will depend on the applicability of Section 110 of TCA 1997 and the current revenue practice in relation to same. Any change to these rules may have an impact on Noteholders.

Changes in Qualifying Company Status

The Issuer intends to satisfy the conditions to be a "Qualifying Company" as defined in Section 110 of TCA 1997 and subject to Irish corporation tax at 25%. If the Issuer ceases to satisfy the conditions to be a "Qualifying Company" as defined in Section 110 of TCA 1997, the Issuer will not be entitled to benefits under the Irish Securitisation Regime.

Changes in Tax Residency of the Issuer

The Issuer intends to be a tax resident in Ireland. The net proceeds from the issue of the Notes will be on-lent to CDBALF under a facility agreement. If the Issuer ceases to be a tax resident in Ireland, the Issuer will cease to be a Qualifying Lender as defined in the facility agreement entered into between the Issuer and CDBALF. As a consequence, withholding tax on interest payment to the Issuer may apply and the obligation for CDBALF to gross up may not apply.

Irish Withholding Tax Risks

The Issuer intends to rely on an exemption from interest withholding tax provided under the Irish tax law in respect of interest on the Notes (see "*Taxation*"). If such exemption is no longer applicable or available, the Issuer has agreed to pay such additional amounts as will result in the receipt by the Noteholders of the amounts which would otherwise have been receivable in respect to principal, and/or interest had no such deduction or withholding been required, except in circumstances set out in (i), (ii), (iii) and (iv) of Condition 8 (*Taxation*) of the Terms and Conditions of the Notes.

To the extent that withholding tax exemption ceased to apply and the Noteholders do not meet the criteria specified in Condition 8 (*Taxation*) of the Terms and Conditions of Notes, interest payments to Noteholders may be reduced by the amount of tax required to be withheld by the Issuer.

Anti-Tax Avoidance Directives

The EU Anti-Tax Avoidance Directive ("**ATAD**") and the amending Directive ("**ATAD II**") provides for anti-tax avoidance rules in specific fields which must be implemented by each Member State.

EU member states were required to implement ATAD I by 31 December 2018 (subject to derogations for EU member states which have equivalent measures in their domestic law). Ireland has implemented most aspects of ATAD I and has published draft legislation to implement the interest limitation rule (see below). EU member states were required to implement ATAD II by 31 December 2019 (except for measures relating to reverse hybrid mismatches, which must be implemented by 31 December 2021) and Ireland has implemented the relevant provisions of ATAD II.

ATAD I and ATAD II contain various measures that could, depending on their implementation and application in Ireland, potentially result in certain payments made by the Issuer ceasing to be fully deductible for Irish tax purposes.

There are two measures of particular relevance:

- *first*, the interest limitation rule restricts the deductible exceeding borrowing costs of an entity to 30% of earnings before interest taxes, depreciation and amortisation ("**EBITDA**") or possibly higher if the third party group interest expense ratio to group EBITDA is higher. However, the interest limitation rule only applies to the net or 'exceeding' borrowing costs of an entity (being the amount by which its borrowing costs exceed its taxable interest revenues and other economically equivalent taxable revenues). Ireland has implemented the interest limitation rule to apply to companies with respect to their accounting periods commencing on or after 1 January 2022. A group of Irish companies may, where certain conditions are met, be treated as a single taxpayer when calculating the impact of the restriction. Where the restriction applies, it operates by deferring the deductibility of interest from the accounting period in which the restriction applies to future accounting periods in which there are sufficient earnings to allow an interest deduction. The Issuer has elected to be part of an interest group with it's parent company CDBALF DAC (together with its other subsidiary companies). Due to the fact that the rules allow a portion of lease rental income on an operating lease to be considered interest equivalent, the interest limitation rules are not expected to give rise to any adverse tax issues.

- *second*, ATAD II provides for hybrid mismatch rules. These rules are designed to neutralise arrangements where amounts payable between 'associated entities' are deductible from the income of one entity but are not taxable for the other or the same amounts are deductible for two associated entities. Associated for these purposes includes direct and indirect participation in terms of voting rights or capital ownership of 25% or more or an entitlement to receive 25% or more (50% in certain circumstances) of the profits of that entity, as well as entities that are part of the same consolidated group for financial accounting purposes or enterprises that have a significant influence in the management of the taxpayer. Tax returns for the Issuer are submitted on the basis that there are no anti-hybrid adjustments required.

A material increase in the overall level of taxes would reduce the amount of cash flow available to make payments on the Notes.

EU Mandatory Disclosure Regime

EU Directive 2018/822 (the "**Mandatory Disclosure Directive**") requires the disclosure of certain information regarding 'cross-border' arrangements to the taxation authorities of each EU Member State and, in a redacted form, to the European Commission. The information must be reported by persons who have acted as 'intermediaries' in such transactions and, in certain cases, taxpayers themselves. An 'intermediary' for these purposes includes any person that has designed, marketed or managed the implementation of a reportable arrangement. Broadly, a transaction/arrangement will be reportable under the Mandatory Disclosure Directive if it involves at least one EU Member State and it has one or more of the 'hallmarks' of a reportable arrangement set out in the Mandatory Disclosure Directive. Information that must be shared by intermediaries in respect of reportable arrangements includes details of any taxpayers to whom that arrangement was made available. The Issuer may be required to report transactions it enters into that are within the scope of the Mandatory Disclosure Rules in accordance with Ireland's implementing legislation and guidance notes within required timelines.

Pillar Two Rules

Ireland has published legislation to implement the global minimum 15.0 per cent. tax rate (the " **Pillar Two Rules**" also known as the **"GloBE Rules**") into Irish domestic law. The Pillar Two Rules introduce minimum effective taxation for Irish taxpayers which are members of a financially consolidated group with revenues of at least €750 million (in two of the four preceding financial years). It is understood that the Issuer currently forms part of a financially consolidated "MNE Group" with annual revenues of at least €750 million and as such is currently within the scope of the GloBE Rules.

Technical guidance on implementation of the Pillar Two Rules has continued to be issued by the OECD. This has taken the form of a commentary on the rules. Discussions also remain ongoing on various open issues related to implementation, including ensuring coordination and consistency in the application of the rules across jurisdictions, as well as providing further administrative guidance. It is possible that further changes to the Pillar Two Rules and the related Irish legislation may be made in the future.

In the event a tax liability does arise under the Pillar Two Rules, such tax liability would reduce the assets available to the Issuer to make payments and distributions on the Notes. It is not possible to determine definitively how material such tax liability could be.

Outbound Payment Rules

Ireland has recently implemented new taxation measures, referred to as the "outbound payments" rules which will apply to certain payments made by Irish companies to "associated entities" located in "specified territories" (which includes jurisdictions on the EU list of non-cooperative jurisdictions, as well as "no-tax", and "zero-tax" jurisdictions). The outbound payment rules can operate to disapply exemptions from withholding tax on quoted Eurobonds, provided that the outbound payments rules shall not apply in respect of quoted Eurobonds held through a clearing system where it is reasonable to consider that the Irish payor of interest is not, and should not be, aware that interest is paid to an associated entity. For these purposes, an entity will be associated with an Irish company if it has a direct or indirect majority share (i.e. more than 50%) of the voting rights, capital ownership or profits of the Irish company (or a third entity has such a direct or indirect majority share in both). Entities will also be associated if one entity has control of another entity through the board of directors (or a third entity has control through the board of directors over both).

CAPITALISATION AND INDEBTEDNESS

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the Group's consolidated capitalisation and indebtedness as at 31 December 2024. The following table should be read in conjunction with the Company's 2024 Audited Consolidated Financial Statements and related notes included elsewhere in this Offering Circular.

	As at 31 December 2024	
	RMB'000	*U.S.$'000*(1)
Liabilities		
Borrowings	309,814,063	42,444,353
Due to banks and other financial institutions	5,185,420	710,400
Derivative financial liabilities	856,453	117,334
Accrued staff costs	274,566	37,615
Bonds payable	27,072,912	3,708,974
Tax payable	466,952	63,972
Lease liabilities	160,754	22,023
Deferred tax liabilities	1,044,984	143,162
Other liabilities	20,710,467	2,837,322
Total liabilities	**365,586,571**	**50,085,155**
Equity		
Share capital	12,642,380	1,731,999
Capital reserve	2,418,689	331,359
Hedging and fair value reserve	(129,748)	(17,775)
Translation reserve	910,830	124,783
General reserves	8,175,006	1,119,971
Retained earnings	16,246,602	2,225,775
Total equity	**40,263,759**	**5,516,112**
Total capitalisation(2)	**405,850,330**	**55,601,267**

Notes:

(1) Calculated at the exchange rate of U.S.$1.00 = RMB7.2993 on 31 December 2024 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board.

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

There has been no material change in the consolidated capitalisation and indebtedness of the Group since 31 December 2024.

CAPITALISATION AND INDEBTEDNESS OF CDBALF

The following table sets forth CDBALF's consolidated capitalisation and indebtedness as at 31 December 2024. The following table should be read in conjunction with the CDBALF 2024 Consolidated Financial Statements and related notes included in this Offering Circular.

	As at 31 December 2024
	U.S.$'000
Liabilities	
Non-current liabilities	
Deferred tax liability	70,450
Notes issued	398,420
Loans and borrowings	5,579,944
Intangible liabilities	10,208
Other creditors	560,961
Derivative financial instruments	5,826
Trade and other payables	62,360
Lease liability	17,133
Total non-current liabilities	**6,705,302**
Current liabilities	
Trade and other payables	353,844
Notes issued	–
Loans and borrowings	4,263,107
Other creditors	166,957
Lease liability	2,567
Liabilities held-for-sale	610
Total current liabilities	4,787,085
Total liabilities	**11,492,387**
Equity	
Called up share capital	173,288
Share premium	64
Merger reserve	(193)
Hedging reserve	42,561
General reserve	176,852
Retained earnings	108,752
Total equity	**501,324**
Total capitalisation(1)	**11,993,711**

Note:

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

There has been no material change in the consolidated capitalisation and indebtedness of CDBALF since 31 December 2024.

USE OF PROCEEDS

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

DESCRIPTION OF THE ISSUER

FORMATION

CDBL Funding 1 is an exempted company incorporated with limited liability under the Companies Act (as amended) of the Cayman Islands. It was incorporated in the Cayman Islands on 23 October 2014 as a special purpose vehicle. The Issuer expects to be tax resident in Ireland. Its registered office is at c/o Maples Corporate Services Limited, Ugland House, South Church Street, PO Box 309, Grand Cayman KY1-1104, Cayman Islands.

BUSINESS ACTIVITY

The Issuer was established with unrestricted objects as set out in its memorandum of association and the Issuer has full power and authority to carry out any object not prohibited by law. The Issuer does not conduct any business or any activities other than the issue of notes and other debt securities and the lending of the proceeds thereof to CDBALF or the Company or any of the subsidiaries and affiliates of CDBALF or the Company that are located outside the PRC, and any other activities reasonably incidental thereto.

FINANCIAL STATEMENTS

Under Cayman Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions and to keep the same at its registered office in the Cayman Islands.

DIRECTORS AND OFFICERS

The Directors of the Issuer are Yu CHEN, Alicia ABBEY, Caroline HARTE and Sean MCEVOY, and each of their business addresses are at CDB Aviation Lease Finance Designated Activity Company, 1GQ, George's Quay, Dublin 2, Ireland. The Issuer does not have any employees and has no subsidiaries.

SHARE CAPITAL

Under its memorandum of association, the Issuer has a share capital of U.S.$250 with a nominal or par value of U.S.$1.00 per share and one share is currently held by CDBALF. The register of members of the Issuer is maintained at its registered office in the Cayman Islands at c/o Maples Corporate Services Limited, Ugland House, South Church Street, PO Box 309, Grand Cayman, Cayman Islands. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

DESCRIPTION OF CDBALF

OVERVIEW

CDBALF is a designated activity company limited by shares incorporated under the laws of Ireland under company registration number 472612. CDBALF was incorporated on 2 July 2009 as SinoAero Leasing Co., Limited and commenced trading on 17 September 2009. On 21 October 2016, CDBALF re-registered as a designated activity company ("**DAC**") in Ireland. On 3 November 2016, CDBALF changed its name from SinoAero Leasing Designated Activity Company to CDB Aviation Lease Finance Designated Activity Company.

CDBALF provides a management platform for the entire aircraft portfolio of the Group. The aircraft portfolio is owned by multiple entities, established primarily in Ireland and the PRC, which enter into aircraft leasing agreements with airline customers.

CDBALF's operations constitute the Aircraft Leasing business segment of the Group. CDBALF's aircraft portfolio (the "**Aircraft Portfolio**") described herein is comprised of aircraft owned by CDBALF directly and through its various special purpose company subsidiaries (the "**SPCs**"); aircraft owned by SPCs that are direct subsidiaries of the Company; aircraft serviced by CDBALF on behalf of the Group; aircraft managed by CDBALF on behalf of third parties in return for a fee; and all aircraft purchase commitments. References herein to CDBALF's Aircraft Portfolio or aircraft purchased, leased, subleased, financed, disposed of or managed by CDBALF may refer to aircraft owned directly, or indirectly, by CDBALF, or by other Group entities.

BUSINESS

The principal activities of CDBALF are the purchase, leasing and subleasing, financing, trading and disposal of aircraft. CDBALF also acts as a holding company for subsidiaries which operate the same business. CDBALF is focused on building and maintaining an attractive fleet of liquid, in-demand aircraft that are attractive to its airline customers, have a high degree of re-marketability and tradability and generate returns that meet its requirements. CDBALF seeks to build a globally diversified customer base and to structure its transactions in such a way as to deliver superior risk adjusted returns. CDBALF has developed, and will continue to enhance, a global platform focused on serving its customers.

As at 31 December 2024, CDBALF owns 260 aircraft under operating leases and 4 aircraft under finance lease to international airlines and holds one aircraft as held-for-sale. In addition, it manages 46 aircraft that are owned by the Company directly under operating leases.

Regarding the Aircraft Portfolio, for the year ended 31 December 2024, CDBALF executed 36 transactions for 70 new and used aircraft, covering order placement, remarketing and extensions, sale and leaseback deals, aircraft acquisitions and sales and selling 5 aircraft. As at 31 December 2024, the Aircraft Portfolio comprised 521 aircraft, consisting of 311 owned aircraft and 210 committed aircraft (consisting of 197 direct orders with manufacturers, 8 sale and lease-back and 5 aircraft from portfolio acquisition). Among the Aircraft Portfolio, the owned and in-service fleet mainly includes narrow-body aircraft types comprising the Airbus A320ceo and A320neo family and Boeing 737NG and 737MAX family, and wide-body types such as Airbus A330ceo, A330neo and A350, and Boeing 777-300ER and 787-9. As at 31 December 2024, Airbus and Boeing aircraft collectively represented 98.8% of total owned aircraft of the Group by net book value. Owned aircraft under operating leases maintained a 95.6%. fleet utilisation as at 31 December 2024.

CDBALF intends to pursue sustainable growth opportunities as well as pursue opportunistic transactions to sell aircraft to manage the composition of the Aircraft Portfolio. In addition to the proceeds from operations and aircraft sales, CDBALF plans to raise additional debt, with credit support from the Company, to finance both new aircraft additions and to refinance maturing debt.

As at 31 December 2024, the Group has committed to purchasing 197 narrow-body aircraft under its direct OEM order, including 85 aircraft from Boeing and 112 aircraft from Airbus. These aircraft are scheduled to be delivered between 2025 and 2032. The Group also has contractual commitments to acquire a further 8 aircraft under sale-lease-back transactions and 5 aircraft from portfolio acquisition. The aggregate future capital expenditure commitments were RMB83,198.1 million. In addition to the above committed aircraft, the Group has 70 non-binding entitlements with The Commercial Aircraft Corporation of China, Ltd., consisting of 20 C909 aircraft and 50 C919 aircraft.

COMPETITIVE STRENGTHS

Strong parental support from and close collaboration with both the Company and CDB provides unique advantages

As the entity providing the management platform for the entire aircraft portfolio of the Group and as a company operating under the "CDB brand", CDBALF benefits from the support and relationships of the Company and CDB, giving it unique advantages compared with independent aircraft leasing companies. For instance, in accordance with regulatory requirements and the current charter of the Company, CDB, as one of the sponsors and in the circumstances set out by the NFRA, must provide liquidity support and additional capital to the Company. This access to emergency liquidity also provides the Company with additional financial flexibility, which is key to the capital-intensive aircraft leasing business.

Access to competitively priced financing

Each of the Company and CDBALF benefit from the strong quasi-sovereign credit rating of CDB, with CDBALF having investment-grade corporate credit ratings of A2 from Moody's, A from S&P, A from Fitch and access to diversified financing sources. In particular, as stated above, in accordance with regulatory requirements and the current charter of the Company, CDB, as one of the sponsors and in the circumstances set out by the NFRA, must provide liquidity support and additional capital to the Company.

In the debt capital markets, the Group has proven access to the international debt markets, and CDBALF is actively pursuing financing opportunities in both the public and private debt markets. This Programme provides greater flexibility by allowing rapid access to the debt capital markets to support planned, disciplined growth and funding when opportunities arise. CDBALF, as a wholly-owned subsidiary of the Company, also has access to the equity capital markets via the Company's listing on the Hong Kong Stock Exchange, as the Company's listing enables it to raise funds from the public through issuance of equity, and channel such funds to CDBALF's usage. As a member of the PRC's domestic interbank market, the Company is also able to access deep liquidity within the PRC, including the ability to borrow through the domestic interbank market at highly competitive rates. The accessibility of such deep liquidity by the Company enables it to procure funds for itself and/or CDBALF, as required.

CDBALF also has extensive and expanding bank relationships with numerous international and regional commercial banks, including those focused on the aviation sector, to provide both secured and unsecured financing to support the aircraft leasing business.

CDBALF believes it has one of the lowest costs of debt funding among aircraft operating leasing companies globally, and maintains a proactive approach to financing.

Experienced, market-oriented management team with global and domestic PRC aviation expertise

CDBALF has an experienced and highly regarded senior management team with highly relevant professional backgrounds and a long tenure of working in the aviation and aircraft operating lease industries, both globally and in the PRC. In addition to a proven track record of delivering strong financial performance, management has extensive experience in managing aircraft leasing businesses through industry cycles, and has a strong track record in anticipating and capturing opportunities as they arise at different points of the industry cycle.

The unique combination of an organically developed PRC leasing company with an experienced international management team and staff recruited from across the global aviation community means that the Group is able to draw on a wealth of globally diversified aviation expertise. Combining this with the strong parental support afforded by CDB and the Company, CDBALF is growing its global portfolio and delivering full-service capabilities to its airline customers. CDBALF's management is able to draw on its past experience to identify, implement and ensure that it continues to operate in line with global best practice.

Extensive, well-established relationships with global airlines and manufacturers and a long-term commitment to the sector

CDBALF is a leading global aircraft operating leasing company with well-established relationships with airlines worldwide, underpinned by its extensive operational history and global reach. CDBALF's global footprint, with offices in Europe and Asia enables real-time engagement with airline customers across different time zones, fostering responsive and tailored service..

CDBALF also maintains significant and collaborative relationships with major manufacturers, evidenced by its large orderbook with Airbus and Boeing, which provides access to a steady supply of fuel-efficient new-generation aircraft that are attractive to airline customers, enhancing CDBALF's ability to meet lessee needs and maintain a competitive fleet. It also has non-binding entitlements with The Commercial Aircraft Corporation of China, Ltd..

As at 31 December 2024, the Group had 85 lessees across 41 countries and regions.

Young, modern, fuel-efficient and in-demand aircraft fleet

CDBALF focuses on purchasing fuel-efficient, in-demand aircraft, which profile is expected to be maintained through active trading and induction of new technology equipment. CDBALF plans fleet replacement and growth in a disciplined way and based upon CDBALF's assessment of, and expectations for, the aviation industry and the overall demand for aircraft from customers.

The aircraft in CDBALF's Aircraft Portfolio are among the most widely used by airline customers and are therefore considered to be highly liquid and in-demand, both by airlines and aircraft investors. CDBALF maintains a focus on young, modern and fuel-efficient aircraft, as it believes that such aircraft typically have lower sensitivity to economic or industry shocks, have higher residual values and allow for quicker and less costly transitions between leases. As at 31 December 2024, the Group's aircraft fleet consists of 78% narrow-body aircraft, 18% wide-body aircraft and 4% freighters and regional aircraft by aircraft value, the weighted average age by aircraft value[2] of the Aircraft Portfolio's owned aircraft on operating lease was 5.4 years.

[2] For operating lease, aircraft value equals the sum of aircraft net book value and aircraft intangible assets value; for finance lease, aircraft value equals finance lease receivable.

CDBALF's committed aircraft is mainly comprised of next-generation, liquid, narrow-body aircraft types, including the more fuel-efficient Airbus A320neo family, A321neo family and Boeing 737MAX 8 constituting 98.6% by number as at 31 December 2024. Such aircraft are technologically advanced models with greater fuel efficiency and reduced operating costs. The committed Boeing and Airbus aircraft are primarily next generation aircraft and include access to new larger variants of the A320neo and 737MAX families to reflect current market demand for such types.

Long-term contracted revenue cash flows from a diversified pool of high-quality airline customers

CDBALF's lease portfolio has a globally diversified client base across customers and geographical regions. As at 31 December 2024, the weighted average remaining lease term of the Aircraft Portfolio held for operating leases by net book value was 7.3 years, and 82% of net book value of aircraft under operating lease had lease terms that expire in and after 2029. CDBALF expects that the stable income streams supported by the long-term contracted cash flows from the existing leased portfolio will continue to grow as CDBALF's lease portfolio expands in the future.

CDBALF has a strong presence in the PRC aircraft leasing market, with 29.2%. of its aircraft lease revenue derived from the PRC for the year ended 31 December 2024. CDBALF also has a presence in all major aircraft leasing markets around the world, with 20.5%, 19.5%, 24.0%, 6.3%. and 0.5%. of aircraft lease revenue derived from Asia Pacific (excluding the PRC), Europe, the Americas, the Middle East and Africa, respectively. This diversification reduces CDBALF's exposure to risks associated with customer concentrations and fluctuations in regional geopolitical and economic conditions.

CDBALF also has a focus on building a strong customer base, which enhances brand image and managerial efficiency, while at the same time ensuring stability in long-term contracted revenue. CDBALF has a stringent lessee selection policy in place. It structures transactions and constantly monitors the credit profile of airline customers to ensure that risks are being appropriately managed and rewarded. Together, such factors ensure the Group has strong and predictable cash flows which are appropriately hedged against changes in the global economic and geopolitical environment.

Sophisticated and rigorous risk management underpinned by comprehensive capability

CDBALF has a comprehensive risk management system and actively manages and controls risks (including risks relating to asset, credit, concentration, interest rate, currency, liquidity, asset vs. liability management, legal and information technology) through a wide range of measures including conducting customer due diligence, ongoing client monitoring, active portfolio management, strategic asset reviews, technical oversight and inspection programmes, legal jurisdictional assessments, a multi-level approval process and regular reporting and review of key risks at senior management and at Board level. CDBALF has a dedicated and experienced in-house risk team.

In relation to credit and concentration risk, CDBALF mitigates such risk by leasing to an appropriately diversified portfolio of customers, by operating an active risk management framework and by employing a range of risk mitigation tools and ensuring that leases are well-structured. CDBALF also continues to monitor and review the operation and performance of its risk management system and adjust it from time to time to accommodate market conditions, the regulatory environment as well as its strategic positioning. See "*Description of CDBALF – Risk Management*" for additional details on CDBALF's comprehensive risk management capabilities.

CDBALF takes a disciplined and active approach to asset risk management and is experienced in the full range of aircraft leasing operations, from acquisitions (direct order, sale and lease-back transactions and portfolio acquisition), to leasing, financing, sales, remarketing, repossession and disposals. CDBALF's staff possess substantial experience in managing aircraft throughout the industry cycles. CDBALF's strong portfolio management capabilities enable it to grow its operations and Aircraft Portfolio in a carefully managed manner, leveraging growth from the orderbook, strong shareholder support and its capabilities to source and manage additional aircraft.

Aircraft sales also play a key role in CDBALF's asset management activities, in particular in (1) seeking to maintain a young average aircraft age across its fleet, (2) controlling aircraft, counterparty, geography and lease maturity concentration risk, (3) exiting from non-core or less popular aircraft types, (4) maintaining visibility and momentum with customers, (5) effectively managing asset residual value and re-lease risk, and/or (6) generating market data points on aircraft valuation and appetite. CDBALF has direct access to a wide range of potential aircraft buyers including airlines, lessors and institutional investors globally.

BUSINESS STRATEGIES

Maintain sustainable growth of the Aircraft Portfolio and expand CDBALF's global customer base while maintaining and leveraging its leading position in the fast recovering global aviation market

CDBALF's business model is focused on investing in highly liquid and in-demand aircraft assets that are attractive to both airline customers and aircraft investors, and which provide sustainable economic returns. Utilising the depth of low-cost capital available to CDBALF and the strength of its marketing teams, when suitable opportunities arise, CDBALF intends to expand its Aircraft Portfolio to further leverage economies of scale and to cater to a broader range of clients and their needs.

CDBALF will continue to take a disciplined approach to purchasing aircraft based on its measured assessment of future demand and supply dynamics, future capital availability and with a focus on placement of its aircraft on direct order from the manufacturers. The focus will continue to be on making young, next-generation aircraft a significant portion of its Aircraft Portfolio. These aircraft with the latest technology are more fuel efficient, will be in high demand by customers and are less sensitive to downside shocks.

With respect to its leasing operations, CDBALF aims to continue to prioritise leases with a broader base of customers across the globe in order to generate long-term growth, stable contracted revenues and cash flows. In particular, by focusing on developing its global footprint and by taking a customer-centric, solution-based approach in expanding its services and operations, CDBALF aims to be a partner of choice to customers globally. CDBALF also continues to expanding its global market to ensure greater diversification of geographic and lessee focus, thus moving towards a re-balancing of its operations to be more in line with the distribution of the global aircraft fleet.

In addition, CDBALF will continue to leverage its strong position in the PRC aviation market, enhanced by the premier brand recognition of CDB, to deepen, expand and generate new airline relationships. CDBALF also aims to expand its product offerings by working together with CDB to jointly develop comprehensive financing solutions for its clients.

Maintain a professional top tier global leasing platform

CDBALF has built a team of experienced aircraft leasing professionals. The quality of CDBALF's management team and its relationship with its staff is a core strength. CDBALF regards the continued development of the team as critical to its future success. As CDBALF considers the hiring and retention of management and staff as a key priority, CDBALF maintains a strong commitment towards open communication, cross-functional working teams, comprehensive training programmes, performance-based remuneration and other performance-based incentives.

CDBALF also has a strong emphasis on continuous enhancement of its management systems and processes to ensure operational excellence and consistency across all operations. For instance, CDBALF's transaction, customer and portfolio, IT and management systems leverage technology to provide proactive receivables monitoring, regular customer contact at key levels as well as a programme of customer visits that supports ongoing risk assessment and monitoring. CDBALF also follows an organised programme of aircraft technical inspections and monitoring of key technical related risk elements including, where appropriate, on-site assessments of a customer's technical capabilities as part of the transaction execution process. CDBALF continues to focus on policies and procedures that are designed to ensure that CDBALF monitors its fleet and rights and obligations on a timely basis, and that the highest standards of compliance with all applicable laws and regulations are enforced.

Actively manage the Aircraft Portfolio and transaction execution process to optimise assets and mitigate risks

CDBALF seeks to actively manage its aircraft portfolio with a view to maximising its long-term economic value, to mitigate risk, and to grow its earnings. Active aircraft portfolio management involves regular review of assets, customers and jurisdictional and regional concentrations. In managing its assets, CDBALF continually reviews the maintenance status, physical condition and records of its fleet, including physical inspections. CDBALF sells aircraft when suitable opportunities arise (such as selling of less popular aircraft types as market conditions and technologies change), thus managing risk and generating gains on disposal, and reinvesting the proceeds in new aircraft. CDBALF focuses on maintaining a portfolio of high-quality aircraft assets for lease to a globally diversified set of customers with differing lease maturity profiles. CDBALF aims to ensure that the majority of its fleet is comprised of "in production" aircraft demanded by the highest quality customers and aircraft investors.

In addition, CDBALF's transaction execution process includes a strong focus on customers. CDBALF complies with the highest standards in relation to risk assessment, including comprehensive policies encompassing quantitative and qualitative analysis of customer credit, assessing and reviewing customer credit ratings and jurisdictional risk aspects and putting in place risk-based pricing as well as mitigation techniques.

Continue to leverage and expand CDBALF's financing capabilities, including optimisation of capital structure and maintenance of very competitive financing costs

CDBALF will seek to continue to build on its long-term relationships with commercial banks, capital markets investors and other liquidity providers and will continue to use a balanced mix of funding sources, including the secured and unsecured commercial banking market and the debt capital markets and seek to maintain comparatively low debt funding costs. Through developing diverse sources of funding, CDBALF aims to mitigate potential liquidity risk and to achieve competitive funding costs.

Drawing on its strong relationship with and support from CDB and appropriately targeting key credit metrics in the execution of its business model, CDBALF will seek to maintain its credit strength and develop an optimal capital structure. At the same time, CDBALF will continue to monitor and appropriately manage other risks including maturity management, asset/liability matching and interest rate and foreign exchange risk management.

AIRCRAFT PORTFOLIO

CDBALF's Aircraft Portfolio is focused on young, modern and fuel-efficient commercial aircraft. As at 31 December 2024, the Aircraft Portfolio consisted of 311 owned aircraft and 210 committed aircraft (compared with 293 owned aircraft and 87 committed aircraft as at 31 December 2023). Among the 311 owned aircraft, 307 were held for operating lease and 4 were under finance lease (compared with 290 held for operating lease and 3 were under finance lease as at 31 December 2023).

As at 31 December 2024, CDBALF owns 260 aircraft under operating leases and 4 aircraft under finance lease to international airlines and holds one aircraft as held-for-sale (compared with as at 31 December 2023, owned 248 aircraft under operating leases and 3 aircraft under finance lease to international airlines and held no aircraft as held-for-sale).

Current Fleet

As at 31 December 2024, the Aircraft Portfolio comprised the following aircraft types:

	Owned aircraft	Committed aircraft	Total
Airbus			
A320-200	40	–	40
A321-200	8	1	9
A330-200	5	–	5
A330-300	18	–	18
A330-900	6	–	6
A350-900	4	–	4
A320neo	78	24	102
A321neo	44	94	138
Airbus Total	**203**	**119**	**322**
Boeing			
737-700	47	2	49
777-300ER	1	–	1
737 MAX 8	35	89	124
787-9	2	–	2
Boeing Total	**85**	**91**	**176**
Embraer			
E190-100LR	16	–	16
Embraer Total	**16**	**–**	**16**
Freighters	**7**	**–**	**7**
Total	**311**	**210**	**521**

One of the above seven freighters is under conversion and scheduled for delivery in 2025.

As at 31 December 2024, the weighted average age by aircraft value of the Aircraft Portfolio's owned aircraft on operating lease was 5.4 years, the fleet net book value was U.S.$12.58 billion and the weighted average remaining lease term by aircraft value of CDBALF's operating lease portfolio was 7.3 years.

As at 31 December 2024, the Group had 85 lessees in 41 countries and regions as compared to 66 lessees in 35 countries and regions as at 31 December 2023.

Aircraft Purchase Commitments

Aircraft on Order

As at 31 December 2024, the Group's committed but undelivered direct orders from Airbus and Boeing consisted of 197 aircraft, comprising 112 aircraft from Airbus and 85 aircraft from Boeing. The delivery schedule (between 2025 and 2032) for these aircraft was determined based on careful analysis and forecasting of the aviation industry and aircraft demand, including through engagement of a third-party aviation expert commercial adviser.

In addition, the Group has 70 non-binding entitlements with The Commercial Aircraft Corporation of China, Ltd., consisting of 20 C909 aircraft and 50 C919 aircraft.

Lease Commitments for Future Aircraft Purchase Commitments

As at 31 December 2024, of the 197 aircraft ordered directly from manufacturers, 37 were committed for lease, of which 19 were scheduled for delivery in 2025, 15 in 2026 and 3 in 2027.

In addition to aircraft committed through direct orders from manufacturers, as at 31 December 2024, the Group was committed to sale-lease-back transactions covering 8 aircraft and 5 aircraft via portfolio acquisition, of which 9 were scheduled for delivery in 2025 and 4 in 2026.

As at 31 December 2024, among 210 committed aircraft (including aircraft under direct OEM orders, sale-lease-back and portfolio acquisition), 30 were scheduled for delivery in 2025, 31 in 2026 and 149 from 2027 onwards.

Financing Arrangements

As at 31 December 2024, the Group had 210 aircraft committed for purchase.

The Group's aircraft purchase commitments as at 31 December 2024 are expected to be financed through a diverse range of funding sources, including (i) profits generated from CDBALF's aircraft operating lease business, (ii) proceeds from debt capital markets issues, (iii) borrowings from domestic and overseas banks, and (iv) net proceeds from sales of owned aircraft.

Major Terms of Aircraft Purchase Agreements

The major terms of an aircraft purchase agreement include the detailed specifications of the ordered aircraft, the purchase price (net of any discounts), the scheduled delivery timetable, the delivery conditions and the consequences in the event of manufacturer's delay in delivery. The primary obligations as a purchaser under an aircraft purchase agreement are to make engine selections, to customise the detailed specification options selections for the intended customer lessee, to supply buyer-furnished equipment and to make payments and take delivery of the aircraft in accordance with the terms of the agreement. Separate agreements are also required to be entered into for the supply of aircraft engines.

The aircraft purchase price is usually paid to the manufacturers in instalments before delivery of the aircraft, and the purchaser will obtain the title to an aircraft upon payment of the final instalment to the manufacturer. Aircraft manufacturers periodically announce the catalogue price of the aircraft they manufacture, and manufacturers also adjust the purchase price based on the change of the relevant consumer price index or other variables, with the detailed price adjustment mechanism being set out in the aircraft purchase agreement. In addition, depending on the actual order and the prevailing market conditions at the time the order is confirmed, the purchaser and the manufacturer may agree adjustments to the purchase price.

Aircraft manufacturing is a complex process and may involve hundreds of suppliers of materials, parts and components. Aircraft manufacturers usually differentiate delivery delays caused by factors beyond their control from other delays. The aircraft purchase agreements between the Group and Airbus and Boeing have each provided for delays that may arise and the rights and remedies available to the Group as the purchaser in the event of such delays. The aircraft manufacturer typically warrants to the Group that each aircraft and its warranted parts at delivery conform to the agreed specifications and are free from defects in material, workmanship and design, and undertakes to be responsible for the repair or replacement of defects for a certain number of years from the date of delivery, generally ranging from three to four years, in accordance with the purchase agreement.

Lessees

CDBALF leases aircraft to lessees in diverse regions around the globe.

CDBALF's leading aircraft leasing capabilities, extensive customer relationships and dedicated professionals contributed to a total of 85 lessees across 41 countries and regions as at 31 December 2024, bringing a stable and predictable source of income and profit.

The following table sets forth a breakdown of the Group's revenue and assets of its Aircraft Leasing business segment by region of lessee for the year ended 31 December 2024:

Region	**Percentage of lease revenue for the year ended 31 December 2024**	**Percentage of aircraft value as at 31 December 2024**
The PRC	29.2%	24.0%
Asia Pacific (excluding the PRC)	20.5%	21.6%
Europe	19.5%	21.2%
Americas	24.0%	23.9%
Middle East	6.3%	6.2%
Africa	0.5%	0.7%
Off-lease/Under conversion	–	2.4%
Total	**100.0%**	**100.0%**

CDBALF has active relationships with airlines globally, which helps it to place new aircraft, remarket end-of-lease aircraft and source transactions to grow the Group's fleet through multiple acquisition channels.

BUSINESS OPERATIONS

CDBALF operates its business globally, acquiring aircraft, leasing those aircraft to a diverse group of airline customers across multiple geographical regions, and selling aircraft. The business model focuses on building and maintaining an aircraft portfolio of young, modern and fuel-efficient commercial aircraft that will be attractive to CDBALF's customer base and provide financial returns that meet hurdle rates.

Aircraft Acquisitions

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

Our portfolio consists of aircraft ordered directly from manufacturers, those acquired through sale and lease-back transactions and aircraft portfolios purchased from other lessors.

Regardless of the channel through which aircraft are acquired, comprehensive market, aircraft, customer (where relevant), supply/demand, financial, risk and legal analysis is undertaken.

Direct Orders from Manufacturers

As at 31 December 2024, our committed direct orders from Airbus and Boeing consisted of 197 aircraft, comprising 112 aircraft from Airbus and 85 aircraft from Boeing. The delivery schedule (is between 2025 and 2027 onwards). These orders are strategically important as they provide the Group with access to highly sought-after, modern and fuel-efficient aircraft, including relatively early delivery slots. Direct order acquisitions typically require significantly longer lead times than sale and lease-back transactions, generally ranging from four to seven years from the time of order to the scheduled delivery of the aircraft.

Sale and lease-back

As at 31 December 2024, the Group's committed portfolio from sale and lease-back transactions included 1 Airbus A320neo, 3 Airbus A321neo and 4 Boeing 737 MAX 8, of which 4 were scheduled for delivery during 2025 and 4 in 2026. In a typical sale and lease-back transaction, the Group commits to acquiring new aircraft that an airline has ordered directly from the manufacturer, and then to lease those aircraft back to the airline. The sale and lease-back transactions help the Group build customer relationships, achieve higher transaction certainty and minimise placement risk. This channel also provides the Group with flexibility to manage cyclical risk and be responsive to market opportunities and conditions. Sale and lease-back transactions are generally completed within two to 12 months from the contract signing date to the scheduled delivery of the aircraft.

Portfolio Acquisitions

As at 31 December 2024, the Group had contractual commitments to acquire a further 5 aircraft from portfolio acquisition, all scheduled for delivery during 2025. Portfolio acquisitions remain as an important channel for our purchasing of aircraft.

Relationship with Airbus, Boeing and Other Manufacturers

The Group maintains co-operative relationships with aircraft manufacturers such as Airbus, Boeing and COMAC, and engine manufacturers such as CFM International, International Aero Engines, General Electric, Pratt & Whitney and Rolls-Royce. These extensive manufacturer relationships and the scale of the Group's business enables the Group to place large orders with competitive terms and conditions.

Aircraft Leases

CDBALF seeks to lease aircraft under favourable terms to a geographically diversified group of airline customers.

Key Terms of Aircraft Leasing Agreements

Lease term and lease rate: CDBALF's aircraft lease agreements are for terms generally ranging from six to 12 years for new aircraft on their first leases and generally shorter periods for second and subsequent leases. CDBALF typically requires its lessees to pay rent monthly or quarterly in advance. In leasing its aircraft, CDBALF receives fixed lease payments under the majority of its operating leases and floating rates in the majority of its finance leases.

Security deposit: During the lease term and with reference to the credit quality of the lessee, CDBALF's aircraft lessees are generally required to maintain a security deposit with the lessor, either in cash or by way of letter of credit. Such deposits are based on market practice and generally equivalent to between one and three months' lease payment.

Aircraft operation and maintenance: CDBALF's aircraft lease agreements require its lessees to be responsible for the costs and expenses relating to aircraft operation, insurance, and for the maintenance, repair and overhaul of the leased aircraft in accordance with the maintenance programme approved by the relevant aviation authorities and the airframe and engine manufacturers' guidelines. CDBALF has a contractual right to review this maintenance to ensure compliance with the lease. CDBALF has the right to inspect the leased aircraft at reasonable periodic intervals. CDBALF requires its lessees to comply with the airworthiness requirements of the FAA, EASA or other applicable aviation authorities.

Maintenance reserves: Based on the credit quality of the lessee, CDBALF requires some of its lessees to pay maintenance reserves, in the form of cash or letter of credit, to cover scheduled major component maintenance costs. The amount of the maintenance reserves is generally determined with reference to the utilisation of the leased aircraft and the projected cost and timing of specified maintenance events. In lease contracts where the payment of maintenance reserves is not required, there is generally an end-of-lease financial compensation adjustment based on the difference between aircraft condition at delivery versus redelivery and calculated in line with specified rates.

Aircraft registration and registration of interests: The lessee is required to register the aircraft with the applicable aviation authority, typically the aviation authority in the country of the lessee or another country acceptable to CDBALF. CDBALF also requires the lessee to register the ownership and other interests of the lessor under the aircraft lease agreement or the lease agreement itself to the extent possible in accordance with applicable laws and international conventions.

Tax obligations: CDBALF's aircraft lease agreements generally require lessees to gross up lease payments to cover tax withholdings or other tax obligations that may be applicable, subject to customary exclusions.

Aircraft re-delivery: CDBALF's aircraft lease agreements contain specific provisions regarding the required condition of the aircraft upon its redelivery by the lessee at the end of the lease term, such that the aircraft is in a condition suitable for delivery to the next lessee. Detailed redelivery condition requirements are specified for all major components including: airframe, engines, engine LLPs, landing gear and APU.

Remedies and rights in case of lessee default: CDBALF's leases contain provisions on its rights and remedies in case of default by the lessee, including the right to terminate the lease and repossess the aircraft.

Lease restructuring and repossession of aircraft: During the term of CDBALF's leases, some of its lessees may experience financial difficulties. Each lease is structured so that the lessee is required to meet all of its obligations under the lease, regardless of its financial situation. However, from time to time, where an airline is in financial difficulty, it may be in both the lessor's and lessee's mutual interest to restructure certain leases. Generally, restructurings involve a number of possible changes to the lease's terms, including rescheduling of lease payments, change of lease payment amount or exchange of lease payments for other consideration, all of which would need to be agreed to by CDBALF. If restructuring is not an option, CDBALF may seek to terminate the lease, take possession of the aircraft and re-market it to another customer. Under most circumstances, the repossession will be conducted through negotiations with the lessee. In the event that the lessee is uncooperative, CDBALF may have to take legal action for the repossession. In connection with the repossession of an aircraft, CDBALF may be required to settle claims on the aircraft or to which the lessee is subject.

Customer Selection and Marketing Process

Leveraging its global reach, CDBALF maintains relationships with airlines around the world. CDBALF selects its customers based on a comprehensive analysis of their markets, business plans, financial position and performance, management teams and fleet requirements. CDBALF's commercial team takes the lead on placement of new aircraft delivered from its manufacturers, leasing of aircraft to airline customers under operating leases, remarketing existing aircraft and providing financing solutions to airlines around the world. CDBALF's commercial team's operations are focused on ensuring that existing and new airline customer relationships are maintained and developed. The team is in very regular contact with existing and potential customers mainly by way of a combination of face-to-face visits, telephone contacts and attendance at aviation conferences, workshops or similar events.

The team is geographically split into three regions. The Hong Kong office covers the PRC and Asia Pacific airlines; the Dublin, Ireland office covers EMEA airlines; and the Fort Lauderdale, Florida office covers the Americas airlines. The team conducts continual analysis of the market to understand customer needs and potential demand. The commercial team works closely with the technical, risk, pricing and legal teams to ensure that potential customers and transactions fit with CDBALF's portfolio credit and country risk requirements and that any legal or jurisdictional issues are identified. CDBALF also regularly receives requests for proposals from airlines for the supply of aircraft on operating lease and for sale and lease-back or pre-delivery payment financing, and applies consistent transaction assessment disciplines (including pricing, risk, financing and legal) in assessing how to respond to such request for proposals.

With regard to regions, CDBALF carefully considers the balance of its portfolio and regularly reviews that balance taking into account both actual and planned placement and trading activities. It also gives consideration to relevant PRC guidance, including regions and economic belts with national policy support, such as the "Belt and Road" region.

Execution of leasing transactions

CDBALF's leasing transactions are negotiated by cross-functional deal teams. Deal teams are formed to address all business opportunities. The composition of the deal team is dependent upon the particular transaction, but they are generally led by the commercial representative who has responsibility for the customer. Typically, in addition to the commercial leader, the teams will comprise representatives from Technical, Risk, Pricing, Tax, Legal, Finance and Contracts Management.

Once a potential lease opportunity has been sourced, the deal team typically begins the negotiation and execution of a letter of intent. Letters of intent and the definitive aircraft leasing documentation are entered into by CDBALF or other entities within the Group. The Group's aircraft are either owned directly by CDBALF and its subsidiaries or through other Group entities in the PRC. CDBALF will also, where appropriate, use other customary industry structures – for example, trust structures, "orphan" special purpose ownership structures and multi-tiered leasing structures.

Letters of intent typically record the key financial, commercial and technical terms of the proposed aircraft lease and typically follow accepted aircraft operating lease industry norms in terms of content and items negotiated at this stage. Any commitment by the Group to proceed to enter into a lease is subject to a number of conditions and letters of intent are not typically binding upon either the Group or the airline customer until all relevant corporate approvals have been obtained, acceptable definitive documents have been agreed and other customary conditions have been satisfied.

CDBALF's approval process requires assessment by its internal Investment Committee (comprised of the Chief Officers of CDBALF) and the Board of Directors (or a sub-committee thereof) of CDBALF and by the Board of Directors of the relevant Group entities. After all the relevant approvals have been obtained (including by the potential customer), the definitive aircraft leasing documentation will be entered into, subject to delivery conditions.

Lease Expiration

As at 31 December 2024, the weighted average remaining lease term by aircraft value of the Group's owned aircraft held for operating lease was 7.3 years, and the following table sets out a breakdown of the number of aircraft and percentage of aircraft value balance as at 31 December 2024 of those off-lease aircraft and aircraft under operating lease with scheduled leases expiring in the future, excluding any aircraft for which CDBALF has a sale commitment, to be converted to finance lease, under teardown or freighter conversion, unable to remarket due to bankruptcy proceedings of relevant lessees and the Russian-Ukraine conflict. Four out of 11 aircraft with lease expired in 2024 have entered into letters of intent for sale.

	2024	2025	2026	2027	2028	2029 and After
Number of Off Lease & Lease Expirations	11	8	24	13	22	219
Percentage of Off Lease & Lease Expirations by Aircraft Value.	2%	2%	6%	3%	5%	82%

Lease Extensions and Re-leases

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

Where leases are not extended, CDBALF remarkets the aircraft, takes redelivery of the aircraft from the current customer, and re-leases it to a new lessee. Typically, CDBALF reaches agreement to re-lease or extend the leases of its leased aircraft well in advance of the expiration of the then-current lease and delivers the aircraft to a new lessee immediately following redelivery by the prior lessee, with the aim of minimising the time between leases.

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

Aircraft Sales

The Group aims for and maintains an aircraft portfolio that is with good liquidity, well maintained residual value and is attractive to its target customer base and to other financial investors, as well as to provide acceptable financial returns. The Group reviews its portfolio continually, and will sell its aircraft where it believes such sales to be in the best interests of the Group. These decisions involve reference to key objectives such as the optimisation of the composition of the Group's portfolio, acceptable financial returns and/or management of risk in a particular jurisdiction or with respect to a particular customer.

Aircraft sales facilitate management of portfolio concentrations, provide ongoing liquidity, enable the Group to monetise the value in its aircraft, help it maintain visibility and momentum with its customers and are a tool for effectively managing both asset residual value and re-lease risk. The Group has a dedicated team of experienced professionals focused on aircraft sales, including Chinese nationals with extensive relationships with CDBALF's trading partners in China and the Asia-Pacific region, which allows it to sell aircraft and to recycle and redeploy capital to fund further growth. The buyers of the Group's aircraft include airlines, financial investors and other aircraft leasing companies. For the year ended 31 December 2024, the Group completed the sale of five owned aircraft.

The Group aims to achieve the following objectives through aircraft sales: (1) maintaining a young average aircraft age across the fleet, (2) reducing aircraft, counterparty, geography and lease maturity concentration risk, (3) exiting from non-core or less popular aircraft types, (4) maintaining visibility and momentum with customers, (5) effectively managing asset residual value and re-lease risk, and/or (6) generating market data points on aircraft valuation and appetite. CDB and the Group's brand and track record are considered to be significant assets in terms of attracting potential trading partners, particularly in the PRC and Asia Pacific.

Aircraft Management Services

In addition to CDBALF's core aircraft leasing business, CDBALF deploys its in-house expertise in lease and technical management to offer lease management services in return for fees. CDBALF's lease management services are comprehensive and include invoicing and collections, monitoring of lease terms, insurance and letter of credit renewals, the tracking of aircraft utilisation, technical inspections and maintenance reserves and lease enforcement management. CDBALF is generally not required to source subsequent lessees for third-party managed aircraft, but it may choose to do so in return for fees depending on market conditions.

FINANCING

CDBALF focuses on maintaining a low cost of funding with diversified funding resources and on retaining financing flexibility for the Aircraft Leasing business segment. CDBALF actively manages potential liquidity risks by developing long-term relationships with commercial lenders and capital markets investors, and by balancing the funding mix across diversified sources.

CDBALF also aims to maintain its strong credit ratings, through a focus on key credit metrics in the execution of its business activities and objectives.

The Company's and CDBALF's strong investment grade ratings allow CDBALF to maintain a cost-effective capital structure and provide access to the commercial lending as well as debt capital markets.

Diversified Sources of Financing

CDBALF works closely with the Company's treasury team to identify the best opportunities onshore and offshore and to leverage its extensive relationships and skill sets to deliver the best outcomes.

CDBALF funds itself through diverse sources, making use of credit support from, or recourse to, the Company on both a secured and unsecured basis to ensure the most favourable pricing and structural benefits to its transactions.

CDBALF has been using both the commercial lending market and debt capital markets to source its debt financing. For its PRC business activities, CDBALF also makes use of funds raised by the Company's treasury department in addition to the external financing. CDBALF intends to continue sourcing from these markets and maintaining a mix of secured and unsecured financing. The diverse sources of funding used to finance the Aircraft Portfolio include:

Asset-backed Secured Loan Financing

CDBALF and the Company have established strong relationships with banks and financial institutions in Asia (including the PRC), Europe, and Middle East and the other area of the world. CDBALF borrows from these commercial banks and financial institutions on a secured basis, which requires the provision of security including, for example, mortgages over the relevant aircraft, and pledges over assets including the shares of the aircraft owning entities and their bank accounts. These borrowings are generally raised using a competitive process to ensure that CDBALF secures the best possible terms. These secured loans often also provide the lenders with some form of credit support from, or recourse to, the Company, again with a view to improving the terms for CDBALF. CDBALF aims to maintain the proportion of amount of secured loan financing to the total debt to below the 30% level.

Unsecured Financing

The Company is a member of the interbank lending market in China and is able to obtain interbank funds with a term of up to three months. Additionally, as at 31 December 2024, the Company had established business relationships with 160 banks and was granted credit facilities amounting to a total of approximately RMB790 billion including unused credit facilities of RMB472.72 billion. Where financing is required, some of the proceeds from these facilities are utilised by CDBALF by way of entrusted loans where the Company acts as trustor. CDBALF borrows from commercial banks and financial institutions on an unsecured basis.

Debt Capital Markets

CDBALF has a long history of debt capital market issuance, issuing U.S.$1.5 billion of notes in 2012 under Amber Circle Funding Limited with a guarantee from CDB Hong Kong Branch. The Issuer also previously issued U.S.$650 million of notes in 2014. In October 2017, the Issuer and CDBALF established a U.S.$3 billion MTN Programme and issued U.S.$400 million 5.5-year and U.S.$400 million 10-year notes under the programme. In March 2018, the Issuer issued U.S.$100 million 5.5-year notes (which were consolidated and form a single series with the U.S.$400 million 5.5-year notes issued in October 2017). In November 2018, the Issuer issued U.S.$400 million 3-year notes under the programme. In November 2019, the Issuer issued U.S.$130 million 5-year notes by way of a private placement under the programme. In October 2020, the Issuer issued U.S.$500 million 3-year notes under the programme. In July 2021, the Issuer further issued U.S.$120 million 1-year notes by way of a private placement under the programme. The purpose of the establishment of the MTN programme by CDBALF is to allow the Issuer to make ongoing regular debt issuances to fund the Aircraft Portfolio.

The Company is also a regular issuer of onshore RMB-denominated notes and provides support for offshore issuances for the non-aviation parts of its leasing operations.

Other Sources of Finance

CDBALF has executed French tax lease and JOLCO transactions, and believes it would be well-positioned to execute transactions with either the European ECAs or US EXIM once these financing channels re-open and in the event that such financing is appropriate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

CDBALF has developed and implemented a "Sustainable Fleet Initiative" which commits itself to investing in new generation aircraft in pursuit of a transformation of its fleet. Its target, by 2030, is to have 80% of its fleet comprised of the most fuel efficient and lowest emission types of aircraft. It has also developed a "Net Zero 2050 Roadmap" and built a framework around sustainable finance to help fund its transformation. It measures the carbon emissions from its business annually, with Scope 3 emissions from its portfolio tracked on an ongoing basis.

In December 2023, CDBALF announced the completion of a sustainability linked loan ("**SLL**") involving a U.S.$625 million syndicated three-year term loan facility – a landmark transaction as the world's first syndicated SLL in the aviation leasing industry. In setting an emission intensity Sustainability Performance Targets, CDBALF has linked the loan terms to how its customers operate the aircraft it leases to them. This imposes a discipline on CDBALF to focus on not only leasing next-generation aircraft but also finding lessees who operate the aircraft most efficiently and who use the highest proportion of sustainable aviation fuels. The deal won Airline Economics 'Sustainable Finance Deal of the Year' award and Ishka 'Most Innovative Deal of the Year' award. In 2024, CDBALF further completed an SLL involving a U.S.$506 million syndicated three-year term loan facility and another SLL involving a U.S.$700 million syndicated seven-year secured loan facility.

CDBALF is committed to fostering an inclusive workplace where every staff member is cared for and treated with respect, while upskilling its staff members with ESG and diversity, equity, and inclusion (DEI) training. It is also committed to transparency and support the adoption of new disclosures standards as a means to drive progress on the sustainable development agenda.

RISK MANAGEMENT

Overview

CDBALF assumes various risks in its business operations, including, but not limited to, asset, credit, concentration, interest rate, liquidity, information technology, business information and reputational risks. CDBALF has established and developed a comprehensive risk management system and actively manages and controls risks through a wide range of measures including conducting due diligence on clients, ongoing client monitoring, active portfolio management, strategic asset reviews, technical oversight and inspection programmes, legal jurisdictional assessments, multilevel approval processes and regular reporting and review of key risks at senior management and at board levels. Meanwhile, CDBALF continues to monitor and review the operation and performance of its risk management system and adjust it from time to time to accommodate market conditions, the regulatory environment as well as its strategic positioning. In achieving a balance between business development, risk management and operational efficiency, CDBALF prioritises risk control and underscores the independence of risk management in every stage of its business operations. CDBALF's risk management function is tailored to the specific requirements of being an aircraft operating lessor while at the same time being embedded within the risk management framework of the Group. Ongoing regular communication and collaboration between CDBALF, the Company and CDB enhance this function and there is an aligned approach across the Group.

CDBALF monitors the following principal risks and uncertainties:

Asset Risk

CDBALF's key management principles in relation to asset risk include maximising the long-term economic value of its aircraft, maintaining a portfolio of high-quality aircraft assets and ensuring that the majority of its fleet is comprised of "in production" aircraft demanded by customers and aircraft investors. In particular, CDBALF bears the risk of re-leasing or selling the aircraft in its fleet. If demand for aircraft decreases, market lease rates may fall. Should this condition continue for an extended period, it could affect the market value of aircraft in the fleet and may result in an impairment charge. CDBALF closely monitors the market, reviews and manages its fleet and remarkets or sells aircraft, from time to time as required, and reinvests the proceeds received in new aircraft.

In relation to asset monitoring to mitigate asset risk, CDBALF abides by IAS 16 "Property, plant and equipment" guidelines where aircraft are reviewed for impairment whenever events or changes in circumstance indicate that their carrying value may not be recoverable. Furthermore, the maintenance status of CDBALF's fleet is constantly monitored and reported through Leasepoint (reporting and management) and Aerlytix (maintenance event and cash flow forecast) systems, while physical and on-site inspections are outsourced to best-in-class service providers. In addition, through co-operation and joint efforts with high-quality and superior aviation companies, CDBALF has maintained sound asset quality of mainstream models for its aircraft leasing business.

CDBALF also measures asset quality in terms of the asset quality classification system of the Group that is based on the former CBIRC guidelines for Non-Banking Financial Institutions. In addition, CDBALF has formulated its provisioning policies for financial assets in accordance with the statutory requirements relating to the asset quality classification of the China banking industry and international accounting standards.

Credit and Concentration Risk

The airline industry is cyclical, economically sensitive and highly competitive. CDBALF's ability to succeed is dependent on the financial strength of its customers and their ability to react to and cope with the competitive environment in which they operate. If CDBALF's customers experience financial difficulties, this may result in defaults or early termination of leases. CDBALF looks to mitigate the customer and jurisdiction concentration risk by leasing to an appropriately diversified portfolio of customers, by operating an active risk management function, by employing a range of risk mitigation tools and ensuring that leases are well-structured. This is supported by a set of clear policies, procedures and guidelines. CDBALF's approach to customer due diligence and ongoing monitoring is detailed further below.

Interest Rate Risk

Interest rate risk refers to the risk of losses in CDBALF's overall income and economic value resulting from adverse movements in interest rates, maturity structure and other factors. Interest margins can increase as a result of fluctuations in market interest rates and decrease in the event that unexpected movements arise or when the market faces significant difficulties like COVID-19. The majority of CDBALF's aircraft leases are fixed and do not vary with interest rates. In developing CDBALF's financial and hedging strategy, CDBALF aims to minimise the risk of mismatches between the asset and liability sides of the balance sheet by using products such as fixed interest rate loans, fixed interest rate guaranteed unsecured notes or floating rate loans in combination with derivative contracts which swap floating interest rates for fixed interest rates.

Liquidity Risk and Refinancing Risk

Liquidity risk refers to the risk that CDBALF is unable to obtain funding at a reasonable cost to repay its liabilities or seize other investment opportunities. The focus of CDBALF's liquidity risk management is to ensure sufficient capital resources at any time to meet the repayment needs of matured liabilities, seize new investment opportunities and achieve a competitive interest rate margin level.

Through proactive management of the maturity profile of CDBALF's assets and liabilities and obtaining diversified funding via multiple channels, CDBALF has better mitigated and managed its exposure to liquidity risk. In particular, CDBALF has funded a significant part of its operations with debt financing, comprising secured and unsecured bank loans and unsecured notes. CDBALF's ability to continue to operate is dependent upon its ability to meet its payment obligations under the respective loan agreements.

CDBALF has principal repayments due under these loans which fall due during 2025 and has also committed, as at 31 December 2024, to acquire and lease a further 210 aircraft. CDBALF intends to finance these obligations using a combination of operating cash flows, including proceeds from the sale of aircraft, and new debt and equity financing. The Company intends to provide support to these financing activities as required.

Information Technology and Business Information Systems Risk

Information Technology ("**IT**") and Business Information Systems ("**BI**") risk refers to operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and flawed management in the course of applying IT and BI. Over the years, CDBALF has comprehensively and consistently upgraded its policies, procedures and information security level to better deal with such risks, including, but not limited to, the following aspects: strengthening management and enhancing operational effectiveness through system establishment; deployment of security and monitoring applications to ensure the confidentiality, integrity and availability of CDBALF's data and system processes; raising employees' awareness of information security through a series of trainings; and enhancing CDBALF's information security protection level through cloud network surveillance of its IT and BI platforms, information security inspection and management of its lease contracts and physical environment in key office areas, and developing and utilising other technologies and tools.

Reputational Risk

Reputational risk refers to the existing or potential risk of negative impact or damage to CDBALF's image, reputation or brand, which may arise when aspects of CDBALF's operational, managerial and other behaviours or external incidents are noticed and/or reported by recognised media outlets and other external sources, such as social media channels. CDBALF's ability to respond to industry or public sentiment and to guide public opinion is effectively improved through ongoing self-inspection, industry monitoring and assessment of reputational risk, as well as the timely handling of relevant reputational incidents. In addition, CDBALF has ensured that its brand-building efforts are supported through maintaining relationships with authoritative newspapers, trade magazines and associated advertising. CDBALF has improved the operational quality of its targeted communication tools utilising recognised "best practices" and ongoing monitoring. In addition, CDBALF's employees are actively involved in its Corporate Social Responsibility (CSR) efforts, supporting its corporate image and reputation through aviation-oriented educational scholarships, charitable donations, and local community engagement of its employee teams.

Due Diligence Prior to Transactions

CDBALF's risk team assesses every potential new transaction, carrying out detailed customer due diligence and employing a range of tools in that assessment, including internal risk rating system, credit analysis and retaining a deep and broad knowledge base of its customers and the airline industry generally.

Prior to entering into any aircraft leasing, or trading transaction (i.e. order placements, remarketing placements, sale-and-lease backs, aircraft portfolio acquisition, lease extensions and material transaction amendments), CDBALF performs due diligence on the prospective lessee, which generally includes reviewing financial statements, business plans, cash flow projections, operational performance histories and relevant regulatory approvals and documentation. CDBALF also performs credit reviews for prospective lessees which typically include financial statement reviews, establishing a credit rating, on-site visits and extensive discussions with the prospective lessee's management before CDBALF enters into a new lease. Depending on the credit quality and financial condition of the lessee, CDBALF may require the lessee to obtain guarantees or other financial support from the lessee's shareholders or other guarantors.

Know-your-client ("**KYC**") checks are also conducted as part of the wider due diligence process, and a KYC questionnaire is sent to every prospective customer in advance so that appropriate investigations can be carried out in relation to all relevant sanctions, trade control and anti-money laundering regulations.

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

Ongoing lessee monitoring and management

CDBALF's risk team conducts ongoing monitoring on current customers and the broader market globally on a continuous basis. Financial information is required from CDBALF's lessees, at least annually, but mostly semi-annually and sometimes quarterly. CDBALF reviews such financial information to supplement ongoing monitoring of market events and customer news flow. CDBALF also retains numerous direct channels of communication with its customers throughout the lease term which helps to provide additional insights. Collectively, this information becomes embedded in CDBALF's periodic reporting and review process, including its internal risk rating, which is updated at least annually as part of the annual customer review, or more frequently, as appropriate.

Monitoring of rental and other payments by airline customers is fundamental to CDBALF and other aircraft operating leasing companies. CDBALF's risk team pays close attention to those airline customers whom it perceives as being of weaker credit or whom it anticipates may experience difficulties in meeting their payment obligations to CDBALF. CDBALF's risk team uses a "watch list" approach to track these customers and any material concerns are escalated to senior management for discussion and follow-up action. CDBALF's invoicing and receivables team follows up with airline customers in the event of any delay in payment, and any issues that arise are escalated for follow-up action, with the support of CDBALF's risk, commercial and legal teams. Periodic cash collection notes are prepared to monitor the payment performance of CDBALF's customers.

CDBALF's airline customers are responsible for all maintenance and repairs during the lease. During the lease, CDBALF's in-house technical team will regularly review the maintenance status of the aircraft. The lease requires that all maintenance is performed by an approved organisation in accordance with the approved maintenance programme and which meets or exceeds the aircraft and engine manufacturers' guidelines. CDBALF's technical team provides technical support and advice during the lease transaction implementation that is focused on ensuring that the technical provisions of the leases maintain or enhance the value of the aircraft. The team will also regularly review the reported maintenance status of the aircraft and any major modifications or repairs. At lease expiry, the technical team's key function is to assess compliance with return conditions and support the transitioning of the aircraft to a new customer.

All airline customers are required under the terms of CDBALF's operating leases to pay for all aircraft maintenance and repairs, whether scheduled or otherwise. Depending on the creditworthiness of CDBALF's airline customers, CDBALF may require its airline customers to pay cash maintenance reserves from which airline customers can subsequently draw when qualified maintenance works are performed. If CDBALF concludes that an airline customer is of an appropriate credit strength and profile, it may not require maintenance reserve payments to be paid monthly during the term of the lease but instead require maintenance payments at the end of the lease to compensate the utilisation of the aircraft. In all cases, CDBALF's leases require the aircraft to be re-delivered upon lease expiry in compliance with detailed condition requirements set out in the lease.

COMPETITION

The aircraft leasing industry is highly competitive, and CDBALF serves a diverse set of customers. CDBALF competes in leasing, re-leasing, purchasing and selling CDBALF's aircraft with other aircraft leasing companies. CDBALF may also encounter competition from other entities (both established and new) that selectively compete with CDBALF, including airlines, financial institutions and aircraft brokers. Competition for aircraft leasing transactions is based principally on the availability of aircraft, price and terms of the lease to which an aircraft is subject and the creditworthiness of the lessee. CDBALF believes that it competes favourably due to its strong industry relationships, the attractiveness of its fleet, its rigorous and proactive risk management policies, competitive financing costs, access to competitively priced debt capital, global platform and the reputation and experience of CDBALF's management team.

EMPLOYEES

CDBALF believes that its professional workforce is the foundation of its long-term growth. As at 31 December 2024, CDBALF had 121 staff members. CDBALF is committed to recruiting, training and retaining skilled and experienced staff members throughout its operations. CDBALF intends to achieve this by offering competitive remuneration packages as well as by focusing on training and career development. CDBALF has no staff member represented by a union or a collective bargaining agreement. CDBALF operations have never been affected by any strike or significant labour dispute and CDBALF believes that its relationship with its staff members is good.

INSURANCE

CDBALF's aircraft lessees are required to carry insurance for any liabilities arising out of the operation of its aircraft or engines, including any liabilities for death or injury to persons and damages to property that ordinarily would attach to the operator of the aircraft. In addition, CDBALF's lessees are required to carry other types of insurance that are customary in the air transportation industry, including hull all risks insurance and hull war risks insurance, aircraft spares insurance and aircraft third-party liability insurance. In addition to the coverage maintained by CDBALF's lessees, CDBALF maintains contingent liability insurance and contingent hull insurance with respect to CDBALF's aircraft. Such contingent insurance is intended to provide coverage in the event that the insurance maintained by any of CDBALF's lessees should not be available for CDBALF's benefit as required pursuant to the terms of the lease.

CDBALF believes that it has maintained such insurance coverage as it considers necessary and sufficient for its operations and customary for the aircraft industry in which CDBALF operates. Moreover, CDBALF policies are subject to standard deductibles, exclusions and limitations. CDBALF insurance policies are generally underwritten by reputable insurance providers and CDBALF reviews its insurance policies annually.

FACILITIES

CDBALF's registered office is at 1GQ, George's Quay, Dublin 2, Ireland.

DESCRIPTION OF THE GROUP

OVERVIEW

Founded in 1984, we were among the first leasing companies in the PRC and the first NFRA-regulated leasing companies. We are the sole leasing business platform and one of the key strategic business segments of CDB. CDB is a development financial institution which is wholly-owned by the PRC government and reports directly to the PRC's highest administrative authority, the State Council of the PRC, and is one of the world's largest development finance institutions with PRC sovereign level credit ratings. We are dedicated to providing comprehensive leasing services to high-quality customers in fields, including aircraft, shipping, regional development, inclusive finance, green energy and high-end equipment manufacturing, with leasing assets and business partners. We are a pioneer and a leader in the PRC leasing industry and have one of the highest international credit ratings among PRC financial institutions.

As at 31 December 2024, our business segments are as follows:

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

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

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

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

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

For the year ended 31 December 2024, our Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance and Green Energy and High-end Equipment Leasing businesses accounted for 32.3%, 17.2%, 27.1%, 10.4% and 13.0% of our revenue and other income, respectively.

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

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

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

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

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

AWARDS

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

Year	Awards	Organisers/Media
2024	Annual Inclusive Finance Innovation Award (年度普惠金融創新獎)	"Financial Billboard" sponsored by Shenzhen Special Zone Daily (深圳特區報「金融風雲榜」評選)
	2024 Outstanding Cases of Corporate ESG Practices (2024年度企業ESG實踐優秀案例)	"2024 (4th) Corporate ESG Practices Survey" organised by China.org.cn. (中國網「2024(第四屆)中國企業ESG實踐調研」活動)
	Outstanding Climate Investment and Financing Project (氣候投融資優秀項目案例)	First "Xinhua Credit Pearl Cup" (新華信用明珠杯)

Year	Awards	Organisers/Media
	ESG Report Benchmark Award and the Green Finance Pioneer Award (「ESG報告典範獎」、「綠色金融開拓者獎」)	2024 Guangdong-Hong Kong-Macao Greater Bay Area Sustainable Development Forum and the Award Ceremony of the Hong Kong ESG Reporting Awards (2024粵港澳大灣區可持續發展論壇暨香港ESG報告大獎活動)
	Sustainable Finance Product and Service Innovation Award (可持續金融產品服務創新獎)	2024 Shenzhen Outstanding Cases of High-Quality Development of Green Finance" held by the Shenzhen Green Finance Association (深圳市綠色金融協會舉辦的「2024年度深圳綠色金融高質量發展優秀案例」評選)
	Most Influential Financial Leasing Company (最具影響力金融租賃公司)	Global Leasing Industry Competitiveness Forum (2024全球租賃業競爭力論壇)
	Financial Leasing Company of the Year 2024 (2024年度融資租賃公司)	China Financial Value Ranking (CFV) by CBN (第一財經「金融價值榜CFV」評選)
	Best ESG Financial Service Providers (最佳ESG金融服務機構獎)	2024 Hong Kong International Finance Forum & Hong Kong International ESG Annual Awards Ceremony held by Hong Kong International ESG Alliance (香港國際ESG聯盟舉辦的2024香港國際金融論壇暨香港國際ESG榜單年度評選)
	Third prize for the Contribution Award (貢獻獎•三等獎)	"2022 Shenzhen Financial Innovation Award" sponsored by the Office of Financial Commission under Shenzhen Municipal CPC Committee (中共深圳市委金融委員會辦公室主辦的「2022年度深圳市金融創新獎」評選)
	Outstanding Case Award (優秀案例獎)	2023 "Shenzhen Acts to Benefit Enterprises" Financial Service Matchmaking Event sponsored by Shenzhen Banking Association (深圳市銀行業2023年度「深惠萬企圳在行動」金融服務對接活動)
	Annual Sustainable Financial Transaction Award (年度可持續金融交易獎)	Airline Economics (航空經濟)
	ESG Company of the Year 2023 (2023年度ESG企業)	"2023 (3rd) Corporate ESG Practices Survey" organized by China.org.cn. (中國網「2023年(第三屆)企業ESG實踐調研」)

Year	Awards	Organisers/Media
2023	Information Disclosure Award (年度信息披露獎)	"Jinge Awards-Granting of the Year" organized by GuruClub for outstanding companies of the year (格隆匯主辦的「金格獎」年度卓越公司評選)
	Contribution Award for Promoting High-Quality Development of the Year (年度推動高質量發展貢獻獎)	"Tribute to the South" competition organized by the Southern Daily News (在《南方日報》的南方致敬評選中榮獲)
	Annual Green Finance Practice Award (年度綠色金融實踐獎)	17th Financial Billboard • Golden Banyan Tree Award awarded by Shenzhen Special Zone Daily (獲《深圳特區報》「第十七屆金融風雲榜•金榕樹獎)
	Best Financial Leasing Company of the Year for Inclusive Financial Services (年度最佳普惠金融服務金融租賃公司)	"2023 China Financial Institutions Gold Medal List • Golden Dragon Award" awarded by the Financial Times (在《金融時報》「2023中國金融機構金牌榜•金龍獎」評選中榮獲)
	2023 (6th) China Financial Leasing Soaring Award – Most Influential Financial Leasing Company (2023年(第六屆)中國融資租賃騰飛獎•最具影響力金融租賃公司)	Global Leasing Industry Competitiveness Forum (全球租賃業競爭力論壇)
	Annual Data Governance Best Practice Award (年度數據治理最佳實踐獎)	Annual Rating for 2023 DAMA China Data Governance organised by the International Data Management Association (DAMA) (在國際數據管理協會(DAMA)舉辦的2023 DAMA中國數據治理年度評選)
	Excellent Cooperation Award (優秀合作獎)	West Lake Forum Cup of the 2022 China Financial Leasing (West Lake) Forum (2022年度中國融資租賃(西湖)論壇西湖論壇杯)
2022	Asia-Pacific Region Annual Financing Project (亞太大區年度融資項目) and Annual Transaction (年度交易)	11th Airline Economics Annual Conference (Airline Economics第11屆航空年會)
	2022 (the Fifth Session) China's Financial Leasing Soaring Award – High-Quality Development Leading Enterprise (2022年 (第五屆)中國融資租賃騰飛獎–高質量發展領軍企業)	Global Leasing Industry Competitiveness Forum (全球租賃業競爭力論壇)

Year	Awards	Organisers/Media
	Annual Inclusive Finance Model Award (年度普惠金融典範獎)	16th Financial Billboard • Golden Banyan Tree Award" (第十六屆金融風雲榜•金榕樹獎) hosted by Shenzhen Special Zone Daily (《深圳特區報》)
	Shenzhen Green and Sustainable Finance Excellent Case (深圳市綠色及可持續金融優秀案例)	Shenzhen Green Finance Association (深圳市綠色金融協會)
2021	Best Financial Institution (最佳金融公司)	5th Golden Hong Kong Stocks Awards Ceremony (第五屆"金港股"評選) hosted by Zhitong Finance (智通財經)
	Most Competitive Financial Leasing Company (最具競爭力金融租賃公司)	2021 Gold Medal List of Chinese Financial Institutions – Golden Dragon Award Ceremony (2021年度中國金融機構金牌榜•金龍獎) hosted by Financial News (《金融時報》)
	Most Influential Financial Leasing Company (最具影響力金融租賃公司)	Global Leasing Industry Competitiveness Forum
	Social Responsibility Award of the Year (年度社會責任獎)	15th Financial Awards – Golden Banyan Awards Ceremony (第十五屆金融風雲榜•金榕樹獎) hosted by Shenzhen Special Zone Daily
	2020-2021 Excellent Case Award for Green Finance (2020-2021年綠色金融優秀案例獎)	Shenzhen Banking Industry Social Responsibility Excellent Case Selection (深圳市銀行業社會責任優秀案例評選) hosted by Shenzhen Banking Association (深圳市銀行業協會)
2020	Business Growth Award (經營增長獎勵) and Comprehensive Contribution Award (綜合貢獻獎勵)	Futian District Committee of Shenzhen, CPC (中共深圳市福田區委) and Futian District People's Government of Shenzhen (深圳市福田區人民政府)
	Most Socially Responsible Financial Leasing Company of the Year (年度最具社會責任金融租賃公司)	Financial News
	China Financial Leasing Soaring Award to Help Leading Enterprises in Real Economy (中國融資租賃騰飛獎•助力實體經濟領軍企)	Global Leasing Industry Competitiveness Forum
	Social Responsibility Contribution Case Award (社會責任貢獻案例獎)	Nanfang Daily (《南方日報社》)
	2020 Financial Leasing Company Tianji Award (2020年度金融租賃公司天璣獎)	Securities Times (《證券時報》)

Year	Awards	Organisers/Media
	Innovative Development Award (創新發展獎)	8th China Aviation Finance 10,000-Family Award (第八屆中國航空金融萬戶獎評選)
	Annual Report Gold Award (年報金獎)	League of American Communications Professionals (LACP) (美國國際通訊專業聯盟)
	Excellent Case of Guangdong Green Finance Innovation in 2019 (2019年度廣東綠色金融創新優秀案例)	Green Finance Professional Committee of Guangdong Institute of Finance (廣東金融學會綠色金融專業委員會), Green Finance Professional Committee of Shenzhen Special Economic Zone Institute of Finance (深圳經濟特區金融學會綠色金融專業委員會), Guangzhou Green Finance Industry Self-Discipline Association (廣州市綠色金融業自律機制) and Guangzhou Financial Industry Association (廣州金融業協會)
2019	Best Brand Value Award (最佳品牌價值獎) and Best Annual Reports Design Award (最佳年報設計獎)	China Financial Market Awards (《中國融資》大獎)
	2019 Financial Leasing Company Tianji Award (2019年度金融租賃公司天璣獎)	Securities Times
	Ten-year Industry Contribution Award of China Aviation Finance (中國航空金融十年產業貢獻獎) and Best Transaction for the Year (年度最佳交易)	China Air Finance 'WAN HOO' Award (中國航空金融萬戶獎)
	2018-2019 Excellent Case of Social Responsibilities 'Green Financial' in Banking Industry in Shenzhen (2018-2019 深圳銀行業社會責任「綠色金融」優秀案例獎)	Shenzhen Banking Association
	Most Competitive Leasing Company for the Year (年度最具競爭力租賃公司)	2019 China Financial Institutions Gold Medal List • Golden Dragon Award (2019中國金融機構金牌榜•金龍獎) by Financial News
	2019 China Finance Leasing Excellence Award (2019中國融資租賃卓越成就獎)	China International Finance Forum (中國國際金融論壇)
	Most Socially Responsible Listed Enterprise (最具社會責任上市公司)	Golden Hong Kong Stocks (金港股)
	Listing Company with Most Influence Brand (最具品牌影響力上市公司) in the Jin Wu Prize (金吾獎) of financial institutions value ranking for 2018	Hong Kong Stocks channel of ifeng.com (鳳凰網港股頻道)

Year	Awards	Organisers/Media
2018	Highest Credit in Corporate Social Responsibility Evaluation	Shenzhen Association of Enterprises for Promotion of Social Responsibility (深圳市企業社會責任促進會)
	Best Leasing Listed Company (最佳上市租賃公司) in the Teng Fei Prize (騰飛獎) of China Finance Leasing	2018 (5th) Global Leasing Industry Competitiveness Forum (2018(第五屆)全球租賃業競爭力論壇)
	Best Green Finance Award in Banking Industry of Shenzhen (最佳綠色金融獎) and the Most Visible Brand Award (最受關注品牌獎) for 2017	12th China (Shenzhen) International Finance Expo (第十二屆深圳國際金融博覽會)
	Leasing Company of the Year in China (中國年度租賃公司) in the China Aviation Finance and Leasing Award Ceremony	China Air Finance Conference, Shanghai (上海中國航空金融年會)
	Industry Contribution Award (行業貢獻獎)	Shenzhen Association of Trade in Services (深圳市服務貿易協會)
2017	Annual Transaction Award	Hong Kong Annual Meeting of Marine Money (海事金融香港年會)
	Key Service and Trading Company in Shenzhen for 2016	Shenzhen Service and Trade Association (深圳市服務貿易協會)
	President's Award	Community Chest of Hong Kong (香港公益會)
	Jun Ding Award for Financial Leasing Company in China in 2017	Jun Ding Award for Financial Management Institution in China (2017中國財務管理機構君鼎獎) in 2017 by Securities Times
	Fifth China Air Finance Wanhu Award for Leaping Development Award	Sixth China Air Finance Development (DFTP) Summit (第六屆中國航空金融發展(東疆)國際論壇)
	2016 Best Green Finance Award in Banking Industry of Shenzhen	11th China (Shenzhen) International Finance Expo (第十一屆(深圳)國際金融博覽會)
	Best Leasing Company for the Year	2017 Gold Medal List of Chinese Financial Institutions Golden Dragon (2017中國金融機構金牌金龍獎) organised by Financial Times
	Best Corporate Governance Award	2017 China Financial Market Listed Companies Awards organised by China Financial Market (《中國融資》2017中國融資上市公司大獎)
	Most Valuable Financial Stocks Company of Golden Hong Kong Stocks Award 2017	Listed Company Selection of 2017 Golden Hong Kong Stocks (2017金港股上市公司評選)

Year	Awards	Organisers/Media
2016	The Most Influential Leasing Company for the Year (年度最具影響力租賃公司)	2016 Gold Medal List of Chinese Financial Institutions Golden Dragon (《金融時報》2016中國金融機構金牌金龍獎)
	The Best IPO (最佳IPO)	2016 China Financial Market Listed Companies Awards organised by China Financial Market (香港《中國融資》2016 中國融資上市公司大獎)
2015	Most Innovative Leasing Company of the Year (年度最具創新力租賃公司)	Institute of Finance and Banking, Chinese Academy of Social Sciences (中國社會科學院金融研究所) and Financial News
	Industrial Promotion Award of the China Air Finance Wan Hu Awards (中國航空金融萬戶獎–產業促進獎)	General Aviation Committee of China Air Transportation Association (中國航空運輸協會通用航空委員會) and Tianjin Dongjiang Free Trade Port Management Committee (天津東疆保稅港區管理委員會)
	Ship Leasing Deal of the Year	Marine Money
2014	PRC Financial Leasing Company of the Year (中國融資租賃年度公司)	China Financial Leasing Annual Conference (中國融資租賃委員會)
	30-Year Award for Contribution to the 最佳行業貢獻獎)	Financial News
	China Aircraft Leasing International Financing Structure Innovation Award (中國飛機租賃國際融資結構創新獎)	General Aviation Committee of China Air Transportation Association and Tianjin Dongjiang Free Trade Port Management Committee

COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

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

Through continual improvement in our business operations and product innovation, we have expanded our business scope to new sectors and identified several growth sectors as our focus. We have five business segments namely, Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance, and Green Energy and High-end Equipment Leasing businesses. We have one of the broadest geographic coverage among PRC leasing companies. As at 31 December 2024, our assets in the Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance and Green Energy and High-end Equipment Leasing businesses accounted for 29.8%, 21.7%, 16.0%, 8.4% and 24.1% of our total segment assets, respectively. We have actively promoted the transformation and development of traditional leasing business and steadily developed our Aircraft Leasing and Ship Leasing businesses which are characterised by operating leasing being the primary business model. In response to national strategic calls and regulatory policy directions, we have also deepened the development of our Regional Development Leasing and Inclusive Finance businesses and actively expanded our Green Energy and High-end Equipment Leasing business, thereby further optimising our business structure. In 2022 and 2023, against the backdrop of full implementation of regulatory requirements, we stepped up our business innovation and transformation and maintained a steady development of our leasing business as a whole. This strategic approach aimed to enhance our contribution to national strategies and bolster our support for the real economy. In 2024, with the goal of high-quality development, the Group focused on "five major areas", developed new quality productive forces and served the real economy, and further promoted the three key tasks of "business transformation, risk prevention and control and capability building", so as to achieve a good development trend of stable business, steady performance, controllable risks and continuous structural optimisation.

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

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

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

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

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

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

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

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

- *Liquidity and capital support from CDB* – According to regulatory requirements and our Articles of Association, CDB is required to provide us with liquidity support and capital injection under certain circumstances as specified by the NFRA. CDB is also required to financially support the Company. In accordance with the then applicable Measures on Financial Leasing Companies (金融租賃公司管理辦法) released by the former CBRC in March 2014 and further updated in September 2024, which requires promoters of a financial leasing company to agree, in the articles of association of the company, to provide liquidity support in case of payment difficulty and to replenish capital promptly, to the extent capital is reduced by accumulated operating loss. Subsequently, the Company also amended its Articles of Association to ensure sufficient liquidity support and capital injection from CDB in December 2015 and March 2019, respectively.

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

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

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

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

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

Our aircraft fleet is within the top ten global aircraft lessors in terms of aircraft value.

We focus on building and maintaining a portfolio of young, modern and fuel-efficient commercial aircraft that will be attractive to our diverse customer base across multiple geographical regions and providing financial returns that meet hurdle rates. As at 31 December 2024, we had a portfolio of 521 aircraft, consisting of 311 owned aircraft and 210 committed aircraft; and 85 leassees across 41 countries and regions.

Our owned and in-service fleet mainly includes narrow-body aircraft types such as Airbus A320ceo, A320neo family and Boeing 737 NG and 737 MAX family, and wide-body aircraft types such as the Airbus A330ceo, A330neo and A350, and Boeing 777-300ER and 787-9. Our orderbook contains next-generation, narrow-body types with good liquidity. As at 31 December 2024, weighted by net book value, the Group's aircraft fleet consists of 78% narrow-body aircraft, 18% wide-body aircraft and 4% freighters and regional aircraft by aircraft value, and the total net book value of the Group's owned aircraft was U.S.$12,583.5

million. As at 31 December 2024, the weighted average age by aircraft value of our owned aircraft on operating lease was 5.4 years and the weighted average remaining lease term by aircraft value of the Group's owned aircraft held for operating lease was 7.3 years.

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

Our leading aircraft leasing capabilities, extensive customer relationships and dedicated professionals had contributed to a total of 85 lessees across 41 countries and regions for the year ended 31 December 2024, bringing us a stable and predictable source of income and profit. For the year ended 31 December 2024, the pre-tax return on assets[3] of our Aircraft Leasing business was 0.21%. In addition, we adopt a prudent aircraft depreciation accounting policy, which helps lower the residual value risk of our aircraft.

We have strong capabilities in our Regional Development Leasing business

We have extensive experience in providing leasing services for regional development in response to the major regional strategies for coordinated regional development strategies. We have achieved a number of industry "firsts" in terms of business structuring. We focused on key regions such as Beijing-Tianjin-Hebei Area, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Economic Belt and Yellow River Basin, and its major regional strategies and stepped up resource allocation and capital investment in key regions such as the Beijing-Tianjin-Hebei Area regions, the Yangtze River Economic Belt and the Guangdong-Hong Kong-Macao Greater Bay Area in response to these regional strategies. The Group's balance of assets in the Beijing-Tianjin-Hebei Area regions, the Yangtze River Economic Belt and the Guangdong-Hong Kong-Macao Greater Bay Area accounted for approximately 63.2% of the assets of such segment.

Our expertise in business structuring enables us to provide our customers with more customised leasing services to serve regional development in China. We operate our Regional Development Leasing business on a nationwide basis. As at 31 December 2024, the total assets of the regional development leasing segment of the Group amounted to RMB87,567.7 million. For the year ended 31 December 2024, the revenue and other income of the Regional Development Leasing segment amounted to RMB4,898.9 million.

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

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

3 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.

We have strong creditworthiness and balanced and diversified funding sources

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

CDB is required as a legal obligation to provide liquidity and capital support to the Company, as stipulated in the articles of association of the Company, and this is also overseen by the NFRA. Accordingly, we can expect CDB to continue supporting the Company as a reliable source of funding. As at 31 December 2024, we had RMB309.8 billion of borrowings, RMB27.1 billion of bonds payable and RMB5.2 billion of amounts due to banks and other financial institutions. We have established cooperative relationships with most of the major banks in the PRC and many major international banks. As at 31 December 2024, the Group had business relationships with 160 banks and was granted credit facilities amounting to a total of approximately RMB790 billion, including unused credit facilities of approximately RMB472.72 billion.

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

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

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

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

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

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

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

BUSINESS STRATEGIES

The Group proactively fulfills its responsibilities as a state-owned financial enterprise, adheres to the basic requirement of financial sector serving the real economy, and continuously contributes to the high-quality development. The Group has always insisted on the strategic positioning of "marketisation, professionalisation, internationalisation and digitisation", continued to promote product and business transformation and innovation, continuously improved corporate governance level, improved its professional service capability and formed a business development model with obvious core competitive advantages and outstanding sustainable development capabilities. In the future, the Group will continue to promote effective enhancement in "quality" and reasonable growth in "quantity", maintain steady development and industry-leading advantages, and continue to build a "world-class financial leasing company". Our strategic initiatives include:

Maintain a diversified and well-balanced business development framework aligning with the needs of the real economy

- **Aircraft leasing business:** Continue optimising fleet structure, accelerating the disposal or lease extension and remarketing of non-core aircraft and actively supporting the construction of the Belt and Road. The Group entered into purchase order agreements for mainstream new-generation narrow-body aircraft with major aircraft manufacturers, Airbus and Boeing, laying the foundation for the sustainable future development of the aviation sector.

- **Regional development leasing business:** Focusing on key regions and major regional strategies as well as the connotation of high-quality development, supporting the development of key areas and weak links. As at the end of 2024, the Group had provided regional development leasing services in 26 provinces, autonomous regions and municipalities directly under the Central Government.

- **Ship leasing business:** Focusing on supporting the construction of a "powerful shipping country". In 2024, the Group has made new investment with annual amount reaching a record high for the same period in history. After strengthening research and judgment in the situation, the Group led a number of domestic leasing companies to carry out the finance leasing business of offshore energy production platforms, and actively explored the operating leasing business of offshore support vessels, so as to steadily promote the development of new business. The Group introduced for the first time the transaction mode by public listing on the exchange with specialisation, and successfully completed the sale of ships, continuously enhancing the operation and management level of ship assets in the entire life cycle.

- **Inclusive finance business:** Continuously improving and optimising its product systems, and enhancing the quality and efficiency of its inclusive finance services. For the passenger vehicles servicing business sector, the Group has been deeply exploring the needs of its strategic customer market, and actively expanding cooperation models, to constantly enrich its product types. For the passenger vehicles servicing consumer sector, the Group continuously promoted digital empowerment and comprehensively optimised the strategies for risk control.

- **Green energy and high-end equipment leasing:** Utilising the characteristic advantages of finance lease in integration of industry and finance to improve the effectiveness of green finance and technology finance; coordinating the industrial layout of energy business, such as hydropower, wind and photovoltaic power, energy storage, and charging piles, to step up the development and implementation of energy business. The Group has enhanced the effectiveness of serving the new quality productive forces, and seized the opportunities of industrial transformation and upgrading to further increase its investment in high-end equipment fields such as integrated circuits, Internet Data Center (IDC) computing power and automobile manufacturing, so as to solidly serve the development of new-quality productivity.

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

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

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

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

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

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

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

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

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

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

Continue to enhance our risk management and control capabilities

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

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

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

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

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

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

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

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

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

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

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

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

RECENT DEVELOPMENTS

Financial Lease Agreements

On 25 April 2025, the Company entered into a finance lease agreement with Lingqiu Xiachu Haibo New Energy Co., Ltd. (靈丘夏初海博新能源有限公司) ("**Lingqiu Xiachu Haibo New Energy**") and Shanxi Jinkai Electric Power Technology Co., Ltd. (山西晉開電力科技有限公司) ("**Shanxi Jinkai Electric Power Technology**"), pursuant to which (i) the Company entered into a transfer agreement with Lingqiu Xiachu Haibo New Energy and Shanxi Jinkai Electric Power Technology, under which the Company agreed to purchase the wind power generation facilities, located in Lingqiu County, Datong City, Shanxi Province, the PRC from Shanxi Jinkai Electric Power Technology at a consideration of RMB448,000,000, and (ii) the Company entered into the a finance lease agreement with Lingqiu Xiachu Haibo New Energy, under which the Company agreed to lease such wind power generation facilities to Lingqiu Xiachu Haibo New Energy with a lease period of 216 months.

On 22 April 2025, the Company entered into a finance lease agreement with Shuangbai Jingke Power Co., Ltd. (雙柏縣晶科電力有限公司) ("**Shuangbai Jingke Power**"), pursuant to which, (i) the Company agreed to purchase the power generation facilities, located in Shuangbai County, Chuxiong Yi Autonomous Prefecture, Yunnan Province, the PRC, from Shuangbai Jingke Power at a consideration of RMB690,000,000, and (ii) the Company agreed to lease such power generation facilities to Shuangbai Jingke Power with a lease period of 216 months.

On 17 April 2025, the Company entered into a finance lease agreement with Guangxi Zhongma Investment Control Distributed Energy Co., Ltd. (廣西中馬投控分佈式能源有限公司) ("**Guangxi Zhongma Investment**"), pursuant to which, (i) the Company agreed to purchase the power generation facilities, located in Qinnan District, Qinzhou City, Guangxi Province, the PRC, from Guangxi Zhongma Investment at a consideration of RMB680,000,000, and (ii) the Company agreed to lease such power generation facilities to Guangxi Zhongma Investment with a lease period of 144 months.

On 8 April 2025 (Brazil time) (being 9 April 2025, Hong Kong time), a wholly-owned subsidiary of the Company entered into a finance lease agreement with TUPI NORDESTE S.À R.L. ("**TUPI**"), pursuant to which (i) the wholly-owned subsidiary of the Company agreed to purchase a floating production storage and offloading (FPSO) vessel from TUPI at a consideration of not more than U.S.$200,000,000, and (ii) the wholly-owned subsidiary of the Company agreed to lease such floating production storage and offloading (FPSO) vessel to TUPI with a lease period of 96 months.

On 28 March 2025, the Company entered into a finance lease agreement with Dongguang Haodong New Energy Technology Co., Ltd. (東光縣皓東新能源科技有限公司) ("**Dongguang Haodong New Energy Technology**"), pursuant to which, (i) the Company agreed to purchase the wind power generation facilities, located in Dongguang County, Cangzhou City, Hebei Province, the PRC, from Dongguang Haodong New Energy Technology at a consideration of RMB1,400,000,000, and (ii) the Company agreed to lease such wind power generation facilities to Dongguang Haodong New Energy Technology with a lease period of 216 months.

On 27 March 2025, the Company entered into a current finance lease agreement with Nantong Kuhong Trading Co., Ltd. (南通庫弘貿易有限公司) ("**Nantong Kuhong Trading**"), pursuant to which (i) the Company purchased the mechanical cutting machines, located in Haian County, Nantong City, Jiangsu Province, the PRC, from Nantong Kuhong Trading at a consideration of RMB400,000,000, and (ii) the Company agreed to lease such mechanical cutting machines to Nantong Kuhong Trading with a lease period of 60 months.

On 20 March 2025, a wholly-owned subsidiary of the Company entered into a finance lease agreement with Gimi MS Corporation, pursuant to which, (i) the wholly-owned subsidiary of the Company agreed to purchase a floating liquefied natural gas (FLNG) vessel from Gimi MS Corporation at a consideration of not more than U.S.$500,000,000, and (ii) the wholly-owned subsidiary of the Company agreed to lease such floating liquefied natural gas (FLNG) vessel to Gimi MS Corporation with a lease term of 144 months.

On 16 January 2025, the Company (as the lessor) entered into a finance lease arrangement with Deqing County Guorui New Energy Co., Ltd. (德慶縣國瑞新能源有限公司) ("**Deqing County Guorui New Energy**") and China Construction Seventh Bureau New Energy (Shanghai) Construction Co., Ltd. (中建七局新能(上海)建設有限公司) ("**China Construction Seventh Bureau New Energy**"), pursuant to which (i) the Company as the purchaser entered into a transfer agreement with Deqing County Guorui New Energy and China Construction Seventh Bureau New Energy, under which the Company purchased the photovoltaic power generation equipment assets owned by Deqing County Guorui New Energy, located in Zhaoqing City, Guangdong Province, the PRC, from China Construction Seventh Bureau New Energy at a consideration of RMB815,000,000, and (ii) the Company as the lessor entered into a finance lease agreement with Deqing County Guorui New Energy, under which the Company agreed to lease such photovoltaic power generation equipment assets to Deqing County Guorui New Energy with a lease period of 180 months.

On 15 January 2025, the Company (as the lessor) entered into a finance lease agreement with Yiyang Dongchuang Investment and Construction Co., Ltd. (益陽東創投資建設有限責任公司) ("**Yiyang Dongchuang Investment**"), pursuant to which (i) the Company purchased the production facilities of electronic products, located in Yiyang City, Hunan Province, the PRC from Yiyang Dongchuang Investment at a consideration of RMB400,000,000, and (ii) the Company agreed to lease such production facilities to Yiyang Dongchuang Investment with a lease period of 60 months.

Shipbuilding Contract

On 27 January 2025, two wholly-owned subsidiaries of the Company entered into a current shipbuilding contract with Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd. (南通中集太平洋海洋工程有限公司) ("**Nantong CIMC SinoPacific**"), pursuant to which Nantong CIMC SinoPacific agreed to build and sell two offshore support vessels to the two wholly-owned subsidiaries of the Company, and the two wholly-owned subsidiaries of the Company agreed to purchase the two offshore support vessels at a consideration not exceeding U.S.$60,000,000 (equivalent to approximately RMB430,000,000).

On 27 January 2025, two wholly-owned subsidiaries of the Company entered into a current shipbuilding contract with Nantong Rainbow Offshore & Engineering Equipment Co., Ltd. (南通潤邦海洋工程裝備有限公司) ("**Nantong Rainbow**"), pursuant to which Nantong Rainbow agreed to build and sell two offshore support vessels to the two wholly-owned subsidiaries of the Company, and two wholly-owned subsidiaries of the Company agreed to purchase two offshore support vessels at a consideration not exceeding U.S.$60,000,000 (equivalent to approximately RMB430,000,000).

Asset Transfer Agreement

On 31 March 2025, the Company entered into an asset transfer agreement with (i) PowerChina Leasing Co., Ltd. (中國電建集團租賃有限公司) ("**PowerChina Leasing**"); (ii) Qiqihar Shunhao New Energy Co., Ltd. (齊齊哈爾順灝新能源有限公司); and (iii) PowerChina Jiangxi Electric Power Construction Co., Ltd. (中國電建集團江西省電力建設有限公司) ("**Jiangxi Electric Power Construction**"), pursuant to which PowerChina Leasing agreed to transfer the ownership of the wind power generation equipment, located in Keshan County, Qiqihar City, Heilongjiang Province, the PRC, creditor's rights of the rent receivables, all the security interests and all relevant obligations of PowerChina Leasing under the finance lease agreement to the Company, and the Company agreed to acquire such assets and relevant rights and obligations, and to pay PowerChina Leasing and Jiangxi Electric Power Construction the transfer consideration of RMB1,100,000,000.

On 9 January 2025, the Company entered into an asset transfer agreement with Nanwang Finance Leasing Co., Ltd. (南網融資租賃有限公司), Kunlun Financial Leasing Co., Ltd. (昆侖金融租賃有限責任公司) (together, "**Asset Transferees**") and Wenxi County Jingneng New Energy Co., Ltd. (聞喜縣景能新能源有限公司), pursuant to which the Company agreed to transfer the ownership of the power generation equipment owned by Wenxi County Jingneng New Energy located in Wenxi County, Yuncheng City, Shanxi Province, the PRC, creditor's rights of the rent receivables, all the security interests and all relevant obligations of the Company under a finance lease agreement to the Asset Transferees, and the Asset Transferees agreed to acquire such assets and rights and obligations, and to pay the Company the transfer consideration of RMB1,134,400,000.

OUR BUSINESS

We provide a wide range of leasing services to our clients in the PRC and globally. In order to further respond to national strategic calls and regulatory policy directions, to more accurately and timely convey to investors our latest business status and development planning, and to enhance the quality and efficiency of information disclosure, we adjusted our business segment reporting in 2023. Before the adjustment, our principal business segments included Aircraft Leasing, Infrastructure Leasing, Ship Leasing, Inclusive Finance and Others businesses. After the adjustment, our principal business segments currently are Aircraft Leasing, Regional Development Leasing, Ship Leasing, Inclusive Finance, and Green Energy and High-end Equipment Leasing businesses. In 2024, we continued to optimise our business layout and promote business transformation and development in an orderly manner, and the foundation for sustainable development has been consolidated, thereby further optimising our business structure.

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

	As at and for the year ended 31 December					
	2023			**2024**		
	Segment revenue and other income	**Segment profit/ (loss) before income tax**	**Segment profit margin before income tax[(1)]**	**Segment revenue and other income**	**Segment profit/ (loss) before income tax**	**Segment profit margin before income tax[(1)]**
	(RMB in millions, except percentages)					
Aircraft Leasing	10,189.7	365.1	4.5%	9,247.1	235.4	2.9%
Regional Development Leasing	6,318.6	2,403.6	40.2%	4,898.9	1,806.8	40.7%
Ship Leasing	5,858.2	1,114.0	23.5%	7,754.4	1,798.1	27.0%
Inclusive Finance	2,006.3	1,400.0	73.1%	2,961.5	1,140.2	40.7%
Green Energy and High-End Equipment Leasing	2,282.6	136.0	6.3%	3,701.2	1,022.2	30.5%
Total	**26,655.4**	**5,418.7**	**23.6%**	**28,563.1**	**6,002.7**	**23.6%**

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

Finance Lease and Operating Lease

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

We derive finance lease income from all of our business segments. Our finance leases are generally priced at an interest rate floating at a predetermined spread over a benchmark interest rate. The benchmark interest rate references the PBOC benchmark interest rates or LIBOR (ceased prior to 30 June 2023) or SOFR, and the predetermined spread is negotiated on a case-by-case basis with the specific customer based on its risk profile. Our finance lease contracts typically have monthly or quarterly payment periods. The floating interest rate is typically reset following a change in benchmark interest rates. For the years ended 31 December 2023 and 2024, our finance lease income was RMB10,644.2 million and RMB10,846.1 million, respectively. As at 31 December 2023 and 2024, our total finance lease related assets[4] were RMB195,638.1 million and RMB202,099.6 million, respectively.

We derive our operating lease income primarily from our Aircraft Leasing and Ship Leasing business. Under an operating lease, the lessee is responsible for the maintenance and servicing of the leased asset during the lease term and the lessor receives the benefit, and assumes the risk, of the residual value of the leased asset at the end of the lease. We generally receive fixed lease payments under operating leases in aircraft leasing, and we set accounting policy for the recognition and depreciation of operating lease assets based on asset class. For the years ended 31 December 2023 and 2024, our operating lease income was RMB12,361.7 million and RMB14,589,0 million, respectively. As at 31 December 2023 and 2024, our total operating lease assets[5] were RMB119,133.7 million and RMB134,081.1 million, respectively.

In addition, finance leases and operating leases differ from each other with respect to the concept of average utilisation rate, which is typically defined as the total number of on-lease days as a percentage of available lease days. The average utilisation rate is generally only applicable to operating leases, where substantially all the risks and rewards incidental to ownership remain with the lessor, which assumes the residual value risk at the end of the lease and faces the uncertainties associated with the re-leasing of the asset. For the year ended 31 December 2024, we maintained a 95.6% utilisation rate of our owned aircraft portfolio under operating leases and approximately 99.6% average utilisation rate of vessels on time charter. By contrast, for finance leases, a lessee is prerequisite to the formation of a finance lease and precedes the commencement of the lease term.

Direct Lease and Sale-and-Leaseback

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

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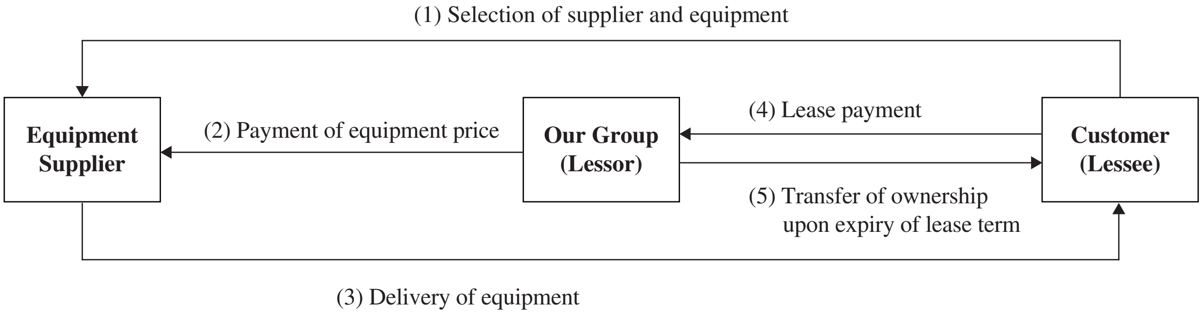
4 Finance lease related leased assets under finance leases, consisting of finance lease receivable and accounts receivable (prepayments for finance lease projects).

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

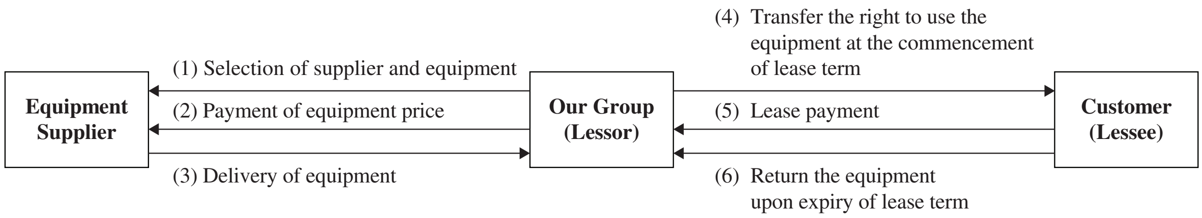
Direct lease

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

Under finance leases:

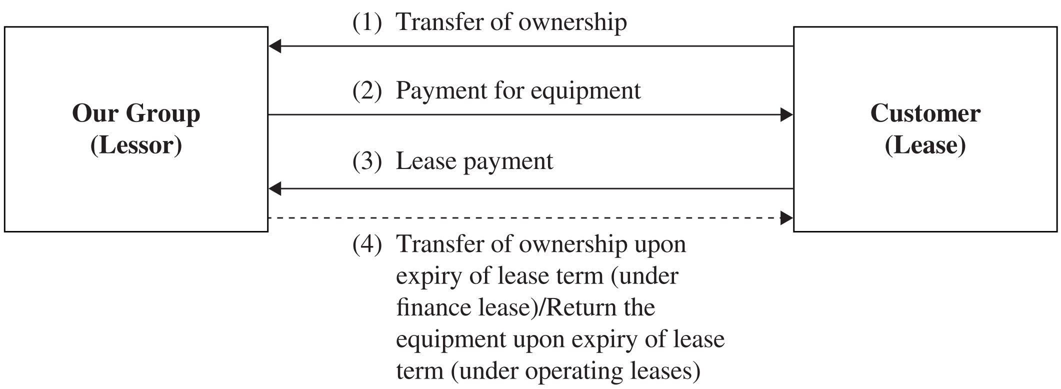


Under operating leases:



Sale-and-leaseback

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



Aircraft Leasing

Overview

We have a leading global Aircraft Leasing business focused on acquiring, leasing, managing and selling commercial aircraft. We focus on building and maintaining a portfolio of young, modern and fuel-efficient commercial aircraft, with a view to maximising long-term earnings growth and delivering superior risk-adjusted returns through the aviation industry cycle. Since inception, we have continually expanded our owned aircraft portfolio and grown our business scale, customer network and industry experience. As at 31 December 2023 and 2024, the segment assets of Aircraft Leasing were RMB108,978.6 million and RMB120,078.4 million, respectively.

As at 31 December 2024, we had a portfolio of 521 aircraft, consisting of 311 owned aircraft and 210 committed aircraft, with committed aircraft comprised of 197 direct orders with manufacturers, 8 sale-and-leaseback transactions and 5 aircraft from portfolio acquisition. Our owned and in-service fleet mainly includes narrow-body aircraft types comprising the Airbus A320ceo and A320neo family and Boeing 737NG and 737MAX family, and wide-body types such as Airbus A330ceo, A330neo and A350, and Boeing 777-300ER and 787-9. We select aircraft that we believe are liquid, attractive to our customers and that will retain a high residual value. As at 31 December 2024, the weighted average age by aircraft value of our owned aircraft on operating lease was 5.4 years.

We lease a majority of our aircraft to airlines under long-term operating leases, which provide a high level of predictability and stability to revenues. As at 31 December 2024, the weighted average remaining lease term by aircraft value of our owned aircraft held for operating leases was 7.3 years. For the years ended 31 December 2023 and 2024, the total revenue and other income generated from our Aircraft Leasing business was RMB10,189.7 million and RMB9,247.1 million, respectively. Payments made by our customers under our lease contracts are predominantly in U.S. dollars, the same currency used in our aircraft acquisition and disposal transactions.

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

Our Aircraft Leasing business commenced in 2002 and, in particular, our aircraft operating lease business in 2006. Since CDB became our controlling shareholder in 2008, our owned and managed portfolio has grown from 28 aircraft as at 31 December 2008 to a total portfolio of 521 aircraft (consisting of 311 owned aircraft and 210 committed aircraft) as at 31 December 2024. In order to further promote the development of internationalisation and professionalisation of the Aircraft Leasing business segment, we obtained approval from the former CBRC in 2016 for the establishment of CDBALF, our specialised aviation subsidiary in Ireland and built up a highly professional team across all functions as well as a very experienced new leadership team in 2017. The global footprint was significantly expanded, with the team now based in three geographic regions, namely, Ireland, Hong Kong SAR and the United States, to ensure proximity to the customer base. We aim to operate as a full-service international aircraft lessor. As at 31 December 2024, our global customer base covers 85 lessees in 41 countries and regions.

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

Organisational Structure

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

Regional Development Leasing

Overview

In order to further respond to national strategic calls and regulatory policy directions, to more accurately and timely convey to investors our latest business status and development planning, and to enhance the quality and efficiency of information disclosure, we adjusted our business segment reporting in 2023. Prior to the adjustment, our Infrastructure Leasing business mainly comprises leasing of transportation infrastructure, urban infrastructure and energy infrastructure. After the adjustment, under our Regional Development Leasing business, we primarily engage in the provision of leasing of urban and transportation facilities as well as key industrial equipment that service the national policy driven regional development, thereby improving the regional financial service capacity to better assist the high-quality development of the regional economy, in alignment with major regional development strategies of the state. As such, prior to 2023, revenues generated from our regional development leasing services are recorded under the segment of "Infrastructure Leasing". For the years ended 31 December 2023 and 2024, the revenue and other income generated from our Regional Development Leasing business were RMB6,318.6 million and RMB4,898.9 million, respectively. As at 31 December 2024, the total assets of the Group's Regional Development Leasing segment amounted to RMB87,567.7 million. In 2024, the Group's regional development leasing segment achieved additional investment in businesses of RMB8,140.5 million.

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

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

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

In 2024, we continued to enhance its ability to serve China's regional development, focusing on key regions such as Beijing-Tianjin-Hebei Area, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Economic Belt and Yellow River Basin, and its major regional strategies, to strongly support the development of key areas and weak links, help the transformation and upgraded economic and social development through financial leasing, and further improved the quality and effectiveness of its services to regional strategies. As at the end of 2024, the Group has provided regional development leasing services in 26 provinces, autonomous regions and municipalities directly under the Central Government. In the Group's regional development leasing segments, the balance of assets in the Beijing-Tianjin-Hebei Area amounted to RMB10,170.1 million; the balance of assets in the Yangtze River Economic Belt amounted to RMB40,301.8 million; and the balance of assets in the Guangdong-Hong Kong-Macao Greater Bay Area amounted to RMB4,876.6 million. The Group's balance of assets in the above three key regions accounted for approximately 63.2% of the assets of such segment.

Ship Leasing

We conduct our Ship Leasing business in the PRC and other countries around the world. For the years ended 31 December 2023 and 2024, the revenue and other income generated from our Ship Leasing business were RMB5,858.2 million and RMB7,754.4 million, respectively. For the years ended 31 December 2023 and 2024, the profit before income tax generated from our Ship Leasing business were RMB1,114.0 million and RMB1,798.1 million, respectively. As at 31 December 2023 and 2024, the total assets of our Ship Leasing business were RMB62,783.9 million and RMB64,739.8 million, respectively.

We commenced our Ship Leasing business in 2008 and were one of the first leasing companies in the PRC to offer Ship Leasing services. We provide Ship Leasing services on a bareboat charter basis to ship operators under finance leases. As at 31 December 2024, we had 253 ships in operation, among which there were 217 ships under operating leasing, consisting of 163 bulk carriers, 47 product tankers, 6 LNG ships and 1 passenger cruise ship; there were 36 ships under finance lease, including 10 bulk carriers, 13 container ships, 12 LNG ships and 1 passenger cruise ship. We strategically select vessels with strong market demand and profitability. In terms of vessel age, the average age of vessels in operation of the Group is 6.9 years, including bulk carriers with an average age of 6.4 years, container ships with an average age of 8.3 years, product tankers with an average age of 6.6 years, LNG ships with an average age of 10.3 years and passenger cruise ships with an average age of 15.5 years. The Group maintained a relatively new age structure, which gave its operating vessels a strong competitive advantage in terms of economy, safety and environmental protection. In addition, the Group has 8 vessels under construction, including 6 bulk carriers and 2 product tankers.

In addition, we provide leasing services for shipping related assets, such as shipbuilding equipment and containers.

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

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

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

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

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

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

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

In 2024, the Group completed the delivery and charter services of 23 new-built vessels, and sold 6 vessels at proper time, optimising and updating the fleet structure. The fleet were operated safely and efficiently throughout the year, with the average utilisation rate of vessels on time charter reaching approximately 99.6%, which continued to maintain a first-class international standard.

Inclusive Finance

Overview

We conduct Inclusive Finance business in the PRC, which mainly comprises Vehicle Leasing and Construction and Agricultural Machinery Leasing. For the years ended 31 December 2023 and 2024, the revenue and other income generated from our Inclusive Finance business were RMB2,006.3 million and RMB2,961.5 million, respectively. As at 31 December 2023 and 2024, the total assets of our Inclusive Finance business were RMB36,041.9 million and RMB33,959.9 million, respectively.

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

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

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

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

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

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

Vehicle Leasing

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

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

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

In 2024, the Group explored the needs of strategic customer markets, actively expanding cooperation models, and flexibly developing diversified products, so as to further increase investment in operating leasing business in the field of vehicle travel and logistics. The Group has guided enterprises to participate in the whole chain of low-carbon and environmental protection by providing financial support for the two new energy tracks of city distribution logistics and power battery leasing, thereby enhancing the level of green and low-carbon development of inclusive finance. In the field of vehicle retailing, based on the financial needs of passenger vehicle market and the end customers, the Group took effort to promote the upgrading and expansion of financial products and services by focusing on diversified customer bases and various scenarios. The Group has successively completed the innovation and implementation of “vehicle financing” and “travel financing” products, and has made every effort to build a passenger vehicle retail business ecology and achieve diversified product offering. Meanwhile, the Group actively promoted the continuous optimisation and iteration of big data intelligent risk control models, making the business risk identification more accurate and risk control more robust. In 2024, the new investment of the Group’s vehicle leasing business amounted to approximately RMB18,097 million with more than 129,000 new vehicles, directly or indirectly benefiting more than 100,000 end customers.

As at 31 December 2024, the Group’s assets related to vehicle leasing business amounted to RMB23,773.7 million, representing an increase of RMB3,833.8 million, or 19.2% from the end of last year and accounting for 70.0% of the assets of the inclusive finance segment.

Construction and Agricultural Machinery Leasing

The construction machinery leased by us includes lifting, earthwork, piling, concrete, road, transportation and agricultural machinery. As at 31 December 2024, the underlying assets related to our Construction and Agricultural Machinery Leasing business were RMB10,186.2 million, representing a decrease of RMB5,915.8 million, or 36.7% from 31 December 2023 and accounting for 30.0% of the assets in our Inclusive Finance segment.

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

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

In 2024, the Group's construction machinery leasing business had new investment of RMB4,479 million with 15,000 sets of new equipment, directly or indirectly benefiting over 150 end customers. The Group responded to the call of country to launch the "agricultural financing" leasing products for key agricultural areas, providing financial support for the purchase of agricultural machinery and equipment for the majority of farmers, further expanding the depth and breadth of financial services, and supporting the national rural revitalisation and development strategy. The Group made an additional investment of RMB246 million for "agricultural financing" products with more than 1,400 sets of agricultural machinery and equipment in 2024, providing financial leasing services for more than 1,300 farmers to purchase agricultural machinery and equipment.

Green Energy and High-end Equipment Leasing

In 2023, we began reporting revenue and other income from leasing of energy infrastructure and high-end equipment and related activities under the "Green Energy and High-end Equipment Leasing". Our Green Energy and High-end Equipment Leasing business mainly comprise assets leasing in the fields of clean energy, energy storage, as well as high-end equipment. For the year ended 31 December 2023 and 2024, the Group realised revenue and other income of RMB2,282.6 million and RMB3,701.2 million from Green Energy and High-end Equipment Leasing business segment, respectively. As at 31 December 2024, the segment assets of our Green Energy and High-end Equipment Leasing business were RMB97,177.1 million, among which 59.3% and 40.7% were relating our green energy leasing and high-end equipment leasing, respectively.

We have been actively implementing the "carbon peak" and "carbon neutral" initiatives of the PRC and vigorously expanding our green energy business. We have insisted on supporting green industries such as energy conservation and environmental protection and new energy as our important focus to facilitate the implementation of the "carbon peak" and "carbon neutral" initiatives. Further to consolidating our new energy centralised power station business, we continued to promote green energy leasing businesses such as distributed photovoltaic, energy storage, solar thermal, small and medium-sized hydropower in 2023. In 2024, the Group continued to cultivate the green energy field, built strong cooperative relationships around key energy customers, and at the same time developed the market at multiple levels and in an all-round way. Its business covered wind power, photovoltaic, hydropower, energy storage and other fields, and has successfully implemented household photovoltaic operating leasing projects. The Group realised an additional investment of more than RMB24 billion in the green energy business throughout the year. By the end of 2024, the Group's total installed capacity of new energy power stations amounted to 10.9 GW, including 4.8 GW of wind power, 6.0 GW of photovoltaic and 0.1 GW of solar thermal power.

We focused on key areas, supported the transformation and upgrading of advanced industries, and continued to increase its business investment in advanced manufacturing areas such as the integrated circuits industry, the manufacturing of new-energy automobiles, batteries production, and the production of shield machines, and realised investment in high-end equipment leasing business of over RMB8 billion throughout 2023. In 2023, we realised new investment of RMB23,316.8 million around the green energy and high-end equipment leasing segment. Focusing on science and innovation enterprises and high-end manufacturing industries, in 2024, the Group continued to enhance its support for new quality productive forces, and increased its business investment in high-end equipment fields such as computing power, power batteries and integrated circuits in an orderly manner, realising an investment of more than RMB22 billion in high-end equipment leasing business throughout the year.

CAPITAL MANAGEMENT

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

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

On 7 June 2012, the former CBRC issued the Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (China Banking Regulatory Commission Order [2012] No. 1), which came into effect on 1 January 2013 and the former CBRC issued the Notice on Arranging Related Matters in the Transitional Period of Carrying out the Administrative Measures for the Capital of Commercial Banks (Provisional) (關於實施<商業銀行資本管理辦法>(試行)過渡期安排相關事項的通知) on 30 November 2012, which stipulated the requirement on annual capital adequacy ratio during the transitional period. On 26 October 2023, the NFRA published the Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》) (National Financial Regulatory Administration Order No. 4 of 2023) which came into effect on 1 January 2024 and replaced the Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (China Banking Regulatory Commission Order [2012] No. 1).

In 2024, in accordance with the relevant requirements of the Administrative Measures for the Capital of Commercial Banks, the Group continued to consolidate the foundation of capital management and improve the quality and efficiency of capital management. First, we issued capital measurement statements and conducted regulatory capital information disclosure as required. Second, we further improved the capital management mechanism by systematically implementing the internal assessment procedures of capital adequacy ratio that comply with the core requirements of regulatory and are tailored to the Company's characteristics, and continued to improve capital management level. Third, we deepened the philosophy of forward-looking and fine management philosophy, strengthened capital planning and capital rolling monitoring, carried out overall management of capital replenishment and utilisation to improve the capital utilisation efficiency and capital return. Fourth, we strengthened the internal and external capital replenishment capabilities and built a long-term mechanism for capital replenishment. The Group has formed a solid foundation for internal capital replenishment by maintaining steady profit growth and effective management of non-performing assets and provisions, to continuously enhance its capital strength. In 2024, all capital indicators of the Group were in line with regulatory requirements, with the capital adequacy ratio maintained at a sound and reasonable level, and various management measures were further implemented.

As at 31 December 2024, our core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 10.49%, 10.49% and 12.95%, respectively, which were all above the regulatory requirements.

	Regulatory Requirement	As at 31 December	
		2023	**2024**
		RMB in millions, except percentages	
Net Capital:			
Net core tier-one capital	–	36,843.1	40,328.8
Net tier-one capital	–	36,843.1	40,328.8
Net capital	–	46,115.5	49,804.5
Capital Adequacy Ratio:			
Core tier-one capital adequacy ratio	>7.5%	9.96%	10.49%
Tier-one capital adequacy ratio	>8.5%	9.96%	10.49%
Capital adequacy ratio	>10.5%	12.47%	12.95%

RISK MANAGEMENT

We are exposed to various risks in the ordinary course of business, including credit risk, market risk, liquidity risk, operational risk, information technology risk, reputational risk and country risk, etc. We aim to build an independent, comprehensive and professional risk management system that aligns with both the requirements of group-wide risk control and consolidated management, while adapting to business development and risk management needs. To achieve this, we have established and continuously improved a comprehensive risk management framework covering "all employees, entire processes, all business operations, all institutions and all products". By promoting a risk culture characterised by "prudent, cautious, compliant and professional" principles, we have cultivated risk management philosophies, value principles and professional ethics that are fully compatible with the Company's business development.

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

- Business lines, as the first layer of defence of comprehensive risks prevention assume direct responsibilities of risk management.

- Risk management lines, as the second layer of defence of comprehensive risks prevention, assume responsibilities of formulating policies and process, daily monitoring and management of the risks.

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

Each department of the above three layers of defence should undertake their own responsibilities, strengthen communication and information transmission, enhance coordination and collaboration and improve risk management and control. In particular, the Risk Management Department is the overall planning and management department of the comprehensive risk management, which is responsible for the management of the credit risk, market risk, liquidity risk, country risk and information technology risk; the Office of the Board is responsible for the management of strategic risk and reputational risk; the Appraisal Department is responsible for the management of risk during the review and assessment of lease projects; the Compliance Department is responsible for the management of the compliance risk, operational risk, money laundering and sanctions compliance risk, related party transaction and internal control; and the Accounting Department is responsible for the management of financial risk.

The following diagram illustrates our risk management framework:

We adopted a "moderate" strategy in relation to risk appetite. With regard to the selection of industries, we preferred industries and fields with mature business models, generating economies of scale and equipped with excellent asset quality. In terms of customer selection, we preferred large enterprises, leading enterprises in the industry, or listed companies with high quality. In terms of leased assets operation, we conducted scientific classification, value analysis and professional management and accelerate the transfer of leased assets by combining operation strategies, market environment and the features of leased assets.

Over the years, we continued to optimise our comprehensive risk management system, proactively adapted to changes in internal and external situations, and promoted the formation and implementation of a comprehensive risk management optimisation plan in order to strengthen the foundation for high-quality development. Based on the trend of business transformation and internal management requirements, we formulated our annual risk appetite and management strategy, promoted the interconnection with strategic planning and business development, strengthened the transmission, implementation and feedback of the risk appetite. We improved the risk indicators, limits and early warning management system, strengthened the monitoring capacity building, and enhanced the foresight, domain-wide and proactive nature of risk prevention and control. We organised risk identification and assessment work, promoted the construction of an evaluation indicator system for risk compliance management, and fully measured and evaluated the overall risk situation of the Group. We continued to improve the mechanism of regular stress tests and incorporate country risk into the system, so as to further enhance the scientificity and effectiveness of the stress tests. We steadily promoted the implementation of the New Capital Regulations, with clear criteria for categorising risk exposures and fine-tuning capital management to ensure an integrated balance between capital, efficiency and risk. We optimised the ECL model, promoted the launch of the ECL system, and realised impairment measurement and early warning monitoring, so as to further enhance our digital risk control capability.

Credit Risk

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

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

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

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

Asset Quality

We evaluate our asset quality and adjust asset categories quarterly based on the asset risk degree, and adopt measures to mitigate risks for the projects with overdue rent and material risks in a timely manner. We conducted asset classification in accordance with the issued "the Measures for the Risk Classification of Financial Assets of Commercial Banks" by the NFRA. In addition, we formulated the financial assets impairment policies in accordance with the statutory requirements relating to the asset quality classification of the banking industry in China, international accounting standards and the accompanying guidance.

As at 31 December 2023 and 2024, our non-performing asset ratio remained below 1%, at 0.60% and 0.56%, respectively. We will constantly promote our assets' quality: for new businesses, we will follow the principle of the selection of industries and customers strictly; for existing businesses, we will take measures to mitigate risk at various stages of business including post-lease management and collateral management in order to strengthen credit risk management.

Concentration of Credit Risks

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

As at 31 December 2024, the balance of finance lease businesses for the largest single client of the Group accounted for 11.02% of our net capital while the balance of finance lease businesses for the largest single group client accounted for 18.15% of the net capital. As at 31 December 2024, calculated in terms of finance lease related assets before allowance for impairment losses, the total balance of finance lease related assets raised by the top ten single clients amounted to RMB27,581.4 million, accounting for 13.05% of finance lease related assets before allowance for impairment losses.

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

Market Risk

Market risk represents the risk of loss to the Group as a result of unfavorable changes in market prices. The main types of market risk to which we are exposed include interest rate risk and exchange rate risk. We have a "moderate" risk appetite for market risk in principle.

Interest Rate Risk

Interest rate risk refers to the risk of losses in our overall income and economic value resulting from adverse movements in interest rates, maturity structure and other factors. We are exposed to interest rate risk mainly from the repricing risk of assets and liabilities.

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

We maintain a moderate interest rate risk management strategy, closely track market changes and continuously improve our market risk management analysis structure and management approach. We measure the impact of changes in interest rate on our operations mainly through tools such as exposure analysis and sensitivity analysis, and controls interest rate risk through active management of asset and liability repricing periods and hedging of derivative financial products.

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

Foreign Exchange Risk

Foreign exchange risk refers to the risk of losses in our overall income and economic value resulting from an adverse movement in foreign exchange rates. Our foreign exchange risk exposure primarily arises from US dollar exposures arising from foreign currencies-denominated profits realised by subsidiaries.

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

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

As at 31 December 2024, we had no significant foreign exchange risk exposure in U.S. dollar-denominated against Renminbi-denominated that affected future profit or loss. The Group effectively managed the foreign exchange risk through exposure monitoring and analysing, spot exchange settlement, purchase and financial derivative hedging and other means, and controlled the impact of exchange rate fluctuations on the Company’s profits within a certain range.

Liquidity Risk

Liquidity risk refers to the risk that we are unable to obtain funds at a reasonable cost to repay the liabilities or seize other investment opportunities. The target of our liquidity risk management is to maintain moderate liquidity reserves and sufficient funding resources to adequately meet the repayment needs of matured liabilities and the funding needs of business development, and to achieve a higher interest rate margins level and control the liquidity management costs based on the condition that liquidity risks have been well managed. We have a “moderate” risk appetite for liquidity risk in principle.

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

As at 31 December 2024, we had an interbank borrowing and lending limit of RMB12,642.0 million. In addition, we strived to improve our trading capacity in the money market, especially improvement in the online financing capacity, and accumulated interbank borrowing (including bond collateral repo) amounted to RMB71,539.5 million. According to the market liquidity situation, the Group arranged financing plans in a reasonable and orderly manner, further optimised the liquidity management mechanism, and gradually optimised the liquidity reserve system to achieve sound liquidity situation and further enhanced the liquidity risk management capability.

Other Risks

Operational Risk

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

In 2024, we attached great importance to operational risk management and continued to exert the effectiveness of institutional regulations. First, we continuously improved the construction of our operational risk management system. We continually improved our internal control management system, established a system pre-audit mechanism, and through the detailed implementation of prior reporting, formulation of hierarchical positioning, system specifications, review process confirmation, system authorisation setting and any other aspects. Second, we optimised operational risk management methods and tools. We carried out operational risk identification and assessment at regular intervals, improved the key indicator system of operational risk, continuously collected operational risk events to implement a reporting mechanism, and conducted quarterly monitoring of operational risk key indicators to reveal the our operational risk in a timely manner. Third, we created an operational risk loss database. To implement the requirements of the New Capital Regulations, we further clarified the definition of total loss, dates of loss events and the classification of losses, etc., sorted out historical loss data, and figured out historical loss amounts and the distribution of loss events to identify and collect such historical loss data, and to incorporate the loss data into the calculation of operational risk capital requirements. Fourth, operational risk was reduced through digital empowerment. We continued to accelerate the construction of its information system and improve the underlying data warehouse, and upgraded and reconstructed functional modules of the existing system based on the core leasing business system that had been launched in last period. We optimised our business approval process, and comprehensively increased our system support for business, thereby minimising operational risks to a large extent through technological means.

Information Technology Risks

Information technology risks refer to the risks of operation, law and reputation arising from natural and human factors, technical loopholes and management flaws in the working of information technology. Our information technology risks mainly arise from information system development and construction, IT operations, information security management, IT outsourcing, etc. We have a "moderate" risk appetite for the information technology risks in principle.

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

In 2024, we further improved its information technology risk management. First, we continued to optimise the information technology governance, continuously improved the information technology management system, completed our "System Chronicle" and "14th Five-Year" information technology (IT) planning revision, improved the Project Management Office (PMO) operating mechanism, and improved the quality and efficiency of project management. Second, we promoted the launch of key systems, helped the successful launch of the vehicle and equipment operation management platform, phase II of ship leasing business management system, phase II of core leasing system, and the professional and refined management of service leasing business. Third, we enhanced the existing system operation and maintenance, established a special work team for application operation and maintenance, promoted the system from construction to operation, and continued to protect important nodes. Fourth, we explored and deepened data development and management, initially realised the online management of vehicles, small and medium-sized hydropower stations and other rental properties, ensured the operation of the regulatory reporting system, expanded external data access, optimised the data warehouse model, and improved the operation capacity of the data platform. Fifth, we consolidated the foundation of basic operation and maintenance support and information security, promoted the construction of technical tools, enhanced the ability of mobile application security control, improved the level of basic operation and maintenance and information security guarantee to ensure the safe operation of business activities. In 2024, the Group had no significant IT risk events.

Reputational Risk

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

In 2024, we continued to strengthen reputational risk management, closely monitored, proactively analysed and provided positive guidance, and actively carried out reputational risk prevention and control and brand image building. First, in accordance with relevant regulatory and reputational risk management requirements of the Group, we normalised the construction of reputation risk prevention and control capabilities, strengthened reputational risk self-examinations, troubleshooting and reputational risk hazard assessments were carried out. Second, we conducted around-the-clock public opinion monitoring of major media through professional institutions, dynamically adjusted the scope of public opinion monitoring as needed, strengthened early warning, prevented in advance, and corrected errors in a timely manner. Third, we carried out special public opinion response arrangements for important time points and important matters, conducted special monitoring on sensitive public opinions that the Group was concerned about, formulated response plans in advance, and strengthened emergency drills. Fourth, faced with the market coverages that may affect the normal operation of the Company, the Group responded to market concerns in time and prevented false reports and negative public opinions by reinforcing the communication with the Hong Kong Stock Exchange, trading halt and publishing inside information and resumption of trading announcement and temporary announcements. Fifth, we intensified our efforts to protect consumer rights and interests, increased its promotional efforts in consumer rights protection, set up a WeChat public account for passenger vehicle business serving consumer sector, closely followed and timely resolved user demands related to passenger vehicles business serving consumer sector, and reduced the risk of consumer complaints and public opinions. Sixth, the Group continuously promoted the construction of its market brand image, strengthened communication with domestic and foreign mainstream media, actively updated operating conditions to the market, demonstrating that the Group focused on its main responsibilities and main businesses, taking beneficial measures such as providing financial assistance to enterprises, conducting green leasing, implementing ESG practices, and data governance, to establish a good brand image of providing high-quality financial leasing services for economic and social development. In 2024, the Group had no significant reputational risk events.

Country Risk

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

In 2024, we continued to strengthen country risk management. First, we improved the country risk management framework, and according to the latest requirements of the regulatory authorities, revised the Country Risk Management Measures and the Implementation Rules of Country Risk Management of the Group. Second, we regularly monitored and analysed country risk, covering country risk exposure, risk assessment and rating, use of risk limit, etc., fully considered the impact of country risk on asset quality, prudently predicted asset losses that may be caused by country risk, and regularly made provision for country risk. Third, we carried out country risk stress tests, and based on the Group's exposure to country risks, formulated and completed the Group's specific stress tests on country risk, and optimised the emergency management plan for country risks. Fourth, we strengthened the pertinence of country risk management, and regularly carried out the impact analysis on country risk for specific countries. In 2024, the Group had no significant country risk events.

INFORMATION TECHNOLOGY

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

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

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

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

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

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

INSURANCE

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

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

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

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

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

EMPLOYEES

We believe that our professional workforce is the foundation of our long-term growth. As at 31 December 2024, we had 604 full-time employees. We are committed to recruiting, training and retaining skilled and experienced employees throughout our operations. We intend to achieve this by offering competitive remuneration packages as well as by focusing on training and career development. In accordance with the relevant PRC laws and regulations, we contribute to social welfare insurance for our full-time employees in the PRC, including basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance.

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

LEGAL PROCEEDINGS

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GROUP

DIRECTORS

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

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

Name	Age	Position
Ms. Ma Hong (馬紅).	57	Chairman of the Board, Executive Director
Mr. Jin Tao (靳濤)	57	Vice Chairman of the Board, Executive Director, President
Mr. Zhang Kesheng (張克升).	52	Non-executive Director
Mr. Mr. Zhang Chuanhong (張傳紅). .	54	Non-executive Director
Mr. Liu Ming (劉民).	54	Independent Non-executive Director
Mr. Wang Guiguo (王貴國)	72	Independent Non-executive Director

Executive Directors

Ms. Ma Hong (馬紅), aged 57, is a senior engineer and joined the Company in May 2021 and is currently the chairman and an executive director of the Company. Ms. Ma Hong joined CDB in March 1994 and successively served as a clerk, deputy division head and division head. She successively served as the deputy head of the Planning Bureau and vice president of the Beijing Branch of CDB from 2010 to 2017, and successively served as the president of the Shanxi Branch and president of the Beijing Branch of CDB from May 2017 to May 2021. She has served as the chairman and an executive director of the Company since November 2021.

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

Mr. Jin Tao (靳濤), aged 57, joined the Company in July 2023 and is currently the vice chairman, an executive director and the president of the Company. Mr. Jin Tao joined CDB in May 1997 and successively held various positions including a clerk, deputy division head and division head; from July 2006 to October 2010, he was the vice president of the Ningxia Branch of CDB; from October 2010 to August 2019, he successively served as the deputy director of the International Cooperation Business Bureau, the chief representative of the Cairo Representative Office and a director of the U.S.-Africa Business Department of the International Cooperation Business Bureau of CDB; from August 2019 to July 2023, he successively served as a director and the general manager of the Third Bureau for International Cooperation of the International Finance Department of CDB and the deputy secretary of the Party Committee and the chairman of the board of supervisors of China-Africa Development Fund Co., Ltd.. Since November 2023, he has served as the vice chairman, an executive director and the president of the Company.

Mr. Jin Tao graduated from Chengdu University of Science and Technology in July 1989 and obtained a bachelor's degree in engineering, majoring in water conservancy and hydropower engineering construction

Non-executive Directors

Mr. Zhang Kesheng (張克升), aged 52, has been a non-executive director of the Company since April 2024. Mr. Zhang Kesheng joined CDB in July 1998 and successively served as a cadre and a clerk of the account management division of the Finance and Accounting Bureau, and a clerk of the business department of Taiyuan Branch of CDB; successively served as a clerk and the deputy head of the fixed assets management division, the deputy head of the financial management division, the head of capital management division, and the head of financial planning division of the Finance and Accounting Bureau of CDB from June 2001 to December 2017; and successively served as a member of the Party Committee, the secretary to the Disciplinary Committee and vice president of Liaoning Branch of CDB Bank from December 2017 to November 2022. He served as the deputy general manager of the market and investment department of CDB from November 2022 to January 2025. He has been serving as a member of the Party Committee and the vice president of China Development Bank Capital Corporation Ltd. since January 2025.

Mr. Zhang Kesheng graduated from China Coal Economic College (now known as Shandong Technology and Business University) in September 1995, majoring in statistics, and obtained a bachelor's degree in economics; and graduated from Central University of Finance and Economics in July 1998, majoring in accounting, and obtained a master's degree in economics.

Mr. Zhang Chuanhong (張傳紅), aged 54, has been a non-executive director of the Company since February 2025. Mr. Zhang Chuanhong served as the director of budget management of the finance department of China Yangtze Power Co., Ltd. (中國長江電力股份有限公司) from January 2003 to December 2006; worked at China Three Gorges Project Corporation (中國三峽總公司) from December 2006 to September 2009, with his last position being the head of the budget management division of the assets and finance department; successively served as the head of the budget management division, the head of the budget division, the head of the budget and cost management division and the deputy director of the assets and finance department of China Three Gorges Corporation (中國長江三峽集團公司) from September 2009 to October 2019; served as the chief accountant of China Three Gorges Projects Development Co., Ltd. (中國三峽建設管理有限公司) from October 2019 to December 2020; served as the chief accountant of China Three Gorges Construction Engineering Corporation (中國三峽建工(集團)有限公司) from December 2020 to April 2022; and served as the chief professional and deputy director of the finance and asset management department of China Three Gorges Corporation (中國長江三峽集團有限公司) from April 2022 to December 2024. He has served as the chief financial officer of China Yangtze Power Co., Ltd. since December 2024.

Mr. Zhang Chuanhong graduated from Xiamen University in July 1992, majoring in accounting, and obtained a bachelor's degree in economics. Mr. Zhang Chuanhong was qualified as a senior accountant in December 2001.

Independent Non-executive Directors

Mr. Liu Ming (劉民), aged 54, has been an independent non-executive director of the Company since August 2023. Mr. Liu Ming served as an assistant professor at the Department of Systems Engineering and Engineering Management of the Chinese University of Hong Kong from August 1996 to August 1999, and has served as a tenured professor at the Department of Finance of the Chinese University of Hong Kong since August 1999. He served as an associate professor at the University of Missouri Columbia from August 2001 to August 2003, and served as an associate director of Shenzhen Finance Institute, CUHK (SZ) (深圳高等金融研究院(香港中文大學(深圳)高等金融研究院)) from January 2017 to June 2020. He has served as an independent director of Sichuan Jinding (Group) Co., Ltd. (四川金頂(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600678) since June 2017, served as an independent director of Shenzhen Ecobeauty Co., Ltd. (深圳美麗生態股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000010) from January 2019 to December 2021, and has concurrently served as an independent director of CR Yuanta Fund Management Co., Ltd. (華潤元大基金管理有限公司) since March 2019. Since February 2024, he has served as an independent non-executive director of RoboSense Technology Co., Ltd (a company listed on the Hong Kong Stock Exchange, stock code: 02498).

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

Mr. Wang Guiguo (王貴國), aged 72, has been an independent non-executive director of the Company since December 2023. Mr. Wang Guiguo was a consultant in the Los Angeles office of Paul, Hastings, Janofsky & Walker in the United States from May 1984 to March 1986, a consultant in the Hong Kong office of Mayer Brown from March 1986 to August 1987, a consultant in the Vancouver office of Blake, Cassels & Graydon and Stikeman Elliott in Canada from December 1989 to August 1990, and concurrently served as a consultant of Beijing No. 7 Law Firm from August 1987 to December 1990. From August 1987 to January 1991, he was an associate professor at the Department of Law, Peking University; from January 1991 to July 2013, he successively served as the principal lecturer at the Department of Law, the professor and the dean of the Faculty of Law of the City University of Hong Kong (formerly known as City Polytechnic); from August 2013 to August 2015, he was the director of the Centre for Judicial Education and Research of the City University of Hong Kong; from August 2015 to December 2020, he was the chair professor of Eason-Weinmann on International and Comparative Law at the Tulane University Law School in the United States; since September 2015, he has been the professor, the doctoral supervisor and the senior professor of Liberal Arts at the Zhejiang University Guanghua Law School; since May 2016, he has been the director of the International Academy of the Belt and Road (Hong Kong); and since October 2017, he has been the president of Zhejiang University Academy of International Strategy and Law. Since December 2023, he has served as an independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00620).

Mr. Wang Guiguo graduated from Beijing Foreign Language Institute (currently known as Beijing Foreign Studies University) majoring in English in July 1979, and obtained a bachelor's degree in literature; graduated from Columbia University in the United States majoring in law in August 1982, and obtained a master's degree in law; and graduated from Yale University in the United States majoring in law in June 1984, and obtained a PhD degree in law (J.S.D.).

SUPERVISORS

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

The following table sets forth certain information with respect to the Company's supervisors as at the date of this Offering Circular[7]:

Name	Age	Position
Mr. Ma Yongyi (馬永義)	60	External Supervisor
Mr. Wang Yiyun (王一雲)	59	Employee Representative Supervisor
Mr. Wang Bin (王濱)	54	Employee Representative Supervisor

7 On 8 July 2024, Mr. Ma Yongyi tendered to the Board his resignation as an external supervisor of the Issuer due to having served as an external supervisor for six consecutive years, reaching the end of his term. His resignation will take effect from the date of appointment of the new external supervisor. In order to ensure the normal operation of the board of supervisors of the Issuer, Mr. Ma Yongyi will continue to perform his duties as an external supervisor in accordance with the requirements of the laws, administrative regulations, regulatory documents and the Articles of Association. The Issuer will elect an external supervisor to fill such vacancy as soon as possible in accordance with the statutory procedures. See "*Description of the Group – Recent Developments – Resignation of Supervisor*".

Mr. Ma Yongyi (馬永義), aged 60, has served as an external supervisor of the Company since February 2018. He has been working successively as the director of the distance education centre, the director of the academic department and the director of teacher management committee of Beijing National Accounting Institute (北京國家會計學院) since February 2004, and has been serving as a doctoral tutor of the Executive DBA program with Paris Dauphine University at the Beijing National Accounting Institute since May 2018. Mr. Ma Yongyi was awarded the title of expert entitled to Government Special Allowance granted by the State Council in January 2019. He has been an independent supervisor of Chanjet Information Technology Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01588) since April 2014; an independent non-executive director of Ever Sunshine Services Group Limited (formerly known as CIFI Ever Sunshine Services Group Limited) (a company listed on the Hong Kong Stock Exchange, stock code: 01995) since November 2018; served as an independent director of Piesat Information Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688066) from March 2019 to May 2023; and has served as an independent director of Glodon Company Limited (a company listed on the Shenzhen Stock Exchange, stock code: 002410) since April 2020.

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 Yongyi has been recognised as a professor by the Ministry of Finance since October 2009. He has also been a director of the Accounting Society of China (中國會計學會) since March 2014.

Mr. Wang Yiyun (王一雲), aged 59, an economist, has joined the Company since September 1999. He currently serves as an employee representative supervisor and director assistant of the discipline committee office of the Company. Mr. Wang Yiyun was a loan officer and the deputy section head of the Hengyang Branch of Agricultural Bank of China (中國農業銀行衡陽市分行) and the deputy chief officer of the Hengyang Center Branch of PBOC (中國人民銀行衡陽市中心支行) from July 1986 to September 1999. He served as the senior manager, deputy director, deputy general manager and assistant to director of the office, operation and management department and discipline inspection and supervision office of the Company from September 1999 to August 2018; served as the director of the discipline inspection and supervision office (renamed as the discipline committee office in August 2019) of the Company from August 2018 to February 2024; and has been serving as the director assistant of the discipline committee office of the Company since February 2024.

Mr. Wang Yiyun graduated from the former 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.

Mr. Wang Bin (王濱), aged 54, a senior economist, has joined the Company in May 2017. He is currently the employee representative Supervisor, and the commissioner of united front work department of the Company. From July 1993 to March 1994, Mr. Wang Bin served as a cadre of the capital and financial department of the National Transportation Investment Corporation; from March 1994 to April 2017, he worked in the Transportation Credit Bureau, Northeast Credit Bureau, Finance and Accounting Bureau, business department and Beijing Branch of CDB, where he served as a clerk, deputy head and head; from August 2001 to February 2002, Mr. Wang Bin also worked as an assistant to the general manager of Beijing Capital Highway Development Co., Ltd. Mr. Wang Bin joined the Company in May 2017 and served as the general manager of the second business department and the new energy and equipment business department of the Company. He served as the vice chairman of the full-time labour union of the Company from February 2021 to August 2023; and has been serving as the commissioner of united front work department of the Company since August 2023.

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

SENIOR MANAGEMENT

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

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

Name	Ages	Position
Mr. Jin Tao (靳濤)	57	Vice Chairman of the Board, Executive Director, President
Mr. Liao Yazhong (廖亞忠)	48	Vice President
Mr. Wu Bo (吳渤).	43	Vice President
Mr. Shi Yongkun (時永坤).	53	Chief Risk Officer
Mr. Liu Yi (劉毅)	49	Secretary to the Board

Mr. Jin Tao (靳濤) please refer to "– *Directors – Executive Directors*" above.

Mr. Liao Yazhong (廖亞忠), aged 48, joined the Company in January 2021. He is currently the vice president of the Company. From July 2001 to January 2021, Mr. Liao Yazhong worked successively in the Legal Affairs Bureau, Hong Kong Representative Office, International Finance Bureau, Investment Business Bureau, as well as Market and Investment Bureau of CDB, and served as a staff member, deputy head and head; and has served as the vice president of the Company since May 2021.

Mr. Liao Yazhong graduated from China University of Political Science and Law in July 2001, majoring in law, and obtained a master's degree in law, and from the City University of Hong Kong in February 2013, majoring in law, and obtained a doctor's degree in law. Mr. Liao Yazhong is a senior economist.

Mr. Wu Bo (吳渤), aged 43, joined the Company in February 2015. He is currently the vice president of the Company. From July 2003 to February 2015, Mr. Wu Bo worked successively in the business department and the Personnel Bureau (the appraisal and evaluation group) of China Development Bank, and served as a clerk and deputy head. After joining the Company, Mr. Wu Bo successively served as the general manager of the human resources department, the operation and management department and the information management department; and has served as the vice president of the Company since September 2023.

Mr. Wu Bo graduated from Capital University of Economics and Business in July 2003, majoring in labour and social security, and obtained a bachelor's degree in management, and from Capital University of Economics and Business in June 2011, majoring in labour economics, and obtained a master's degree in economics. Mr. Wu Bo is an economist.

Mr. Shi Yongkun (時永坤), aged 53, joined the Company in December 1999. He currently serves as the chief risk officer of the Company. Mr. Shi Yongkun successively served as an accountant and the chief accountant of the financial department and head of the state-owned assets supervision and administration office of Shenzhen Nanfang Pharmaceutical Plant (深圳南方製藥廠) from July 1995 to December 1999; during the period, he participated in equity interest and debt restructuring of Shenzhen Leasing Co., Ltd. (深圳租賃有限公司) from July 1998 to December 1999; he successively served as the head of the financial office and head and assistant to general manager of the lease and credit department, and head of the finance department and head of the credit management department, chief financial officer and director of risk control office and head of the asset management department and deputy general manager of the Company from December 1999 to January 2008; the general manager of a subsidiary of the Company, 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; has been the general manager of the lease business third department, general manager of the asset management department, general manager of the asset management first department, general manager of the compliance management department of the Company since May 2010; and has been the chief risk officer of the Company since November 2018.

Mr. Shi Yongkun graduated from Jiangxi Institute of Finance and Economics (江西財經學院) in July 1995, majoring in accounting, and obtained a bachelor's degree in economics, and from Xiamen University in July 2006, majoring in world economics, and obtained a master's degree in economics. Mr. Shi Yongkun is an accountant.

Mr. Liu Yi (劉毅), aged 49, joined the Company in July 2019. He currently serves as the secretary to the Board and the joint company secretary of the Company. Mr. Liu Yi successively worked at AVIC Technology & Economics Research Establishment, AviChina Industry & Technology Company Limited and the general office of Aviation Industry Corporation of China, Ltd. and successively held positions such 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; and has been the joint company secretary of the Company since 31 August 2020.

Mr. Liu Yi graduated from the school of economics of Minzu University of China in June 2000 with a master's degree. Mr. Liu Yi is a senior engineer.

DIRECTORS AND SENIOR MANAGEMENT OF CDBALF

BOARD OF DIRECTORS

As at the date of this Offering Circular, CDBALF has six directors. None of the directors hold any shares or options to acquire any shares of CDBALF. The directors of CDBALF are:

Name	Year of Birth	Position
Ma Hong	1967	Non-executive Director (Chairperson)
Jie Chen.	1964	Executive Director (Chief Executive Officer)
Yu Chen.	1975	Non-executive Director
Alan Geraghty	1974	Non-executive Director
Stephen Kavanagh.	1967	Non-executive Director
Chris Quinn	1960	Non-executive Director

Ms. Ma Hong joined CDBALF in November 2021 and is currently the Chairperson and non-executive director of CDBALF. Please refer to the information on Ms. Ma Hong's work and experience as set out under "*Directors, Supervisors and Senior Management of the Group – Directors*" above.

Mr. Jie Chen joined CDBALF in January 2023 and is currently the executive director and the Chief Executive Officer of CDBALF based in Dublin. Mr. Jie Chen, taking on the important role of leading the exciting next stage of CDBALF's development, supporting the industry's post-pandemic recovery while building on the team's strong relationships and the strength of its full-service, global platform to capitalise on emergent market opportunities. Mr. Jie Chen has more than three decades of exemplary aviation industry experience. Prior to CDBALF, Mr. Jie Chen served as Executive Vice President and Managing Director Asia of Air Lease Corporation (the "**ALC**"), leading commercial efforts in the region. Prior to ALC, Mr. Jie Chen worked at International Lease Finance Corporation (the "**ILFC**"), leading ILFC's sales and marketing activities across Asia Pacific.

Mr. Yu Chen joined CDBALF in January 2017 and is currently the non-executive director of CDBALF. Mr. Yu Chen has more than two decades of experience in banking and leasing business. Mr. Yu Chen's background covers corporate finance, infrastructure project finance, shipping finance and aviation finance. Mr. Yu Chen started his career at China Development Bank Headquarters in global cooperation business, and later served in CDB Shanghai Branch as Deputy Head of International Business Department and Deputy Head of Aviation & Shipping Finance Department. Prior to joining CDBALF, Mr. Yu Chen served as Deputy Head of Aviation Department at the Company. Mr. Yu Chen graduated from the University of Edinburgh with Master's degree in Finance and Investment.

Mr. Alan Geraghty was appointed as a director of CDBALF in June 2012 and is currently the non-executive director of CDBALF. Mr. Alan Geraghty is the head of European Operations at Wilmington Trust and is responsible for managing growth, along with administrative and strategic business operations, within Europe. Mr. Alan Geraghty has over two decades of experience in the financial services industry in both onshore and offshore jurisdictions, specialising in a broad array of corporate trust transactions, including structured finance (including ABS and equipment finance), entity management, special purpose vehicles, and loan agency. Mr. Alan Geraghty leads experienced teams in the UK, Italy, Germany, and Ireland and is focused on identifying new markets and solutions for CDBALF's global clients. Prior to joining Wilmington Trust in 2004, Mr. Alan Geraghty served as manager and head of special purpose vehicles for Dresdner Bank Lateinamerika AG in the Cayman Islands. Mr. Alan Geraghty also worked as an auditor with PricewaterhouseCoopers in Ireland and the Cayman Islands. Mr. Alan Geraghty is a fellow member of the Institute of Chartered Accountants in Ireland, and he completed his training with PricewaterhouseCoopers in Dublin.

Mr. Stephen Kavanagh was appointed as a director of CDBALF in June 2019 and is currently the non-executive director of CDBALF. Mr. Stephen Kavanagh currently serves as a non-executive director of CDBALF and Aer Lingus, having stepped down as Chief Executive Officer and Accountable Manager of Aer Lingus in early 2019 following a 30-year career at the Irish flag carrier. Mr. Stephen Kavanagh led the airline through its sale to IAG in 2015 and subsequently championed the development of a successful value model strategy that saw the carrier grow in size by a third to over €2 billion in revenue, doubling operating margin and delivering an industry-leading return on invested capital. During his time with Aer Lingus, Mr. Stephen Kavanagh also held a number of executive roles, including Chief Strategy and Planning Officer, Chief Commercial Officer and Corporate Planning Director. Born in Dublin, Mr. Stephen Kavanagh was educated at University College, Dublin and holds a Masters of Business Studies from Smurfit Graduate Business School where he has lectured on the Airline Industry.

Mr. Chris Quinn was appointed as a Director of CDBALF in July 2017 and is currently the non-executive director of CDBALF. Mr. Chris Quinn qualified as a lawyer in Ireland in 1989 and was a consultant in Matheson's (one of Ireland's largest law firms) Banking and Financial Services Group from 2016 to 2020 and focused on aviation and asset finance, leasing, structured and cross-border financing and securitisations. From 1997 to 2016, Mr. Chris Quinn headed up the Aviation and Asset Finance Group in Matheson. Mr. Chris Quinn has over 30 years' experience in the aviation and asset financing and leasing sector. For a number of years in the 1990's Mr. Chris Quinn worked as in-house counsel with an aircraft leasing company in Ireland. Mr. Chris Quinn has advised many of the world's leading financial institutions, private equity groups, investment banks, aircraft financing banks, aircraft owners, aircraft lessors, airlines, financial arrangers and investment advisers both located in Ireland and throughout the world. Mr. Chris Quinn has extensive experience in asset finance, leasing, structured cross border financing and securitisation transactions including the acquisition, financing, sale and leaseback and defeasance of aircraft, ships, rail, rolling stock and other equipment. Mr. Chris Quinn has spoken at a number of conferences in relation to Aircraft Transactions and Ireland. Mr. Chris Quinn has also spoken at Cape Town Convention and Aircraft Protocol legal conferences and was Irish counsel to Aviareto Limited which operates the Cape Town Convention International Registry. Mr. Chris Quinn is a proud Kildare man, he was educated at University College Dublin and holds a Bachelor of Arts (Honours) degree.

SENIOR MANAGEMENT

Name	Year of Birth	Position
Jie Chen.	1964	Chief Executive Officer
Fiona Scott.	1978	Chief People Officer

Mr. Jie Chen – Please refer to the information on Mr. Jie Chen's work and experience as set out under "*Board of Directors*" above.

Ms. Fiona Scott jointed CDBALF in October 2019 and is currently the Chief People Officer of CDBALF with more than 20 years of experience in managing talent and operations. As a member of the CDB Aviation C-suite, Ms. Fiona Scott is responsible for setting and overseeing the execution of the business' overall people strategy in line with its ESG goals. Ms. Fiona Scott initially supported CDBALF as a talent acquisition advisor and, in 2019, assumed the position of Head of Human Resources to lead the lessor's strategic human resources and change management initiatives. Prior to CDBALF, Ms. Fiona Scott served in managerial and consulting roles at several organisations, both in Ireland and across Europe. In 2017, Airline Economics recognised her as one of the industry's "40 under 40". Ms. Fiona Scott co-founded PropelHer, a grass roots initiative focused on the exchange of ideas, opinions, and experiences around topics relevant to the aircraft leasing industry. Ms. Fiona Scott also serves on the Board of Directors of Advancing Women in Aviation Roundtable and not-for-profit Aoibhneas.

FORM OF THE PRICING SUPPLEMENT FOR THE NOTES

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

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

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

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

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

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, [CDBALF,] the Company and the Group. The Issuer[, CDBALF] and the Company accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.[1]

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

[1] Include if the Notes are to be listed on the SEHK.

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

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

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

[**Singapore Securities and Futures Act Product Classification –** Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).][2]

[**Paragraph 21 of the Hong Kong SFC Code of Conduct** – As paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission applies to this offering of Notes, prospective investors should refer to the section on "*Important Notice to Prospective Investors*" appearing on page v of the Offering Circular, and CMIs (as defined in the Offering Circular) should refer to the section on "*Important Notice to CMIs (including Private Banks)*" appearing on pages 226 to 227 of the Offering Circular.]

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

Pricing Supplement dated [●]

CDBL FUNDING 1 (the "Issuer")

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the "Notes")
under the U.S.$3,000,000,000 Medium Term Note Programme**

**[[unconditionally and irrevocably guaranteed by
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD. (國銀金融租賃股份有限公司)
(the "Guarantor")
(a joint stock limited company incorporated in the People's Republic of China)]/
[unconditionally and irrevocably guaranteed by
CDB AVIATION LEASE FINANCE DESIGNATED ACTIVITY COMPANY (the "Guarantor")
with the benefit of a Keepwell and Asset Purchase Deed provided by
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD. (國銀金融租賃股份有限公司)
(the "Company")
(a joint stock limited company incorporated in the People's Republic of China)]]**

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 9 May 2025 [and the Supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the [Issuer, the Company]/[Issuer, CDBALF, the Company] and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement[, /and the Offering Circular [and the Supplemental Offering Circular].

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

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

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

1	Issuer:	CDBL Funding 1
2	[Guarantor:	[China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司)] (a joint stock limited company incorporated in the People's Republic of China)/[CDB Aviation Lease Finance Designated Activity Company]
3	[Keepwell Provider:	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) (a joint stock limited company incorporated in the People's Republic of China)]
4	(i) Series Number:	[●]

	(ii)	Tranche Number:	[●]
	(iii)	Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [*insert date*/the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [28] below [which is expected to occur on or about [*insert date*]]].]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).		
5	Specified Currency or Currencies:		[●]
6	Aggregate Nominal Amount:		[●]
	(i) Series:		[●]
	(ii) Tranche:		[●]
7	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
	(ii)	Net Proceeds:	[●] (*Required only for listed issues*)]
8	(i)	Specified Denominations:[3, 4]	[●] [*N.B.* Notes *must have a minimum denomination of €100,000 (or* equivalent)]
	(ii)	Calculation Amount (in relation to calculation of interest in global form, see Conditions):	[●] *The* applicable *Calculation Amount will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Notes or (ii) if there are several Specified Denominations or the circumstances referred to in Footnote 4 below apply, the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations).*
9	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify/Issue Date/Not Applicable*]

[3] Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

[4] If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000.

10	Maturity Date:	*[(for Fixed Rate Notes) Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*[5]
11	Interest Basis:	[[●] per cent. Fixed Rate] [[Specify reference rate] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index-Linked Interest] [Dual Currency Interest] [*Other (Specify)*] (further particulars specified below)
12	Redemption/Payment Basis:	[Redemption at par] [Index-Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [*Other (Specify)*]
13	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
14	Put/Call Options:	[Put Option] [Call Option] [(further particulars specified below)]
15	(i) Status of the Notes:	[Senior]
	(ii) Date of [Board] approval for issuance of Notes obtained:	[●]
	(iii) Date of regulatory approval for issuance of Notes obtained:	[Pre-Issuance NDRC Registration Certificate dated [●]/name and date of the NDRC Quota Letter (in respect of annual quota granted by NDRC in favour of [China Development Bank]/[the Company])]
16	Listing:	[The Stock Exchange of Hong Kong Limited/Other (specify)/None]
17	Method of distribution:	[*Syndicated/Non-syndicated*]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

18	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Rate(s) of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]

[5] Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

(iii)	Fixed Coupon Amount(s):	[●] per Calculation Amount[6]
(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
(v)	Day Count Fraction:	[30/360/Actual/Actual/Actual/Actual-ICMA or Actual/365 (Fixed) 6/Actual/365 (Sterling)/Actual/360/30E/360/30E/360 (ISDA)/other]
(vi)	[Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual-ICMA)*]
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]

19 **Floating Rate Note Provisions** [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(i)	Interest Period(s):	[●] [[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(ii)	Specified Interest Payment Dates:	[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(iii)	Interest Period Date:	[Not Applicable]/[●] [in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(iv)	First Interest Payment Day:	[●]
(v)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)] [Not Applicable]

6 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01 for the case of Renminbi denominated Fixed Rate Notes and HK$0.01 for the case of Hong Kong dollar denominated Fixed Rate Notes, with CNY0.005 and HK$0.005 being rounded upwards.

(vi)	Business Centre(s):	[●]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[●]
(ix)	Screen Rate Determination:	
	• Reference Rate:	[●]
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[●]
(x)	Screen Rate Determination (Condition 5(b)(iii)(B)):	
	• Reference Rate:	SOFR Benchmark – [Simple SOFR Average/Compounded SOFR Average/SOFR Compounded Index]
	• Compounded SOFR Average Method:	[Not Applicable/SOFR Observation Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout – *used for Compounded SOFR Average only*]
	• SOFR $\text{Index}_{\text{Start}}$:	Not Applicable]/[[●] U.S. Government Securities Business Days – *used for SOFR Compounded Index only*]
	• SOFR $\text{Index}_{\text{End}}$:	Not Applicable]/[[●] U.S. Government Securities Business Days – *used for SOFR Compounded Index only*]
	• Interest Determination Date(s):	[The [●] U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period – *only applicable in the case of Simple SOFR Average/SOFR Observation Lag/SOFR Observation Shift/SOFR Lockout/SOFR Compounded Index*] [The Interest Period Date at the end of each Interest Period, provided that the Interest Determination Date with respect to the final Interest Accrual Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut- Off Date – *only applicable in the case of SOFR Payment Delay*]
	• Lookback Days:	[[●] U.S. Government Securities Business Days – *used for SOFR Lag only*]/[Not Applicable]

	• SOFR Observation Shift Days:	[[●] U.S. Government Securities Business Days – *used for the SOFR Observation Shift or SOFR Compounded Index only*]/[Not Applicable]
	• SOFR Rate Cut-Off Date:	[The date falling [●] Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the date fixed for redemption, as applicable – *used for only Simple SOFR Average (if applicable), Compounded SOFR Average – SOFR Payment Delay or SOFR Lockout only*]/[Not Applicable]
	• Interest Payment Delay Days:	[●] Business Days – *used for SOFR Payment Delay only*]/[Not Applicable]
	• SOFR Index Unavailable:	[Not Applicable/Compounded SOFR formula]
	• Observation Shift Days:	[[●] U.S. Government Securities Business Days – *used for SOFR Index Unavailable only*]/[Not Applicable]
	(xi) ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
	• ISDA Definitions:	[2000/2006/2021/specify other]
	(xii) Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
	(xiii) Margin(s):	[+/-] [●] per cent. per annum
	(xiv) Minimum Rate of Interest:	[●] per cent. per annum
	(xv) Maximum Rate of Interest:	[●] per cent. per annum
	(xvi) [Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365] [*specify other*]]
	(xvii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
20	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Amortisation Yield:	[●] per cent. per annum

	(ii)	Day Count Fraction:	[●]
	(iii)	Any other formula/basis of determining amount payable:	[●]
21	**Index-Linked Interest Note Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i)	Index/Formula/other variable:	[*give or annex details*]
	(ii)	Calculation Agent:	[●]
	(iii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[●]
	(iv)	Determination Date(s):	[●]
	(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	[●]
	(vi)	Interest Period(s):	[●]
	(vii)	Specified Interest Payment Dates:	[●]
	(viii)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(ix)	Business Centre(s):	[●]
	(x)	Minimum Rate/Amount of Interest:	[●] per cent. per annum
	(xi)	Maximum Rate/Amount of Interest:	[●] per cent. per annum
	(xii)	Day Count Fraction:	[●]
22	**Dual Currency Note Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii)	Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation Agent):	[●]

	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

23	**Call Option**		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount] [*specify other*]
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount	[●] per Calculation Amount
	(iv)	Notice period:	[●][7]
24	**Put Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	Notice period:	[●][8]
25	**Final Redemption Amount of each Note**		[●] per Calculation Amount

[7] If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent.

[8] If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent.

26	**Early Redemption Amount** Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption (other than on redemption for Change of Control) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]/[Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27	**Form of Notes**	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice][9] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Registered Notes: Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]
28	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details.* *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to* which *sub paragraphs 20(vi) and 22(x) relate*]
29	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]
30	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/*give details*]

9 If the Specified Denominations of the Notes in paragraph 8 includes language substantially to the following effect: €100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000, the Temporary Global Note shall not be exchangeable on [●] days notice.

31	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
32	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
33	Consolidation provisions:	The provisions [in Condition 15 (*Further Issues*)] [annexed to this Pricing Supplement] apply]
34	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

35	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) If syndicated, date of the Subscription Agreement:	[●]
	(iii) Stabilisation Manager(s) (if any):	[Not Applicable/*give names*]
	(iv) If non-syndicated, name and address of Dealer:	[Not Applicable/*give name and address*]
36	U.S. Selling Restrictions:	Reg. S Category [1/2]; (*In the case of Bearer Notes*) – [TEFRA C/TEFRA D/TEFRA Not Applicable] (*In the case of Registered Notes*) – TEFRA Not Applicable
37	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)
38	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)
39	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

40	ISIN Code:	[●]
41	Common Code:	[●]
42	Legal Entity Identifier of the Issuer:	254900PLOF8VWTAH3F83
43	Other relevant codes:	[CMU Instrument Number: [●]/[●]]

44	Any clearing system(s) other than Euroclear, Clearstream and the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
45	Delivery:	Delivery [against/free of] payment
46	Additional Paying Agent(s) (if any):	[●]

GENERAL

47	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/U.S.$[●]]
48	Use of proceeds (if different from the use of proceeds set out in the Offering Circular)	[●]
49	Ratings:	[Not Applicable/U.S.$[●]]

HONG KONG SFC CODE OF CONDUCT

50	Rebates:	[A rebate of [●] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]
51	Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide*]/[Not Applicable]
52	Marketing and Investor Targeting Strategy:	[As described in the Offering Circular]/[*Describe if different from Offering Circular*]

[STABILISATION

In connection with this issue, [*insert name of Stabilisation Manager*] (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, and must be brought to an end after a limited period.]

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the SEHK of the Notes described herein pursuant to the U.S.$3,000,000,000 Medium Term Note Programme.]

[MATERIAL ADVERSE CHANGE STATEMENT

[There has been no significant change in the financial or trading position of the [Issuer, the Guarantor]/[Issuer, the Guarantor, the Company] or of the Group since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer, the Guarantor or of the Group since [*insert date of last published annual accounts*].]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

[[Signed on behalf of
CDBL FUNDING 1

By: ______________________
Duly authorised]

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

By: ______________________
Duly authorised]

OR

[Signed on behalf of
CDBL FUNDING 1

By: ______________________
Duly authorised]

Signed on behalf of
CDB AVIATION LEASE FINANCE DESIGNATED ACTIVITY COMPANY

By: ______________________
Duly authorised]

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to Notes are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued by CDBL Funding 1 (the "**Issuer**") either as "**Guaranteed Notes**" or as "**KW Notes**" (the Guaranteed Notes or the KW Notes, as the case may be, the "**Notes**") as specified in the applicable Pricing Supplement. The Guaranteed Notes are guaranteed by China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) (the "**Company**"). Each Tranche (as defined below) of the Guaranteed Notes will have the benefit of a deed of guarantee (as amended, restated or supplemented from time to time, each a "**Deed of Guarantee**") dated on or about the date of issue of the relevant Tranche of Guaranteed Notes to be executed by the Company as shown hereon. The KW Notes are guaranteed by CDB Aviation Lease Finance Designated Activity Company (formerly known as SinoAero Leasing Co., Limited) ("**CDBALF**") pursuant to the Trust Deed (as defined below) and with the benefit of an amended and restated keepwell and asset purchase deed dated on or about 9 May 2025 (as further amended, restated or supplemented from time to time, the "**Keepwell and Asset Purchase Deed**") entered into by the Issuer (in respect of each Tranche of the KW Notes), CDBALF, the Company (in its capacity of assisting each of the Issuer and CDBALF in meeting their respective obligations under the KW Notes, the Coupons in relation to the KW Notes, the KW Note Guarantee and the Trust Deed) and the Trustee (as defined below).

The Notes are constituted by an amended and restated trust deed dated 9 May 2025 (as further amended, restated or supplemented from time to time, the "**Trust Deed**") between the Issuer, CDBALF, the Company and Citicorp International Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). An amended and restated agency agreement dated 9 May 2025 (as further amended, restated or supplemented from time to time, the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, CDBALF, the Company, the Trustee, Citibank N.A., London Branch as principal paying agent (the "**Principal Paying Agent**"), which expression shall include any successor principal paying agent under the Agency Agreement, Citicorp International Limited as principal paying agent and as lodging agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**") (the "**CMU Lodging and Paying Agent**"), Citibank N.A., London Branch as the registrar and transfer agent in relation to Notes other than those cleared through CMU and Citicorp International Limited as the registrar and transfer agent in relation to Notes cleared through CMU (together the "**Registrars**" and "**Transfer Agents**" which expressions shall include any successor registrar or successor or additional transfer agent named therein) and the other parties named in it. The "**Principal Paying Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Principal Paying Agent and the CMU Lodging and Paying Agent), the "**Registrars**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". For the purposes of these Conditions, all references to the Principal Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below.

Copies of the Trust Deed, the Agency Agreement, the Keepwell and Asset Purchase Deed and the relevant Deed of Guarantee are available for inspection during usual business hours at the corporate trust office of the Trustee (presently at 40/F, Champion Tower, Three Garden Road, Central, Hong Kong).

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") (the "**Receiptholders**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and in respect of the KW Notes only, the Keepwell and Asset Purchase Deed and, in respect of a Tranche of the Guaranteed Notes only, the relevant Deed of Guarantee, and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon, the date from which interest starts to accrue, the NDRC Post-issue Information Report (including the timing for the submission and/or completion therefor) and, in respect of a Tranche of Guaranteed Notes, the Guaranteed Note Cross-border Security Registration (including the timing for the submission and/or completion therefor).

1 FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") as specified in the applicable Pricing Supplement in each case in the Specified Currency and in the Specified Denomination(s) specified in the applicable Pricing Supplement.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the "Interest Basis" and "Redemption/Payment Basis" shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrars in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) **No Exchange of Notes**: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes**: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrars or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer, duly completed and executed and any other evidence as the Registrars or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. Subject as provided in the Agency Agreement, the Issuer may from time to time agree with the Principal Paying Agent, the Trustee and the Registrars reasonable regulations to govern the transfer and registration of Registered Notes. A copy of the current regulations will be made available by the Registrars to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**: In the case of an exercise of the Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) or Change of Control Redemption Notice (as defined in Condition 6(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrars (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Change of Control Redemption Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or Change of Control Redemption Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrars (as the case may be).

(e) **Transfers Free of Charge**: Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrars or the Transfer Agents, but upon payment by the relevant Noteholders of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrars or the relevant Transfer Agent may require).

(f) **Closed Periods**: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes are being called for redemption in part by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption where not all the Notes are being called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3 STATUS AND GUARANTEE

(a) **Status of the Notes**: The Notes and the Receipts and the Coupons relating to them constitute direct, general, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the relevant Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

(b) **Guarantee**:

(i) The Company will, in respect of each Tranche of Guaranteed Notes, pursuant to the Trust Deed and the relevant Deed of Guarantee unconditionally and irrevocably guarantee (the "**Guaranteed Note Guarantee**") the due and punctual payment of all sums from time to time payable by the Issuer (in respect of a Tranche of Guaranteed Notes) under the Trust Deed, the Guaranteed Notes and the Receipts and the Coupons. The Guaranteed Note Guarantee constitutes direct, general, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Company which will at all times rank at least *pari passu* with all other present and future (subject to Condition 4(a)) unsecured and unsubordinated obligations of the Company, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(ii) CDBALF has, in respect of each Tranche of KW Notes, pursuant to the Trust Deed unconditionally and irrevocably guaranteed (the "**KW Note Guarantee**", and, together with the Guaranteed Note Guarantee, the "**Guarantee**") the due and punctual payment of all sums from time to time payable by the Issuer (in respect of a Tranche of KW Notes) under the Trust Deed, the KW Notes and the Receipts and the Coupons. The KW Note Guarantee constitutes direct, general, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of CDBALF which will at all times rank at least *pari passu* with all other present and future (subject to Condition 4(a)) unsecured and unsubordinated obligations of CDBALF, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

4 NEGATIVE PLEDGE AND OTHER COVENANTS

(a) **Negative Pledge**:

(i) So long as any of the Guaranteed Notes or the Coupons in respect thereof remain outstanding, neither the Issuer nor the Company will, and the Company will ensure that none of its Principal Subsidiaries will, or

(ii) So long as any of the KW Notes or the Coupons in respect thereof remain outstanding, none of the Issuer, CDBALF or the Company will, and the Company will ensure that none of its Principal Subsidiaries will

create or permit to subsist any Security Interest on any of its present or future assets or revenues to secure the repayment of, or any guarantee or indemnity in respect of, any Public External Indebtedness unless the relevant Notes are secured by such Security Interest *pari passu* with such other Public External Indebtedness.

This provision, however, shall not apply to any (i) security interest on any property or asset existing at the time of acquisition of such property or asset or to secure the payment of all or any part of the purchase price or construction cost thereof or to secure any indebtedness incurred prior to, or at the time of, such acquisition or the completion of construction of such property or asset for the purpose of financing all or any part of the purchase price or construction cost thereof, (ii) lien arising by operation of law, (iii) any Limited Recourse Indebtedness or (iv) any security interest on any property or asset of the Company, CDBALF or any Principal Subsidiary of CDBALF or the Company which is created pursuant to any securitisation, repackaging or like arrangement in accordance with normal market practise. Notwithstanding anything to the contrary, any amounts owed in relation to a National Export Credit Agency Guaranteed Capital Markets Instrument shall not be construed to be "**Public External Indebtedness**" notwithstanding that such amounts are guaranteed directly or indirectly by the Issuer, CDBALF, the Company or a Principal Subsidiary.

(b) **NDRC Registration**:

Where the Administrative Measures for Examination and Registration of Medium- and Long-term Foreign Debt of Enterprises (NDRC Order No. 56) (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC and effective as at 10 February 2023 (as supplemented by the relevant document issued by the NDRC in relation to the foreign debt quota available to China Development Bank or the Company (where applicable) and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time, the "**NDRC Order 56**") is applicable, for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with these Conditions, and so long as such relevant Series or Tranche of Notes remain outstanding, the Company undertakes to:

(A) file or cause to be filed with the NDRC the requisite information and documents within the prescribed time periods after the relevant Issue Date in accordance with the NDRC Order 56, including but not limited to the completion of the initial post-issue filing with the NDRC within the prescribed time period after the relevant Issue Date in accordance with the NDRC Order 56 (such initial post-issue filing being the "**NDRC Post-issue Information Report**");

(B) comply with other applicable requirements relating to the relevant Series or Tranche of Notes under the NDRC Order 56; and

(C) within ten PRC Business Days after the submission of such NDRC Post-issue Information Report set out in Condition 4(b)(A) above, confirm in writing (including via electronic means) to the Trustee that it has filed or caused to be filed with NDRC the NDRC Post-issue Information Report.

The Trustee shall have no obligation to monitor and ensure the completion of the NDRC Post-issue Information Report or any other filing(s) on or before the deadline(s) referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Information Report or any such other filing(s) or to give notice to the Noteholder or any other person confirming the completion of the NDRC Post-issue Information Report or any such other filing(s), and shall not be liable to the Noteholders or any other person for not doing so.

(c) **Undertakings in relation to the Guaranteed Note Guarantee**:

For the benefit of each Tranche of the Guaranteed Notes to be issued in accordance with these Conditions, the Company undertakes that it will (i) execute a Deed of Guarantee in connection with such Tranche substantially in the form attached to the Trust Deed on the relevant Issue Date; (ii) register or cause to be registered with SAFE (as defined below) the relevant Deed of Guarantee (the "**Guaranteed Note Cross-border Security Registration**") in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 and the Guidelines for Implementing the Provisions on the Administration of Foreign Exchange of Cross-border Guarantee (跨境擔保外匯管理操作指引) promulgated by SAFE on 12 May 2014 (collectively, the "**SAFE Cross-border Security Provisions**"); (iii) use its best endeavours to complete the Guaranteed Note Cross-border Security Registration and obtain a registration record from SAFE on or before the Registration Deadline (as defined in Condition 6(g)); and (iv) ensure that the registration from SAFE in respect of the giving of the Guaranteed Note Guarantee of the relevant Tranche of the Guaranteed Notes remains in full force and effect for so long as such Tranche of the Guaranteed Notes remain outstanding; and (v) procure that within five PRC Business Days after the certificate and documents referred to in the definition of "**Release Condition**" in Condition 6(g) are delivered to the Trustee, the Issuer gives notice to the relevant Noteholders (in accordance with Condition 16) confirming the completion of the Guaranteed Note Cross-Border Security Registration.

The Trustee shall have no obligation or duty to monitor or ensure the registration of the relevant Deed of Guarantee with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Guaranteed Note Cross-border Security Registration or to give notice to the Noteholder or any other person confirming the completion of the Guaranteed Note Cross-border Security Registration, and shall not be liable to the relevant Noteholders or any other person for not doing so.

(d) **Financial Reports**:

(i) The Company has undertaken to the Trustee in the Trust Deed that so long as any Note remains outstanding, it will furnish the Trustee with:

(a) a copy of the Company Audited Financial Reports within 180 days of the end of each Relevant Period prepared in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**") (audited by a nationally or internationally recognised firm of independent accountants) or International Financial Reporting Standards issued by the International Accounting Standards Board ("**IFRS**") (audited by a nationally or an internationally recognised firm of independent accountants);

(b) a Compliance Certificate of the Company (on which the Trustee may rely as to such compliance) together with the Company Audited Financial Reports referred to Condition 4(d)(i)(a) and within 14 days of receipt of a written request from the Trustee; and

(c) a copy of the Company Unaudited Financial Information within 90 days of the end of each Relevant Period prepared on a basis consistent with audited consolidated financial statements of the Company and its Subsidiaries;

provided that if the Company is listed on any stock exchange, the Company may choose to provide a copy of the Company Audited Financial Reports or the Company Unaudited Financial Information, as the case may be, to the Trustee within 10 PRC Business Days after the same are filed with the relevant stock exchange for each Relevant Period.

(ii) CDBALF has undertaken to the Trustee in the Trust Deed that so long as any KW Note remains outstanding, CDBALF shall furnish the Trustee with:

(a) a copy of the CDBALF Audited Financial Reports in the English language within 180 days of the end of each Relevant Period prepared in accordance with IFRS (audited by a nationally or an internationally recognised firm of independent accountants); and

(b) a copy of the CDBALF Unaudited Financial Information in the English language within 90 days of the end of each Relevant Period prepared on a basis consistent with audited consolidated financial statements of CDBALF and its Subsidiaries.

(e) **Issuer Activities**:

The Issuer undertakes that so long as any Note remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed), it will not conduct any business or any activities other than the issue of notes (whether issued under the Programme or not) and other debt securities and the lending of the proceeds thereof to any of the Company's Subsidiaries and affiliates located outside the PRC, and any other activities reasonably incidental thereto.

(f) **Obligation to Acquire Assets**:

In respect of a Tranche of KW Notes, in the event of a Triggering Event, the Company has agreed in the Keepwell and Asset Purchase Deed that it shall purchase (either by itself or through a Subsidiary of the Company as designated by it) certain Assets held by CDBALF and/or any other Subsidiary of CDBALF and/or any Subsidiary of the Company in the manner as set out in the Keepwell and Asset Purchase Deed in order to assist the Issuer and CDBALF under their respective obligations under the KW Notes and the KW Note Guarantee.

5 INTEREST AND OTHER CALCULATIONS

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes**:

(i) *Interest Payment Dates*: Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the relevant Pricing Supplement) the Margin, if any. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes (other than Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark)

(a) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined where the Reference Rate is not SOFR Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.15 a.m. (Hong Kong time in the case of CNH HIBOR) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (in the case of CNH HIBOR) or 9.30 a.m. (Beijing time) (in the case of SHIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than EURIBOR, HIBOR, CNH HIBOR or SHIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(b) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, or, if the Reference Rate is SHIBOR, the principal Shanghai office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is SHIBOR, at approximately 9.30 a.m. (Beijing time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(c) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is SHIBOR, at approximately 9.30 a.m. (Beijing time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market or, if the Reference Rate is SHIBOR, the Shanghai inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is SHIBOR, at approximately 9.30 a.m. (Beijing time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market or, if the Reference Rate is SHIBOR, the Shanghai inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark

If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest applicable to the Floating Rate Notes for each Interest Accrual Period will, subject as provided below, be equal to the sum of the relevant SOFR Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Simple SOFR Average, Compounded SOFR Average or Compounded SOFR Index (as specified in the relevant Pricing Supplement), as follows (subject in each case to Condition 5(b)(vi)):

(x) If Simple SOFR Average ("**Simple SOFR Average**") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be the arithmetic mean of the SOFR reference rates for each day during such Interest Accrual Period, as calculated by the Calculation Agent, and where, if applicable and as specified in the relevant Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-off Date shall be used for the days in the relevant Interest Accrual Period from (and including) the SOFR Rate Cut-off Date to (but excluding) the last day of that Interest Accrual Period.

(y) If Compounded SOFR Average ("**Compounded SOFR Average**") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Accrual Period (where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified in the relevant Pricing Supplement to determine Compounded SOFR Average) or SOFR Observation Period (where SOFR Observation Shift is specified as applicable in the relevant Pricing Supplement to determine Compounded SOFR Average).

Compounded SOFR Average shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified in the relevant Pricing Supplement:

(1) SOFR Observation Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i - xUSBD \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent., (or 0.09876541) being rounded down to 9.87654 per cent., (or 0.0987654) and 9.876545 per cent., (or 0.09876545) being rounded up to 9.87655 per cent., (or 0.0987655)) and where:

"**$SOFR_{i\text{-}xUSBD}$**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day(i);

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_o**" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(2) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**SOFR Observation Period**" means, in respect of each Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"**d_o**" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**" for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(3) SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**Interest Payment Date**" shall be the date falling the number of Interest Payment Delay Days following each Interest Period Date; provided that the Interest Payment Date with respect to the final Interest Accrual Period will be the Maturity Date or the relevant date for redemption, as applicable;

"**Interest Payment Delay Days**" means the number of Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"$\mathbf{d_o}$" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded SOFR Average with respect to the final Interest Accrual Period where SOFR Payment Delay is specified in the relevant Pricing Supplement, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-off Date to (but excluding) the Maturity Date or the relevant date for redemption, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-off Date.

(4) SOFR Lockout:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i), except that the SOFR for any U.S. Government Securities Business Day(i) in respect of the period from (and including) the SOFR Rate Cut-off Date to (but excluding) the Interest Period Date for such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-off Date;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"$\mathbf{d_o}$" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(C)(x) and 5(b)(iii)(C)(y):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "USDSOFR=" or any successor page or service;

"**SOFR**" means, with respect to any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provisions:

(i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

(ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(vi) shall apply; and

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the day immediately following the relevant U.S. Government Securities Business Day.

(z) If Compounded SOFR Index ("**Compounded SOFR Index**") is specified as applicable in the relevant Pricing Supplement, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"**SOFR Index**", with respect to any U.S. Government Securities Business Day, means:

(A) the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time, provided that in the event that the value originally published by the SOFR Administrator on or about 3:00 p.m. (New York time) on any U.S. Government Securities Business Day is subsequently corrected and such corrected value is published by the SOFR Administrator on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the SOFR Index value as of the SOFR Index Determination Time in relation to such U.S. Government Securities Business Day; and

(B) if a SOFR Index value does not appear as specified in (A) above of this definition, then:

(i) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "**Compounded SOFR Index**" shall be the rate determined pursuant to the "SOFR Index Unavailable" provisions in Condition 5(b)(iii)(D); or

(ii) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, then "**Compounded SOFR Index**" shall be the rate determined pursuant to the provisions set forth in Condition 5(b)(vi);

"**SOFR Index$_{End}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement preceding the Interest Period Date relating to such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

"**SOFR Index$_{Start}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement prior to the first day of the relevant Interest Accrual Period;

"**SOFR Index Determination Time**" means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period (and in respect of the first Interest Accrual Period, the date falling the number of SOFR Observation Shift Days prior to the Issue Date) to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement; and

"$\mathbf{d_c}$" means the number of calendar days in the applicable SOFR Observation Period.

The following defined terms shall have the meanings set out below for the purpose of this Condition 5(b)(iii)(C):

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate;

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source;

"**SOFR Benchmark Replacement Date**" means the Benchmark Replacement Date (as defined in Condition 5(b)(vi)) with respect to the then-current SOFR Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event (as defined in Condition 5(b)(vi)) with respect to the then-current SOFR Benchmark;

"**SOFR Rate Cut-off Date**" has the meaning given in the relevant Pricing Supplement; and

"**U.S. Government Securities Business Day**" or "**USBD**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(D) SOFR Index Unavailable

If a SOFR Index value is not published on the relevant Interest Determination Date and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date has not occurred with respect to SOFR, then the SOFR Index shall be calculated in accordance with the Compounded SOFR formula and the related definitions as set out below in this Condition 5(b)(iii)(D):

"**Compounded SOFR**" means, for the applicable Interest Accrual Period for which the SOFR Index is not available, the rate of return on a daily compounded interest investment during the relevant Observation Period (with the daily SOFR reference rate as the reference rate for the calculation of interest) and calculated by the Calculation Agent in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 per cent, being rounded upwards:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d_c}$$

where:

"$\mathbf{d_c}$" means the number of calendar days in the relevant Observation Period.

"$\mathbf{d_o}$" means the number of U.S. Government Securities Business Days in the relevant Observation Period.

"**i**" means a series of whole numbers from one to d_o, each representing the relevant U.S. Government Securities Business Days in chronological order from (and including) the number of U.S. Government Securities Business Day as specified in the relevant Pricing Supplement in the relevant Observation Period (each a "**U.S. Government Securities Business Day(i)**").

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i) in the relevant Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day(i).

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day(i) in the relevant Observation Period, is equal to SOFR in respect of that U.S. Government Securities Business Day(i).

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "**SOFRRATE**" or any successor page or service.

"**Observation Period**" means, in respect of each Interest Accrual Period, the period from (and including) the date falling a number of U.S. Government Securities Business Days equal to the Observation Shift Days preceding the first date in such Interest Accrual Period to (but excluding) the date falling a number of U.S. Government Securities Business Days equal to the number of Observation Shift Days preceding the Interest Period Date for such Interest Accrual Period.

"**Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement.

"**Reuters Page USDSOFR=**" means the Reuters page designated "**USDSOFR=**" or any successor page or service.

"**SOFR**" means, with respect to any U.S. Government Securities Business Day:

(a) the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Bloomberg Screen SOFRRATE Page, the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Reuters Page USDSOFR=, or the Secured Overnight Financing Rate that appears at the SOFR Determination Time on the SOFR Administrator's Website; or

(b) if the rate specified in (a) above does not appear, the SOFR published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website.

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate.

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source.

"**SOFR Determination Time**" means on or about 3:00 p.m. (New York City time) on the SOFR Administrator's Website on the immediately following U.S. Government Securities Business Day.

"**U.S. Government Securities Business Day**" means any day other than a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iv) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(v) *Benchmark Replacement for Floating Rate Notes (other than Floating Rate Notes where Reference Rate is specified as being SOFR Benchmark)*

In addition, notwithstanding the provisions above in this Condition 5(b), if the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) determines that a Benchmark Event (as defined below) has occurred in relation to the relevant Reference Rate specified in the applicable Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(A) the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined below) to determine, no later than five business days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "**IA Determination Cut-off Date**"), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the relevant Tranche of the Notes;

(B) if the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) (having used reasonable endeavours) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) (in each case acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(C) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(v)); provided, however, that if sub-paragraph (B) applies and the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) (in each case acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the relevant Tranche of the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin (as defined below) that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (C) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(v);

(D) if the Independent Adviser, the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser, the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the relevant Tranche of the Notes, and the method for determining the fallback rate in relation to the relevant Tranche of the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as defined below) (as applicable). If the Independent Adviser (in consultation with the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes)), the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) (in each case acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser, the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) (in each case acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Trustee and the Principal Paying Agent shall, at the direction and expense of the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes), effect such consequential amendments to the Trust Deed, Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(b)(v). Consent from Noteholders of the relevant Tranche of the Notes shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Trustee or the Principal Paying Agent (if required); and

(E) the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Trustee, the Principal Paying Agent and the relevant Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions,

provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the relevant Tranche of the Notes, shall be made in accordance with applicable law.

For the avoidance of doubt, the Trustee and the Principal Paying Agent shall not be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee or, as the case may be, the Company or its designee, with respect to any Successor Rate or Alternative Reference Rate (as applicable) or any other changes and shall be entitled to rely conclusively on any notices and/or certifications provided to it in this regard.

For the purposes of this Condition 5(b)(v):

"**Adjustment Spread**" means a spread (which may be positive, negative or zero) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes)), the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) (in each case acting in a reasonable manner) (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes)), the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) (in each case acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) In the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes)), the Issuer (in respect of a Tranche of Guaranteed Notes, or, as the case may be, a Tranche of KW Notes) (in each case acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be); or

(iv) if no such customary market usage or industry standard for over-the-counter derivative transactions is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes)), the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) in its discretion (as applicable), determines (in each case acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-clause (iv), only of reducing or eliminating any economic prejudice or benefit (as the case may be) to Noteholders;

"**Alternative Reference Rate**" means the rate that the Independent Adviser, the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser, the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) (as applicable) determines that there is no such rate, such other rate as the Independent Adviser, the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) (as applicable) determines in its discretion (in each case acting in a reasonable manner) is most comparable to the relevant Reference Rate;

"**Benchmark Event**" means, in respect of a Reference Rate (other than Notes where the Reference Rate is specified as being SOFR Benchmark):

(i) such Reference Rate ceasing be published for a period of at least five Business Days or ceasing to exist;

(ii) a public statement by the administrator of such Reference Rate that it will, by a specified date within the following six months, cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate);

(iii) a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued;

(iv) a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months;

(v) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder of a relevant Tranche of the Notes using such Reference Rate;

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) at its own expense;

"**Margin**" has the meaning given in the applicable Pricing Supplement;

"**Reference Rate**" has the meaning given in the applicable Pricing Supplement;

"**Relevant Nominating Body**" means, in respect of a reference rate:

(i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means the rate that the Independent Adviser, the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(vi) *Benchmark Replacement (SOFR)*

The following provisions shall apply if Benchmark Event (SOFR) is specified as applicable in the relevant Pricing Supplement:

(A) Benchmark Replacement

If the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(B) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes), effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(b)(vi), provided that the Agents and/or the Trustee shall not be bound by or be obliged to give effect to any such changes required to give effect to this Condition 5(b)(vi), if in the opinion of the Agents and/or Trustee, the same would not be operable or would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or the Agency Agreement and/or the Trust Deed and/or any documents in respect to the Notes to which it is a party in any way. Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(C) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee pursuant to this Condition 5(b)(vi), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection: (i) will be conclusive and binding absent manifest error; (ii) will be made in the sole discretion of the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee, as applicable; and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

The following defined terms shall have the meanings set out below for the purpose of Conditions 5(b)(iii)(C) and 5(b)(vi):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the relevant Pricing Supplement; provided that if the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee as of the Benchmark Replacement Date:

(i) the sum of:

  (1) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

  (2) the Benchmark Replacement Adjustment;

(ii) the sum of:

  (1) the ISDA Fallback Rate; and

  (2) the Benchmark Replacement Adjustment; or

(iii) the sum of:

  (1) the alternate reference rate that has been selected by the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

  (2) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) in the case of sub-paragraphs (i) or (ii) of the definition of "Benchmark Event", the later of:

(1) the date of the public statement or publication of information referenced therein; and

(2) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(ii) in the case of sub-paragraph (iii) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) in writing;

"**ISDA Definitions**" the 2006 ISDA Definitions (as supplemented, amended and updated as at the date of issue of the first Tranche of the Notes of such Series) as published by ISDA (copies of which may be obtained from ISDA at www.isda.org);

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means: (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded SOFR Average is specified in the relevant Pricing Supplement) or SOFR Index Determination Time (where Compounded SOFR Index is specified in the relevant Pricing Supplement); or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer (in respect of a Tranche of Guaranteed Notes or, as the case may be, a Tranche of KW Notes) or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(c) **Zero Coupon Notes**: Where a Note the "Interest Basis" of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes**: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) **Partly Paid Notes**: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgement) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum Rate of Interest/Minimum Rates of Interest, Maximum Instalment Amount/Minimum Instalment Amount and Maximum Redemption Amount/Minimum Redemption Amount and Rounding**:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Maximum Instalment Amount or Minimum Instalment Amount or Maximum Redemption Amount or Minimum Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes unit means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(h) **Calculations**: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro or Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which T2 is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360, 360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{360 \times (Y_2 - Y_2) + 30 \times (M_2 - M_2) + (D_2 - D_2)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{360 \times (Y_2 - Y_2) + 30 \times (M_2 - M_2) + (D_2 - D_2)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{360 \times (Y_2 - Y_2) + 30 \times (M_2 - M_2) + (D_2 - D_2)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30;

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or SHIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or SHIBOR.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" has the meaning given in the relevant Pricing Supplement.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market and, in the case of a determination of SHIBOR, the principal Shanghai office of four major banks in the Shanghai inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**T2**" means the real time gross settlement system operated by the Eurosystem or any successor system.

(k) **Calculation Agent**: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with prior written notification to the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. In respect of any interest determination provisions referencing ISDA Definitions, in the event the Notes, the Conditions, the Agency Agreement and/or the ISDA Definitions require the Calculation Agent to exercise discretion and/or make calculations and/or determinations which in the opinion of the Calculation Agent (acting in good faith and following consultation, to the extent practicable, with the Issuer), it is not able to exercise and/or make and/or determine operationally, the Issuer will exercise such discretion and/or make such calculations and/or determinations, through any party appointed by it or otherwise, by providing instructions to the Calculation Agent.

(l) **Certificates to be final**: All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Calculation Agent or the Trustee, shall be binding on the Issuer, the Company, CDBALF, the Trustee, the Agents and all Noteholders, Couponholders and/or Receiptholders and no liability to the Issuer, the Company, CDBALF, the Trustee, the Agents and all Noteholders, Couponholders and/or Receiptholders or any other person shall attach to the Trustee or any Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6 REDEMPTION, PURCHASE AND OPTIONS

(a) **Redemption by Instalments and Final Redemption**:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within Condition 6(a)(i) above, its final Instalment Amount.

(b) **Early Redemption**:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above of this Condition 6(b)(i), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgement) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note **nor** an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice (in accordance with Condition 16) to the Noteholders (which notice shall be irrevocable), to the Trustee and the Principal Paying Agent at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) (A) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) CDBALF (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Guaranteed Notes) has or (if a demand was made under the KW Note Guarantee or the Guaranteed Note Guarantee, as the case may be) would become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 or the relevant Guarantee, as the case may be, as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and (B) such obligation cannot be avoided by CDBALF (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Guaranteed Notes) taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or CDBALF, as the case may be, in respect of a Tranche of KW Notes, or the Company, as the case may be, in respect of a Tranche of Guaranteed Notes) would be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the relevant Guarantee were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate signed by any authorised signatory of the Issuer stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by any authorised signatory of CDBALF (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Guaranteed Notes) stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers or accounting firm of recognised standing to the effect that the Issuer or CDBALF (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Guaranteed Notes) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled, without being liable to any Noteholders, Couponholders or Receiptholders or any other Person, to conclusively rely on such certificate and opinion without investigation and to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the case may be) (ii)(A) and (ii)(B) above, in which event they shall be conclusive and binding on the Noteholders, Couponholders and Receiptholders.

Upon the expiry of any such notice period as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(c).

(d) **Redemption at the Option of the Issuer**: If Call Option is specified hereon, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to the Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders**: If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrars or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrars or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Redemption for Change of Control**: Following the occurrence of a Change of Control (as defined below), the holder of each Note will have the right at such holder's option, to require the Issuer to redeem all, or some only, of that holder's relevant Notes on the Change of Control Redemption Date (as defined below) at 101 per cent. of their principal amount together with unpaid interest accrued to the date fixed for redemption. To exercise such right, the holder of the relevant Note must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Change of Control Redemption Notice**") together with the Note (together with all unmatured Receipts and Coupons and unexchanged Talons) (in the case of Bearer Notes) or the Certificate (in the case of Registered Notes) evidencing the Notes to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to the Noteholders by the Issuer in accordance with Condition 16. The "**Change of Control Redemption Date**" will be the 14th day after the expiry of such period of 30 days after the later of a Change of Control or the date upon which notice of a Change of Control is given to the Noteholders by the Issuer in accordance with Condition 16 as referred to above.

A Change of Control Redemption Notice, once delivered, will be irrevocable and the Issuer will redeem the relevant Notes that are the subject of Change of Control Redemption Notices delivered as aforesaid on the Change of Control Redemption Date. The Issuer will give notice to the Noteholders and the Trustee in accordance with Condition 16 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice will specify the procedure for exercise by holders of their rights to require redemption of the relevant Notes pursuant to this Condition and will give brief details of the Change of Control. For the avoidance of doubt, the Trustee will not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred.

For the purposes of this Condition 6(f):

a "**Change of Control**" occurs when:

(i) China Development Bank ceases to directly or indirectly Control the Company;

(ii) (in the case of a Tranche of KW Notes only) the Company ceases to directly or indirectly Control CDBALF;

(iii) (in the case of a Tranche of KW Notes only) the Issuer ceases to be a directly or indirectly wholly-owned Subsidiary of CDBALF; or

(iv) the Issuer ceases to be a directly or indirectly wholly-owned Subsidiary of the Company.

"**Control**" means: (i) the ownership (whether legal or beneficial), acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of a person or (ii) the ability to appoint and/or remove all or the majority of the members of a person's board of directors or other governing body or (iii) possessing the ability or power to direct the management policies of a person, and the terms "**Controlling**" and "**Controlled**" have meanings correlative to the foregoing and for the avoidance of doubt, a person "**Controls**" another person so long as it satisfies any of (i), (ii) or (iii) above in relation to the other person.

Neither the Trustee nor the Agents shall be under any duty to monitor whether any Change of Control has happened or exists and will not be responsible or liable to Noteholders for any loss arising from any failure by it to do so.

(g) **Redemption for No Registration Event**: At any time following the occurrence of a No Registration Event (as defined below), the Issuer (in respect of a Tranche of Guaranteed Notes) shall, at the option of the holder of any Guaranteed Note redeem all but not some only of the Guaranteed Notes of the relevant Tranche held by such holder on the No Registration Put Settlement Date at a price equal to their principal amount (together with interest accrued to the date fixed for redemption). Following the occurrence of a No Registration Event, the Issuer (in respect of a Tranche of Guaranteed Notes) shall give notice to the Noteholders in accordance with Condition 16 by not later than seven days following the first day on which it becomes aware of the occurrence of a No Registration Event, which notice shall specify the procedure for exercise by the Noteholders of their rights to require redemption of the Guaranteed Notes pursuant to this Condition 6(g).

In order to exercise such option, the holder of a Guaranteed Note must, within 30 days following (i) a No Registration Event or (ii) (if later) the day upon which the Issuer (in respect of a Tranche of Guaranteed Notes) gives such relevant notice to Noteholders in accordance with Condition 16, deposit the Note or Certificate relating to such Guaranteed Note with the Principal Paying Agent together with a duly completed and signed notice of redemption (a "**No Registration Put Exercise Notice**") in the form obtainable from the specified office of the Principal Paying Agent. The "**No Registration Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above. No Note or Certificate, once deposited with a duly completed No Registration Put Exercise Notice in accordance with this Condition 6(g), may be withdrawn; provided, however, that if, prior to the No Registration Put Settlement Date, the Guaranteed Notes so deposited or Guaranteed Notes evidenced by any Certificate so deposited become immediately due and payable or, upon due presentation of any Note or Certificate on the No Registration Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Guaranteed Note or Certificate shall, without prejudice to the exercise of such option, be returned to the holder by uninsured first class mail (airmail if overseas) at the address specified by such holder in the relevant No Registration Put Exercise Notice.

For the purposes of these Conditions:

a "**No Registration Event**" occurs when the Release Condition is not satisfied on or before the Registration Deadline;

"**Registration Deadline**" means the day falling 90 PRC Business Days after the date of, in respect of a Tranche of Guaranteed Notes, the relevant Deed of Guarantee or, as the case may be, the relevant supplemental Deed of Guarantee;

"**Release Condition**" means, in respect of a Tranche of Guaranteed Notes, the delivery to the Trustee of:

(a) a certificate in substantially the form set forth in the Trust Deed signed by any authorised signatory of the Company confirming (x) the completion of the Guaranteed Note Cross-border Security Registration; and (y) that no Event of Default is outstanding; and

(b) a true copy of the relevant SAFE registration certificate.

Neither the Trustee nor the Agents shall be under any duty to monitor whether a No Registration Event has happened or exists and will not be responsible or liable to Noteholders for any loss arising from any failure by it to do so.

(h) **Purchases**: Each of the Issuer, CDBALF, the Company and their respective Subsidiaries may at any time purchase the Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Such Notes may be held, resold or, at the option of the Issuer, CDBALF or the Company, surrendered to the Principal Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, CDBALF, the Company or their respective Subsidiaries, shall not entitle such holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 10 and Condition 11.

(i) **Cancellation**: All Notes purchased by or on behalf of the Issuer, CDBALF, the Company or any of their respective Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Principal Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrars and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, CDBALF or the Company, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer, CDBALF and/or the Company (as applicable) in respect of any such Notes shall be discharged.

7 PAYMENTS AND TALONS

(a) **Bearer Notes**: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be:

(i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Renminbi, by transfer from the Paying Agent's office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

In this Condition 7(a) and Condition 7(b), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the T2.

Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the CMU for their distribution to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(b) **Registered Notes**:

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrars and in the manner provided in Condition 7(b)(ii).

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the 15th day before the due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(A) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrars or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank; and

(B) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

*So long as any Global Note or Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of such Global Note or Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(c) **Payments in the United States**:

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Fiscal Laws**:

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to (i) the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders, Couponholders or Receiptholders in respect of such payments.

(e) **Appointment of Agents**:

The Principal Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrars, the Transfer Agents and the Calculation Agent initially appointed by the Issuer, CDBALF and the Company and their respective specified offices are listed below. The Principal Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrars, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer, CDBALF and the Company and do not assume any obligation or relationship of agency or trust for or with any Noteholder, Couponholder or Receiptholders. The Issuer, CDBALF and the Company reserve the right at any time with the prior written approval of the Trustee (where required in accordance with the Agency Agreement) to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrars, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

In addition, the Issuer, CDBALF (in respect of a Tranche of KW Notes) and the Company shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons**:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons**: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days**: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(h), "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8 TAXATION

All payments of principal, premium (if any) and interest in respect of the Notes, the Receipts, the Coupons, the Trust Deed and under the Guarantee by or on behalf of the Issuer, CDBALF (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Guaranteed Notes) shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law.

Where such withholding or deduction is required by law and is made by (i) the Issuer or CDBALF (in respect of a Tranche of KW Notes) as a result of the Issuer or CDBALF, as the case may be, being deemed to be a PRC tax resident at the rate of up to (and including) the aggregate rate applicable on the date on which agreement is reached to issue the first Tranche of the KW Notes (the "**Applicable Rate**" in respect of a Tranche of KW Notes), or (ii) the Company (in respect of a Tranche of Guaranteed Notes), by or on behalf of the PRC or any political subdivision or authority therein or thereof having power to tax at a rate of up to (and including) the aggregate rate applicable on the date on which agreement is reached to issue the first Tranche of the Guaranteed Notes (the "**Applicable Rate**" in respect of a Tranche of Guaranteed Notes), the Issuer, CDBALF (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Guaranteed Notes) will pay such additional amounts as will result in receipt by the Noteholders, Couponholders and Receiptholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event the Issuer, CDBALF (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Guaranteed Notes) is required to make a deduction or withholding (i) by or on behalf of the PRC or any political subdivision or authority therein or thereof having power to tax in excess of the Applicable Rate in respect of a Tranche of KW Notes or the Applicable Rate in respect of a Tranche of Guaranteed Notes, as the case may be; or (ii) by or within any Relevant Jurisdiction except the PRC, the Issuer, CDBALF (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Guaranteed Notes) shall pay such additional amounts (the "**Additional Tax Amounts**") as may be necessary in order that the net amounts received by the Noteholders, Couponholders and Receiptholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes, the Coupons or the Receipts, as the case may be, in the absence of the withholding or deduction, except that no Additional Tax Amounts shall be payable in relation to any payment in respect of any Note, Coupon or Receipt:

(i) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of such Note, Coupon or Receipt by reason of his having some connection with the Cayman Islands, Ireland or the PRC other than the mere holding of the Note, Coupon or Receipt; or

(ii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to such Additional Tax Amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a business day (as defined Condition 7(h));

(iii) to, or to a third party on behalf of, a Noteholder, Couponholder or Receiptholder who would not be otherwise liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been duly requested to make such a declaration or claim, such Noteholder, Couponholder or Receiptholders fails to do so within any applicable period prescribed by such relevant tax authority; or

(iv) for or on account of any deduction or withholding imposed pursuant to Sections 1471-1474 of the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury regulations thereunder ("**FATCA**"), any intergovernmental agreement entered into with respect to FATCA, or any law, regulation or other official guidance enacted or published in any jurisdiction implementing, or relating to, FATCA or any intergovernmental agreement.

In these Conditions,

"**Relevant Date**" in respect of any Note, Receipt or Coupon means whichever is the later of (1) the date on which payment in respect thereof first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent in accordance with the terms of the Agency Agreement on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed; and

"**Relevant Jurisdiction**" means, in respect of a Tranche of KW Notes, the Cayman Islands, Ireland, the PRC, any jurisdiction in which the Issuer, CDBALF and the Company respectively is incorporated, any jurisdiction of residence for tax purposes of the Issuer, CDBALF and the Company, respectively, or any political subdivision or any authority thereof or therein having power to tax and, in respect of a Tranche of Guaranteed Notes, the Cayman Islands, the PRC, any jurisdiction in which the Issuer and the Company is incorporated, any jurisdiction of residence for tax purposes of the Issuer and the Company, respectively, or any political subdivision or any authority thereof or therein having power to tax.

Neither the Trustee nor any Agent shall be responsible for paying any Tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, CDBALF, the Company, any Noteholder or any third party to pay such Tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any Tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 PRESCRIPTION

Claims against the Issuer, CDBALF (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Guaranteed Notes) for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 EVENTS OF DEFAULT

In respect of a Tranche of Notes, if any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in nominal amount of the relevant Series of Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject to it in any such case being indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer, CDBALF (in respect of a Tranche of KW Notes) and/or, as the case may be, the Company (in respect of a Tranche of Guaranteed Notes) declaring that such Tranche of Notes are, and they shall immediately become, due and payable at (in the case of Zero Coupon Notes) their Early Redemption Amount or (in the case of Notes other than Zero Coupon Notes) their nominal amount, in each case, together (if applicable) with accrued interest:

(a) there has been a failure to pay (i) any amount of principal in respect of the Notes when due; or (ii) any interest on the Notes within 21 days after the due date for such payment; or

(b) (i) in respect of a Tranche of KW Notes, default by the Issuer, CDBALF and/or the Company in the performance or observance of any of its other obligations under or in respect of the KW Notes, the Trust Deed, the Agency Agreement and/or the Keepwell and Asset Purchase Deed and such default remains unremedied for 30 days following receipt by the Issuer, CDBALF and/or the Company of written notice thereof by the Trustee, provided that the occurrence of a Change of Control shall not constitute an event of default under this Condition 10(b)(i), but only trigger a redemption pursuant to Condition 6(f) or (ii) in respect of a Tranche of Guaranteed Notes, default by the Issuer and/or the Company in the performance or observance of any of its other obligations under or in respect of the Guaranteed Notes, the Trust Deed, the relevant Deed of Guarantee and/or the Agency Agreement and such default remains unremedied for 30 days following receipt by the Issuer and/or the Company of written notice thereof by the Trustee, provided that the occurrence of a Change of Control shall not constitute an event of default under this Condition 10(b)(ii), but only trigger a redemption pursuant to Condition 6(f) and the failure to complete the Guaranteed Note Cross-border Security Registration before the Registration Deadline shall not constitute an event of default under this Condition 10(b)(ii), but only trigger a redemption pursuant to Condition 6(g); or

(c) (i) in respect of a Tranche of KW Notes, failure by the Issuer, CDBALF, the Company or a Principal Subsidiary to make any payment when due of principal or interest in excess of US$50,000,000 or its equivalent in any other currency or currencies (whether upon maturity, acceleration or otherwise) on or in connection with Indebtedness for Borrowed Money (other than that represented by the KW Notes) or guarantees given by the Issuer, CDBALF, the Company or a Principal Subsidiary in respect of Indebtedness for Borrowed Money of others, and such failure by the Issuer, CDBALF, the Company or such Principal Subsidiary to make payment or to validly reschedule the payment (with the consent of the persons to which such Indebtedness for Borrowed Money is owed) of such Indebtedness for Borrowed Money continues for 30 days or more after the expiry of any applicable grace period following the date on which such payment became due or (ii) in respect of a Tranche of Guaranteed Notes, failure by the Issuer, the Company or a Principal Subsidiary to make any payment when due of principal or interest in excess of US$50,000,000 or its equivalent in any other currency or currencies (whether upon maturity, acceleration or otherwise) on or in connection with Indebtedness for Borrowed Money (other than that represented by the Guaranteed Notes) or guarantees given by the Issuer, the Company or a Principal Subsidiary in respect of Indebtedness for Borrowed Money of others, and such failure by the Issuer, the Company or such Principal Subsidiary to make payment or to validly reschedule the payment (with the consent of the persons to which such Indebtedness for Borrowed Money is owed) of such Indebtedness for Borrowed Money continues for 30 days or more after the expiry of any applicable grace period following the date on which such payment became due; or

(d) (i) in respect of a Tranche of KW Notes, any of the Issuer, CDBALF, the Company or a Principal Subsidiary is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of such entity or (ii) in respect of a Tranche of Guaranteed Notes, any of the Issuer, the Company or a Principal Subsidiary is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of such entity; or

(e) (i) in respect of a Tranche of KW Notes, an order is made or an effective resolution passed for the winding-up or dissolution or administration of any of the Issuer, CDBALF, the Company or a Principal Subsidiary or any of the Issuer, CDBALF, the Company or a Principal Subsidiary ceases to carry on all or substantially all of its business or operations except (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution, or (B) in the case of any Subsidiary (other than the Issuer), for the purposes of a disposal, reconstruction, amalgamation, reorganisation, merger or consolidation of such entity effected under the direction or authority of, any national, regional or local PRC government (including the National Administration of Financial Regulation or its successor), provided that all of the business, undertaking and assets resulting from such exercise are transferred to or otherwise vested in the Company or any of its other Subsidiaries, or (C) a solvent winding-up of any Principal Subsidiary or (ii) in respect of a Tranche of Guaranteed Notes, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, the Company or a Principal Subsidiary or any of the Issuer, the Company or a Principal Subsidiary ceases to carry on all or substantially all of its business or operations except (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution, or (B) in the case of any Subsidiary (other than the Issuer), for the purposes of a disposal, reconstruction, amalgamation, reorganisation, merger or consolidation of such entity effected under the direction or authority of, any national, regional or local PRC government (including the National Administration of Financial Regulation or its successor), provided that all of the business, undertaking and assets resulting from such exercise are transferred to or otherwise vested in the Company or any of its other Subsidiaries, or (C) a solvent winding-up of any Principal Subsidiary; or

(f) (i) in respect of a Tranche of KW Notes, it is or will become unlawful for the Issuer, CDBALF or the Company to perform or comply with any one or more of their respective obligations under any of the KW Notes, the Trust Deed, the Agency Agreement or the Keepwell and Asset Purchase Deed or (ii) in respect of a Tranche of Guaranteed Notes, it is or will become unlawful for the Issuer or the Company to perform or comply with any one or more of their respective obligations under any of the Guaranteed Notes, the Trust Deed, the relevant Deed of Guarantee or the Agency Agreement; or

(g) (i) in respect of a Tranche of KW Notes, the KW Note Guarantee is not (or is claimed by CDBALF not to be) in full force and effect or (ii) in respect of a Tranche of Guaranteed Notes, the Guaranteed Note Guarantee is not (or is claimed by the Company not to be) in full force and effect; or

(h) in respect of a Tranche of KW Notes, the Keepwell and Asset Purchase Deed is not (or is claimed by CDBALF or the Company not to be) in full force and effect, or the Keepwell and Asset Purchase Deed is modified, amended or terminated other than strictly in accordance with its respective terms or these Conditions; or

(i) any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in paragraphs (e) to (h) of this Condition 10.

The Trustee shall not be obliged to take any steps to ascertain whether a Change of Control, Potential Event of Default (as defined in the Trust Deed) or Event of Default has occurred or to monitor the occurrence of any Change of Control, Potential Event of Default or Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.

11 MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Trust Deed contains provisions for convening meetings (including by way of teleconference or video conference call) of, in respect of a Tranche of Notes, the relevant Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons, the Agency Agreement, the Guarantee, the Keepwell and Asset Purchase Deed or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, CDBALF (in respect of a Tranche of KW Notes), the Company or the Trustee and shall be convened by the Issuer if required in writing by the Noteholders holding more than 15 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons, the Agency Agreement, the Trust Deed, the Keepwell and Asset Purchase Deed or the Guarantee (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution. An Extraordinary Resolution passed by the Noteholders will be binding on all the holders of the relevant Series of Notes, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all the Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Guarantee, the Keepwell and Asset Purchase Deed, the Agency Agreement or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 16 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, CDBALF, the Company, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

12 ENFORCEMENT

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer, CDBALF and/or the Company as it may think fit to enforce the provisions of the Trust Deed, the Guarantee, the Keepwell and Asset Purchase Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Keepwell and Asset Purchase Deed, the Notes, the Receipts, the Coupons or the relevant Guarantee unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least 25 per cent. in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer, CDBALF (if applicable) or the Company unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

13 TRUSTEE AND AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified and/or pre-funded and/or secured to its satisfaction and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders, the Couponholders or Receiptholders. In addition, the Trustee, its directors and officers are entitled to enter into business transactions with any of the Issuer, CDBALF, the Company and any entity relating to any of the Issuer, CDBALF, the Company or any other Person without being accountable for the same (including any profit therefrom) to the Noteholders, the Couponholders, the Receiptholders or any Person. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders, the Couponholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trustee may act on the advice, opinion or report of or any information obtained from any lawyer, valuer, accountant, auditor, surveyor, banker, broker, auctioneer, or other expert (whether obtained by the Issuer, CDBALF, the Company, the Trustee or otherwise, whether or not addressed to the Trustee, and whether or not the advice, opinion, report or information, or any engagement letter or other related document, contains a monetary or other limit on liability or limits the scope and/or basis of such advice, opinion, report or information). The Trustee will not be responsible to anyone for any liability occasioned by so acting.

In acting under the Agency Agreement and in connection with the Notes, the Receipts and the Coupons, the Agents act solely as agents of the Issuer, CDBALF (in respect of a Tranche of KW Notes), the Company (in respect of a Tranche of Guaranteed Notes) and (to the extent provided therein) the Trustee and do not assume any obligations or responsibilities towards or relationship of agency or trust for or with any of the holders or any third parties.

The initial Agents and their initial specified offices are listed below. the Issuer, CDBALF (in respect of a Tranche of KW Notes) and the Company (in respect of a Tranche of Guaranteed Notes) reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor Principal Paying Agent and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain (a) a Principal Paying Agent and a registrar and (b) a paying agent and a transfer agent.

Notice of any change in any of the Agents or in their specified offices shall promptly be given to the Noteholders.

Neither the Trustee nor the Agents shall be required to monitor or supervise compliance with the provisions of the Trust Deed or these Conditions (including Conditions 6 and 10), and shall not be liable to the Issuer, CDBALF, the Company, the Noteholders, the Couponholders, the Receiptholders or any other Person for not doing so.

14 REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and requirements of stock exchange or other relevant authority, at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrars (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15 FURTHER ISSUES

Subject to compliance with Conditions 4(b) and 4(c), the Issuer shall be at liberty from time to time without the consent of the relevant Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon, the date from which interest starts to accrue, the NDRC Post-issue Information Report (including the timing for the submission and/or completion therefor) and, in respect of a Tranche of Guaranteed Notes, the Guaranteed Note Cross-border Security Registration (including the timing for the submission and/or completion therefor) and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16 NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in Asia. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrars (in the case of Registered Notes).

So long as any Global Note or Global Certificate is held in its entirely on behalf of Euroclear/Clearstream, Luxembourg or CMU, any notice to the Noteholders shall be validly given by the delivery of the relevant notice to Euroclear/Clearstream, Luxembourg and/or CMU, as the case maybe, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 CURRENCY INDEMNITY

In respect of a Tranche of Notes, if any sum due from the Issuer, CDBALF (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Guaranteed Notes) in respect of the relevant Tranche of the Notes, the Receipts, the Coupons, the Guarantee, the Trust Deed or any order or judgement given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgement into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, CDBALF (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Guaranteed Notes), (b) obtaining an order or judgement in any court or other tribunal or (c) enforcing any order or judgement given or made in relation to the relevant Tranche of the Notes, the Receipts, the Coupons, the Guarantee or the Trust Deed, the Issuer, CDBALF (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Guaranteed Notes) shall indemnify the Trustee and each relevant Noteholder, Couponholder and Receiptholders, on the written demand of the Trustee or such Noteholder, Couponholder or Receiptholder addressed to the Issuer, CDBALF (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Guaranteed Notes) and delivered to the Issuer, CDBALF (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Guaranteed Notes), against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Noteholder, Couponholder or Receiptholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgement, claim or proof.

This indemnity constitutes a separate and independent obligation of each of the Issuer, CDBALF (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Guaranteed Notes) and shall give rise to a separate and independent cause of action.

18 GOVERNING LAW AND JURISDICTION

(a) **Governing law**: The Notes, the Receipts, the Coupons, the Talons, the relevant Deed of Guarantee, the Keepwell and Asset Purchase Deed, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes, the Receipts, the Coupons, the relevant Deed of Guarantee, the Keepwell and Asset Purchase Deed, the Agency Agreement and the Trust Deed are governed by, and will be construed in accordance with, English law.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Receipts, the Coupons, the Talons, the relevant Deed of Guarantee, the Keepwell and Asset Purchase Deed, the Agency Agreement and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Receipts, the Coupons, the Talons, the relevant Deed of Guarantee, the Keepwell and Asset Purchase Deed, the Agency Agreement and the Trust Deed ("**Proceedings**") may be brought in such courts. Each of the Issuer, CDBALF and the Company irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) **Service of Process**: Each of the Issuer, CDBALF and the Company hereby irrevocably appoints CDB Aviation Hong Kong Limited to accept service of process in Hong Kong in respect of any Proceedings at Flat/Rm 2004-9, 20/F Three Pacific Place, 1 Queen's Road East, Wanchai, Hong Kong. Each of the Issuer, CDBALF and the Company undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose. Nothing in this clause shall affect the right to serve process in any other manner permitted by law.

(d) **Immunity**: To the extent that each of the Issuer, CDBALF and the Company may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer, CDBALF and the Company, as the case may be, or their respective assets or revenues, each of the Issuer, CDBALF and the Company agrees not to claim and irrevocably waive such immunity to the full extent permitted by the laws of such jurisdiction.

19 RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes.

20 DEFINITIONS

In these Conditions:

"**Assets**" means the aircraft and/or other assets held by a Relevant Transferor (as defined in the Keepwell and Asset Purchase Deed) which is subject to and available for the Purchase pursuant to the Keepwell and Asset Purchase Deed;

"**CDBALF Audited Financial Reports**" means the annual audited consolidated profit and loss, balance sheet and cashflow statements of CDBALF together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with IFRS;

"**CDBALF Unaudited Financial Information**" means, for a Relevant Period, the unaudited consolidated profit and loss and balance sheet statements of CDBALF prepared in accordance with IFRS;

"**Company Audited Financial Reports**" means the annual audited consolidated income statement, balance sheet and cashflow statements of the Group together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with the IFRS or the PRC GAAP, if and to the extent such statements, reports and the notes are prepared by the Company;

"**Company Unaudited Financial Information**" means, for a Relevant Period, the unaudited consolidated income statement and balance sheet of the Group prepared in accordance with the IFRS or the PRC GAAP together with any statements, reports (including any directors' and auditors' reports, if any) and notes attached to or intended to be read with any of them, if and to the extent such statements, reports and the notes are prepared by the Company;

"**Compliance Certificate**" means a certificate of the Company signed by any one of its directors or authorised signatories that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Company as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(a) no Event of Default or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it;

(b) in the case of any KW Note, each of the Issuer, CDBALF and the Company has complied with all their respective obligations under the Trust Deed, the Keepwell and Asset Purchase Deed, the KW Note Guarantee and the KW Notes; and

(c) in the case of any Guaranteed Notes, each of the Issuer and the Company has complied with all their respective obligations under the Trust Deed, the relevant Deed of Guarantee and the Guaranteed Notes;

"**Group**" means the Company and its consolidated subsidiaries taken as a whole;

"**Indebtedness for Borrowed Money**" means that, with respect to any person, includes, without limitation, all obligations of such person for the payment of repayment of money, whether present or future, actual or contingent including, without limitation, such indebtedness in respect of:

(a) moneys borrowed;

(b) indebtedness under any hedging instrument (including, without limitation, interest rate swap, currency swap, cap, collar, floor, forward or option);

(c) amounts raised by acceptance under any acceptance credit facility;

(d) amounts raised through the issue of any bond, note or other debt security whether or not convertible into equity;

(e) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting standards applicable to the Issuer, CDBALF or the Company (as the case may be), be treated as finance or capital leases;

(f) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days;

(g) the amount of any guarantee, indemnity, suretyship or other arrangement under which the relevant person is or may be liable for or assure the repayment of the indebtedness of any other person; and

(h) amounts raised under any other transaction which would, in accordance with generally accepted accounting standards applicable to the Issuer, CDBALF or the Company (as the case may be), be treated as a borrowing.

"**Issue Date**" means the date of issue of the relevant Tranche of Notes;

"**Limited Recourse Indebtedness**" means any Public External Indebtedness if (i) by the terms of such financing it is expressly provided that the holders of the resulting indebtedness look to the properties or assets of the issuer or the borrower and the revenues to be generated by the operation of, or loss of or damage to, such properties or assets for repayment of the moneys advanced and payment of interest thereon and (ii) such financing is not guaranteed by the Issuer, CDBALF, the Company or any Principal Subsidiary;

"**National Export Credit Agency Guaranteed Capital Markets Instrument**" means any Public External Indebtedness issued by an entity (not being the Issuer, CDBALF or a Principal Subsidiary) that is guaranteed by any National Export Credit Agency;

"**National Export Credit Agency**" means any of Export-Import Bank of the United States or Export Credit Guarantee Department of the U.K. or Euler Hermes of Germany or COFACE of France or any other agency of the government of any country or quasi-government agency that provides guarantees to support the financing of equipment (including aircraft or parts thereof) exported from that country;

"**Net Assets**" means total assets less total liabilities;

"**NDRC**" means the National Development and Reform Commission of the PRC or its relevant competent local counterparts;

"**person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Potential Event of Default**" means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10 become an Event of Default;

"**PRC**" means the People's Republic of China which, solely for the purposes of these Conditions, excludes Hong Kong, Macau and Taiwan;

"**PRC Business Day**" means a day (other than a Saturday, Sunday or a public holiday) on which commercial banks are generally open for business in the PRC;

"**Principal Subsidiary**" means any Subsidiary of the Company whose Net Assets, as shown by the accounts of such subsidiary, based upon which the latest audited consolidated accounts of the Group have been prepared, are at least 10.0 per cent. of the Net Assets of the Group as shown by such audited consolidated accounts, provided that if any such subsidiary (the "**Transferor**") shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another subsidiary or the Company (the "**Transferee**") then (1) if the whole of the business, undertaking and assets of the Transferor shall be so transferred, the Transferor shall thereupon cease to be a Principal Subsidiary and the Transferee (unless it is the Company) shall thereupon become a Principal Subsidiary; and (2) if a substantial part only of the business, undertaking and assets of the Transferor shall be so transferred, the Transferor shall remain a Principal Subsidiary and the Transferee (unless it is the Company) shall thereupon become a Principal Subsidiary;

Any Subsidiary which becomes a Principal Subsidiary by virtue of (1) above or which remains or becomes a Principal Subsidiary by virtue of (2) above shall continue to be a Principal Subsidiary until the earlier of the date of issue of (A) the first audited consolidated accounts of the Group prepared as at a date later than the date of the relevant transfer which show the Net Assets as shown by the accounts of such Subsidiary, based upon which such audited consolidated accounts of the Group have been prepared, to be less than 10.0 per cent. of the Net Assets of the Group, as shown by such audited consolidated accounts or (B) a report by the Group's auditors as described below dated on or after the date of the relevant transfer which shows the Net Assets of such Subsidiary to be less than 10.0 per cent. of the Net Assets of the Group. A certificate by the Company that a Subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"**Programme**" means the medium term note programme, under which the Issuer, subject to compliance with all relevant laws, regulations and directives, may from time to time issue (1) the Guaranteed Notes unconditionally and irrevocably guaranteed by the Company or (2) the KW Notes unconditionally and irrevocably guaranteed by CDBALF and with the benefit of the Keepwell and Asset Purchase Deed provided by the Company;

"**Public External Indebtedness**" means any indebtedness of the Issuer, CDBALF, the Company or a Principal Subsidiary (as the case may be) for money borrowed represented by bonds, notes, debentures or other similar instruments or any guarantee or indemnity by the Issuer, CDBALF, the Company or a Principal Subsidiary (as the case may be) of such indebtedness for money borrowed which, in either case, (i) has an original maturity in excess of one year and (ii) is, or is capable of being, quoted, listed or traded on any stock exchange or over-the-counter or other similar securities market outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements);

"**Relevant Period**" means (i) in relation to each of the Company Audited Financial Reports and the CDBALF Audited Financial Reports, each period of twelve months ending on the last day of their respective financial year (being 31 December of that financial year); and (ii) in relation to each of the Company Unaudited Financial Information and the CDBALF Unaudited Financial Information, each period of six months ending on the last day of their respective first half financial year (being 30 June of that financial year);

"**SAFE**" means the State Administration of Foreign Exchange of the PRC or its local counterpart;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**") whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; and

"**Triggering Event**" means any of the following events:

(i) an Event of Default; or

(ii) the Company fails to provide the Trustee with a liquidity notice on or prior to the Liquidity Notice Date (as defined in the Keepwell and Asset Purchase Deed) in accordance with the Keepwell and Asset Purchase Deed.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Terms used in this section that are not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes."

INITIAL ISSUE OF NOTES

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream (the "**Common Depositary**") or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note or a Global Certificate with the Common Depositary or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the Hong Kong Monetary Authority as operator of the CMU and delivery of the relative Global Note or Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled, to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

EXCHANGE

Temporary Global Notes

Bearer Notes issued in accordance with TEFRA D must be initially represented by a temporary Global Note. Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreements for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

Bearer Notes with a term of more than 365 days (taking into account any unilateral rights to rollover or extend the term) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the Issuer to comply with the certification requirements under TEFRA D.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a temporary Global Note issued pursuant to TEFRA D will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreements, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. The payments in respect of a Note issued under TEFRA D pursuant to Condition 6(e) may not be collected without certificate as to non-U.S. beneficial ownership.

Further Issues

In respect of a Bearer Note issued under TEFRA D, a further issue of Notes by the Issuer pursuant to Condition 15 may be consolidated with outstanding Notes only after certification of non-U.S. beneficial ownership has been received in accordance with TEFRA D and the temporary Global Note has been exchanged for a permanent Global Note or Definitive Note.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfer of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In the event that a Global Certificate is exchanged for a definitive certificate, such definitive certificate shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive certificate in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Principal Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, (i) in relation to an exchange of a temporary Global Note to a permanent Global Note, the day falling after the expiry of 40 days after its issue date and, (ii) in relation to an exchange of a permanent Global Note to a Definitive Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Principal Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(f)(vi) and Condition 8(c) will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of "business day" set out in Condition 7(h).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate representing Notes held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "**Clearing System Business Day**" means a day on which the CMU is operating and open for business.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as two persons for the purposes of quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Terms and Conditions of the Notes to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or its presentation to or to the order of the Principal Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such permanent Global Note or, in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note or by a Global Certificate may only be purchased by the Issuer, CDBALF, the Company or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Option of the Issuer

Any option of early redemption of the Issuer provided for in the Terms and Conditions of any Notes while such Notes are represented by a permanent Global Note or by a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Terms and Conditions of the Notes, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Terms and Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Principal Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Terms and Conditions of the Notes substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised and the option may be exercised in respect of the whole or any part of the permanent Global Note, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Principal Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation. Any option of the Noteholders provided for in the Terms and Conditions of any Notes while such Notes are represented by a Global Certificate may be exercised in respect of all or some of the Notes represented by the Global Certificate.

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Terms and Conditions of the Notes or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Terms and Conditions of the Notes or by delivery of the relevant notice to the holders of Notes, and any such notice shall be deemed to have been given to the holders of Notes on the day on which such notice is delivered to the CMU.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

DESCRIPTION OF THE KEEPWELL AND ASSET PURCHASE DEED

The following contains summaries of certain key provisions of the Keepwell and Asset Purchase Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell and Asset Purchase Deed. Capitalised terms used in this section shall have the meanings given to them in the Keepwell and Asset Purchase Deed.

CONTROL OF CDBALF; OWNERSHIP OF THE ISSUER AND PRIMARY OVERSEAS PLATFORM

At all times during the term of the Keepwell and Asset Purchase Deed, the Company undertakes with CDBALF and the Trustee that it shall directly or indirectly Control CDBALF and shall maintain CDBALF as a primary overseas platform of the Company for its offshore aircraft leasing business.

At all times during the term of the Keepwell and Asset Purchase Deed, the Company undertakes with the Trustee that it shall procure that CDBALF shall directly or indirectly own and hold all the legal and beneficial title to the outstanding shares of the Issuer.

MAINTENANCE OF CONSOLIDATED NET WORTH AND LIQUIDITY

Pursuant to the Keepwell and Asset Purchase Deed, the Company undertakes to procure:

(i) each of the Issuer and CDBALF to have a Consolidated Net Worth of at least U.S.$1.00 and U.S.$20,000,000, respectively, at all times;

(ii) each of the Issuer and CDBALF to have sufficient liquidity to ensure timely payment by the Issuer or CDBALF of any amounts payable under or in respect of the KW Notes, the Coupons in relation to the KW Notes, or the KW Note Guarantee in accordance with the terms and conditions of the KW Notes and the Trust Deed and otherwise under the Trust Deed and the Agency Agreement; and

(iii) each of the Issuer and CDBALF to remain solvent and a going concern at all times under the laws of its jurisdiction of incorporation and applicable accounting standards.

OBLIGATION TO ACQUIRE ASSETS

In the event that a Triggering Event has occurred, the Company shall give a notice in writing (the "**Triggering Event Notice**") to the Trustee upon becoming aware of the occurrence of a Triggering Event in accordance with the Trust Deed and agrees that it shall purchase (either by itself or through a Subsidiary of the Company as designated by it (the "**Designated Purchaser**")) (the "**Purchase**") and CDBALF agrees that it shall sell to the Company:

(i) the Assets held by CDBALF and/or any Subsidiary of CDBALF and/or any Subsidiary of the Company, as designated by CDBALF and notified in writing to the Trustee within seven Business Days after the date of the Triggering Event Notice; or

(ii) in the absence of a designation and notification within seven Business Days after the date of the Triggering Event Notice, all the Assets held by CDBALF and its Subsidiaries,

(each such designated entity, a "**Relevant Transferor**") in either such case at the Purchase Price on the relevant Purchase Closing Date on the terms set out in the Keepwell and Asset Purchase Deed.

The obligations set out in the Keepwell and Asset Purchase Deed shall be suspended if any of the following events has occurred (each a "**Suspension Event**"):

(i) (a) all of the payment obligations of the Issuer in respect of any principal, premium and interest under the KW Notes have been satisfied in full and (b) all amounts due and payable to the Trustee under the Trust Deed have been satisfied in full; or

(ii) in the event of a Liquidity Notice Failure Event, (a) the payment obligations of the Issuer in respect of any principal, premium and interest under the KW Notes due on the Interest Payment Date immediately following the relevant Liquidity Notice Date together with any default interest then due have been satisfied in full and (b) all amounts due and payable to the Trustee under the Trust Deed as at the date of the relevant Liquidity Notice Date have been satisfied in full; or

(iii) in the event of an Event of Default where a Triggering Event Notice has been given, such Event of Default has been waived by the Trustee acting on the instructions of the Noteholders by Extraordinary Resolution.

DETERMINATION OF PURCHASE PRICE

Within seven Business Days after the date of the Triggering Event Notice, the Company shall determine in accordance with any applicable PRC laws and regulations effective at the time of determination (i) the purchase price of the Relevant Asset(s) in US dollars (the "**Purchase Price**"); and (ii) the other applicable terms relating to the Purchase which shall not conflict with the Company's obligations in the Keepwell and Asset Purchase Deed, **provided that** the Purchase Price shall be no less than the Relevant Amount.

CLOSING

The Company undertakes to the Trustee that within 30 days after the date of the Triggering Event Notice:

(i) it shall (or shall procure the Designated Purchaser to), and shall procure each Relevant Transferor to, execute, an asset sale agreement;

(ii) it shall procure the transfer of the Relevant Assets to it or the Designated Purchaser, and

(iii) it shall make payment (or procure the payment by the Designated Purchaser) to or to the order of each Relevant Transferor the Purchase Price payable in immediately available funds in US dollars to such account as may be designated by such Relevant Transferor and notified in writing to the Trustee,

provided if the Trustee receives an opinion of a reputable PRC counsel in form and substance satisfactory to the Trustee stating that under applicable PRC law as at the date of the opinion, approvals, consents, clearances or other authorisations of a PRC government authority is required for the purchase of any Relevant Asset under the Keepwell and Asset Purchase Deed, the Company undertakes to use its reasonable endeavours to obtain such approval, clearance or other authorisation and complete the completion of the Purchase within six months from the date of the Triggering Event Notice.

OTHER UNDERTAKINGS

For so long as the KW Notes are outstanding, the Company hereby undertakes:

(i) to procure that the articles of association of the Issuer or CDBALF shall not be amended in a manner that is, directly or indirectly, materially adverse to holders of the KW Notes;

(ii) to cause the Issuer and CDBALF to remain in full compliance with the terms and conditions of the KW Notes, the Trust Deed and all applicable rules and regulations;

(iii) to take any and all reasonable action necessary to comply with its obligations under the Keepwell and Asset Purchase Deed; and

(iv) to cause the Issuer and CDBALF to take all reasonable action necessary to comply with its obligations under the Keepwell and Asset Purchase Deed.

The Keepwell and Asset Purchase Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of the Issuer or CDBALF under the laws of any jurisdiction, including the PRC.

Notwithstanding anything contained in the Keepwell and Asset Purchase Deed, if, and to the extent that the Company is required to obtain any Regulatory Approvals (including but not limited to any Regulatory Approvals of PRC government authorities) in order to comply with its obligations under the Keepwell and Asset Purchase Deed, the performance of such obligation shall always be qualified by, and subject to, the Company having obtained such Regulatory Approvals. In this regard, the Company undertakes to use all reasonable efforts to obtain such Regulatory Approvals within the time stipulated by the relevant Approval Authorities, if applicable.

A certificate signed by a director or authorised signatory of the Company as to the fact stating that the Company has used reasonable efforts to fulfil its obligations under the Keepwell and Asset Purchase Deed, but having used such endeavours, it has not been able to fulfil its obligations under the Keepwell and Asset Purchase Deed and setting forth a statement of facts showing such endeavours, together with any evidence or records of communication, filings and/or submissions supporting such endeavours, and an opinion of a reputable PRC counsel, in form and substance satisfactory to the Trustee, stating the applicable Regulatory Approvals under the Keepwell and Asset Purchase Deed and, where applicable, setting out the legal analysis as to why these cannot be obtained or are not reasonably achievable under the applicable PRC laws and regulations, shall be *prima facie* evidence of that fact.

The Keepwell and Asset Purchase Deed, as to which time shall be of the essence, and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

CERTAIN IRISH LAW CONSIDERATIONS

PREFERRED CREDITORS UNDER IRISH LAW

Under Irish law, upon an insolvency of a company that is liable to be wound up under the Irish Companies Act 2014 (as amended) (the "**Companies Act**") (which includes CDBALF, as an Irish incorporated designated activity company limited by shares, and could include the Issuer, as an Irish tax resident company), when applying the proceeds that may have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority in such application of proceeds over the claims of secured and unsecured creditors. These preferred claims include, *inter alia*, the remuneration, costs and expenses properly incurred by any examiner of the company (which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment) which have been approved by the Irish courts and moneys owed to the Revenue Commissioners.

EXAMINERSHIP

Examinership is a court procedure available under the Companies Act to facilitate the survival of Irish companies in financial difficulties. Where a company, which has its centre of main interests in Ireland is, or is likely to be unable to pay its debts an examiner may be appointed on a petition to the relevant Irish court under Section 509 of the Companies Act.

CDBALF, as an Irish incorporated designated activity company limited by shares, is directly subject to Irish legislation on examinership. As the Issuer has its centre of main interests in Ireland and is Irish tax resident, it is also likely to be subject to Irish legislation on examinership.

The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after this appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to this appointment. Furthermore, the examiner may sell assets, the subject of a fixed charge. However, if such power is exercised the examiner must account to the holders of the fixed charge for the amount realised and discharge the amount due to the holders of the fixed charge out of the proceeds of the sale.

During the period of protection, the examiner will formulate proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish High Court when it is satisfied that:

(a) a majority in number of creditors whose interests or claims would be impaired by the implementation of the proposals, representing a majority in value of the claims that would be impaired by the implementation of the proposals, have accepted the proposals; or

(b) (i) a majority of the voting classes of creditors whose interests or claims would be impaired by the scheme of arrangement have accepted them, provided that at least one of those creditor classes is a class of secured creditors or is senior to the class of ordinary secured creditors (for example, creditors whose claims are afforded preferential status pursuant to statute); or

(ii) where the condition prescribed in (i) above has not been satisfied, at least one voting class of creditors whose interests or claims would be impaired by the scheme of arrangement and who would be an "in the money creditor" in a liquidation has voted in favour of the scheme of arrangement.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. The primary risks to the noteholders are as follows:

(a) during the period of protection, no action may be taken by creditors to enforce their rights to payment of amounts due by the company in examinership or any guarantor or (in the case of the secured creditors) to enforce or realise any security granted. Accordingly, if an examiner were to be appointed over the Issuer or CDBALF, payments on the Notes could be deferred;

(b) the potential for a scheme of arrangement being approved involving the writing down of the debt due by the Issuer or CDBALF to the Noteholders; and

(c) in the event that a scheme of arrangement is not approved and the Issuer (or CDBALF) subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer (or CDBALF) and approved by the Irish courts) will take priority over the moneys and liabilities which from time to time are or may become due, owing or payable by the Issuer (or CDBALF) to the Noteholders.

These risks have the potential to reduce the amounts due on the Notes and/or any proceeds from the exercise of remedies with respect to any guarantee and thus reduce distributions on the Notes.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

CAYMAN ISLANDS

Under existing Cayman Islands laws, payments of interest, principal and other amounts on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest, principal and other amounts on the Notes or a distribution to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax.

The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. No stamp duty is payable in respect of the issue or transfer of the Notes although Cayman Islands stamp duty will be payable if the Notes are executed in or brought into the Cayman Islands or produced before the courts of the Cayman Islands. Certificates evidencing the Notes, in registered form, to which title is not transferable by delivery, should not attract Cayman Islands stamp duty. However, an instrument transferring title to Notes, if brought into or executed in the Cayman Islands, or produced before the courts of the Cayman Islands, would be subject to Cayman Islands stamp duty.

IRELAND

The Issuer expects to be a tax resident in Ireland. The following discussion reflects the material Irish tax consequences applicable to the Issuer. This discussion is based on Irish tax law, statutes, treaties, regulations, rulings and decisions (and interpretations thereof) all as at the date of this Offering Circular. Taxation laws are subject to change, from time to time, and no representation is or can be made as to whether such laws will change and what impact, if any, such changes will have on the summary contained in this Offering Circular. Proposed amendments may not be enacted as proposed, and legislative or judicial changes, as well as changes in administrative practise may modify or change statements expressed herein.

This summary is of a general nature only and does not purport to be a complete description of all of the tax considerations that may be relevant to a decision to purchase the Notes. This summary relates only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain other classes of persons. This summary does not constitute legal or tax advice, nor does it discuss all aspects of Irish taxation that may be relevant.

Prospective investors are advised to consult their own tax advisers as to the tax consequences, regarding the taxation implications of acquiring, owning and disposing of the Notes.

For the purposes of this summary of Irish tax considerations:

"**Qualifying Company for the purposes of the Irish Securitisation Regime**" means a company which satisfies the conditions to be a "Qualifying Company" as defined in Section 110 of Ireland's Taxes Consolidation Act 1997; and

"Relevant Territory" is defined as (i) a country with which Ireland has concluded a double tax treaty which is currently in force, or (ii) a country with which Ireland has concluded a double tax treaty which is subject to the completion of administrative procedures before it comes into force, or (iii) or a member state of the European Union other than Ireland. As at the date of publication, Ireland is a party to in force double tax treaties with 73 countries: Albania, Armenia, Australia, Austria, Bahrain, Belarus, Belgium, Bosnia & Herzegovina, Botswana, Bulgaria, Canada, Chile, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Ethiopia, Finland, France, Georgia, Germany, Greece, Hong Kong, Hungary, Iceland, India, Israel, Italy, Japan, Kazakhstan, Korea (Republic of), Kuwait, Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mexico, Moldova, Montenegro, Morocco, the Netherlands, New Zealand, Norway, Pakistan, Panama, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Serbia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, the United Arab Emirates, the United Kingdom, the United States, Uzbekistan, Vietnam and Zambia. As at the date of publication, Ireland is a party to a double tax treaty with Ghana, Kenya and Kosovo which is subject to the completion of administrative procedures before it comes into force.

Taxation of the Issuer

Corporation Tax

The Issuer intends that it will conduct its business so that it should be considered tax resident in Ireland. In general, Irish-resident companies pay corporation tax at the rate of 12.5% on trading income, 25% on non-trading income and 33% on capital gains. The Issuer intends to satisfy the criteria to be a Qualifying Company for the purposes of the Irish Securitisation Regime and has elected into that regime. As a Qualifying Company for the purposes of the Irish Securitisation Regime, in calculating net taxable income, the Issuer expects that it will be taxable at a rate of 25% on the interest received from CDBALF in respect of the on-loan as well as any gains it realises in respect of the on-loan or the Notes. The Issuer also expects to be entitled to a tax deduction for the interest paid to the Noteholders in respect of the Notes as well as its operating expenses and any loss it realises in respect of the on-loan or the Notes. The Issuer does not expect to retain a significant profit in respect of this transaction and, consequently, does not expect to pay a significant amount of corporation tax at a rate of 25%.

Finally, the Issuer currently forms part of a financially consolidated "MNE Group" with annual revenues of at least €750 million and as such is currently within the scope of the GloBE Rules which seek to implement a global minimum 15% tax rate on a jurisdiction basis. Notwithstanding that the Issuer itself is subject to a 25% corporate tax rate, it could still be subject to a domestic top-up tax exposure under the GloBE Rules. Finance Act 2024 includes amendments to Irish tax legislation which provide for the domestic top-up tax liability in respect of a securitisation entity to be imposed on another constituent entity of the MNE group in Ireland in order to maintain the neutrality of the securitisation entity.

Stamp duty

The issue of the Notes should not generally be within the scope of Irish stamp duty unless the issue of the Notes is executed in Ireland or the issue relates to Irish situate property or involves something done or to be done in Ireland. In the event that the issue of the Notes is within the scope of Irish stamp duty, the issue of the Notes should qualify for an exemption from Irish stamp duty which applies to the issue or transfer of securities issued by a company which is a Qualifying Company for the purposes of the Irish Securitisation Regime, **provided that** the money raised is used in the course of its business.

Value Added Tax

There should be no Irish Value Added Tax payable in respect of payments in consideration for the issue of the Notes or for the transfer of the Notes.

Taxation of Noteholders

Income Tax

Persons resident in Ireland are generally liable to Irish income or corporation tax on their worldwide income, including any income from the Notes. However, certain persons are exempt from Irish tax on all income and gains including approved charities and pension funds. Individuals who are resident or ordinarily tax resident in Ireland will, in general, be subject to income tax at their marginal rate on income from the Notes. Social charges and levies may also apply depending on the particular circumstances of the investor. Irish domiciled individuals who are neither resident nor ordinarily tax resident in Ireland may be subject to the domicile levy as a consequence of owning the Notes.

Irish tax resident companies and non-resident companies which hold Notes in connection with a trade carried on in Ireland through a branch or agency will, in general, be subject to corporation tax on income from the Notes. The standard rate of tax applying to the trading profits of companies is 12.5% The rate of corporation tax applying to non-trading income is 25% In certain circumstances a surcharge of 20% can apply to investment income earned by Irish tax resident companies which are considered to be "close companies" for Irish tax purposes.

All persons are under a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Irish Revenue Commissioners to issue or raise an assessment. A registered security is treated as being situated where the principal register is located; as the Notes issued by the Issuer will not be registered in Ireland, they should not be regarded as property situated in Ireland. However, as the Issuer intends to be tax resident in Ireland, it is likely that the Irish tax authorities might consider the interest earned on such Notes to be Irish source interest income which would, as a result, be subject to Irish income tax on first principles.

However, there may be an exemption for Irish tax on such interest income under a double taxation agreement between Ireland and the country in which the recipient is resident for tax purposes. There is also an exemption from income tax under Irish domestic law in respect of interest payments arising on "Quoted Eurobonds" (see definition below) where the recipient is a person not resident in Ireland and is resident in a Relevant Territory or where the recipient is a company and either (i) it is under the control (directly or indirectly) of persons who are residents of a Relevant Territory who are not themselves controlled (directly or indirectly) by persons who are not residents of a Relevant Territory; or (ii) its principal class of shares or, where the company is a 75% subsidiary of one or more companies, the principal class of shares of that other company or companies are substantially and regularly traded on a recognised stock exchange in a Relevant Territory. A company is a 75% subsidiary of another company if and so long as not less than 75% of its ordinary share capital is beneficially owned directly or indirectly (through another company or other companies) by that other company.

Withholding Taxes

In general, withholding tax at the rate of 20% must be deducted from interest payments made by an Irish resident company. However, there is an exemption from withholding tax under Irish domestic law in respect of, *inter alia*, interest payments on "Quoted Eurobonds" in certain circumstances, which is expected to apply to the interest payments on the Notes.

A "**Quoted Eurobond**" is defined as a security which:

(i) is issued by a company;

(ii) is quoted on a recognised stock exchange; and

(iii) carries a right to interest.

There is no obligation to withhold tax on Quoted Eurobonds where:

(i) the person by or through whom the payment is made is not in Ireland; or

(ii) the payment is made by or through a person in Ireland; and

(a) the Quoted Eurobond is held in a recognised clearing system (i.e. Bank One NA, Depository and Clearing Centre; Central Moneymarkets Office; Clearstream Banking SA; Clearstream Banking AG; CREST; Depository Trust Company of New York; Euroclear; Monte Titoli SPA; Netherlands Centraal Instituut voor Giraal Effectenverkeer BV; National Securities Clearing System; Sicovam SA; SIS Sega Intersettle AG); or

(b) the person who is the beneficial owner of the Quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made an appropriate written declaration to this effect.

It is intended that the Notes will be held in a recognised clearing system i.e. Clearstream Banking SA and Euroclear.

If, for any reason, the exemption for Quoted Eurobonds is not applicable, the Issuer can still pay interest on the Notes free of withholding tax **provided that** (i) it is a Qualifying Company for the purposes of the Irish Securitisation Regime; and (ii) the interest is paid to a person which is a tax resident in a Relevant Territory under the local law of that territory. This exemption from withholding tax will not apply, however, if the interest is paid to a company in connection with a trade or business carried on by it through a branch or agency located in Ireland.

Where CDBALF makes payments on the Notes in its capacity as Guarantor, no Irish withholding tax should apply to those payments where the Notes are Quoted Eurobonds.

In certain cases Irish encashment tax may be required to be withheld at the rate of 25% from interest on any Quoted Eurobond where such interest is collected by a person in Ireland in respect of a holder of the Notes.

Deposit Interest Retention Tax ("DIRT")

The interest on the Notes should not be liable to DIRT on the basis that the Issuer is not a deposit taker as defined in Irish tax law.

Capital Gains Tax

In the case of a person who is either resident or ordinarily resident in Ireland, the disposal or redemption of the Notes may be liable to Irish capital gains tax at a rate of 33%. If the person is neither resident nor ordinarily resident in Ireland, a liability to Irish capital gains tax on the disposal or redemption should not arise unless the Notes have been used in or for the purposes of a trade carried on by such person in Ireland through a branch or agency, or which were used or held or acquired for use by or for the purposes of the branch or agency. Irish domiciled individuals who are neither resident nor ordinarily tax resident in Ireland may be subject to the domicile levy as a consequence of owning the Notes.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (at a rate of 33%) if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (special rules with regard to residence apply where the donor and/or beneficiary is not domiciled in Ireland) or (ii) if the Notes are regarded as property situate in Ireland. In this regard, bearer notes are generally regarded as situated where they are physically located at any particular time and registered notes are generally regarded as situated where the principal register of

Noteholders is maintained or is required to be maintained. While the Issuer will not be an Irish registered company and, therefore, will not be required to maintain a register in Ireland, the Notes might be regarded as situated in Ireland regardless of their physical location or the location of the register as they secure a debt due by an Irish resident debtor and they may be secured over Irish property. Accordingly, if such Notes are comprised in a gift or inheritance, the gift or inheritance might be within the charge to tax regardless of the residence status of the disponer or the donee/successor.

Stamp duty

The transfer of the Notes should not generally be within the scope of Irish stamp duty unless the conveyance or transfer of the Notes is executed in Ireland or it relates to Irish situate property or involves something done or to be done in Ireland. In the event that the conveyance or transfer (including a redemption) of the Notes is within the scope of Irish stamp duty, the conveyance or transfer of the Notes should qualify for an exemption from Irish stamp duty which applies to the issue or transfer of securities issued by a company which is a Qualifying Company for the purposes of the Irish Securitisation Regime **provided that** the money raised is used in the course of its business.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of the PRC for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Value-added Tax ("VAT") in relation to the Guaranteed Notes

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation of China ("**SAT**") issued the Circular of Full Implementation of Business Tax to VAT Reform Caishui [2016] No. 36, "**Circular 36**") which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Guaranteed Notes is likely to be treated as the holders of the Guaranteed Notes providing loans to the Company, which thus shall be regarded as provision of financial services subject to VAT. If the PRC tax authorities take the view that the holders of the Guaranteed Notes are providing loans within the PRC (due to the Issuer being treated as PRC tax residents or due to the fact that the Company is located in the PRC), then the holders of the Guaranteed Notes could be regarded as providing financial services within PRC and consequently, the holders of the Guaranteed Notes shall be subject to VAT at the rate up to 6% when receiving the interest payments under the Guaranteed Notes from the Company. Hence, if the Issuer or the Company pays interest income to Noteholders of the Guaranteed Notes who are located outside the PRC, the Issuer (if VAT applicable) or the Company, acting as the obligatory withholding agent in accordance with applicable law, shall withhold VAT from the payment of interest income to Noteholders of the Guaranteed Notes who are located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding, the Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of the Guaranteed Notes of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see the "*Terms and Conditions of the Notes – Condition 8 (Taxation)*".

Where a holder of the Guaranteed Notes who is an entity or individual located outside of the PRC resells the Guaranteed Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer or the Company does not have the obligation to withhold the VAT or the local levies.

On 20 March 2019, the Ministry of Finance, SAT and General Administration of Customs issued the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (關於深化增值稅改革有關政策的公告) ("**Announcement 39**"), which came into force on 1 April 2019. Announcement 39 further deepened the VAT reform in a number of ways, including by way of adjusting various tax rates and calculation methods. However, how the reforms will be implemented remain uncertain. The above disclosure may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of the Announcement 39.

Enterprise Income Tax in relation to the Notes

Pursuant to the Enterprise Income Tax Law of the PRC which took effect from 1 January 2008 and was amended on 24 February 2017 and 29 December 2018 respectively (the "**New Enterprise Income Tax Law**"), and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the New Enterprise Income Tax Law and they shall pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside the PRC. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer or CDBALF is within the territory of the PRC, the Issuer or CDBALF may be held to be a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law and be subject to enterprise income tax at the rate of 25% for its income sourced from both within and outside PRC. As confirmed by the Issuer and CDBALF, as at the date of this Offering Circular, neither the Issuer nor CDBALF has been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law. On that basis, Noteholders will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of or transfer of the Notes or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the Issuer or CDBALF will not be treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations in the future. Pursuant to the New Enterprise Income Tax Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10% on the income sourced inside the PRC, and pursuant to the Individual Income Tax Law of the PRC and its implementation regulations, any non-resident individual shall pay individual income tax at the rate of 20% on the income sourced inside the PRC, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established and the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer shall withhold income tax from the payments of interest in respect of the Notes for any non-PRC enterprise Noteholder of the Notes. However, despite the potential withholding of PRC tax by the Issuer, the Company has agreed to pay additional amounts to Noteholders so that Noteholders would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

In addition, in the event that the Company is required to discharge its obligations under the Guarantee of the Guaranteed Notes, the Company may be obliged to withhold PRC enterprise income tax at the rate up to 10% on the payments of interest made by it under the Guarantee to non-PRC enterprise Noteholders (or PRC individual income tax at the rate up to 20% in the case of payment to non-PRC individual Noteholders) as such payments of interest will be regarded as being derived from sources within the PRC. In the event that the Company is required to discharge its obligations under the or the under the Keepwell and Asset Purchase Deed of the KW Notes, the Company may also be obliged to withhold relevant income tax to non-PRC Noteholders. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that exempt or allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC Noteholders. Repayment of the principal made by the Issuer or the Company will not be subject to PRC withholding tax.

Non-PRC Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside the PRC between non-PRC Noteholders, except however, if the Issuer or CDBALF is treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations in the future, any gain realised by the non-PRC enterprise Noteholders from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10% of PRC withholding tax unless decreased or exempted by an applicable tax treaty. Further, under Individual Income Tax Law and its implementation regulations, non-PRC individual Noteholders may be subject to individual income tax at the rate of 20% on the capital gains, which may be decreased or exempted by an applicable tax treaty. For more information, see the "*Terms and Conditions of the Notes – Condition 8 (Taxation)*".

Stamp Duty in relation to the Notes

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Guaranteed Note or a KW Note.

HONG KONG

Withholding tax

Under existing Hong Kong law, payments of principal and interest in respect of the Notes can be made without withholding for or on account of any Hong Kong taxes. In addition, no tax is required to be withheld in Hong Kong in respect of any gains arising from resale of the Notes.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable it is payable by the relevant Issuer on the issue of Bearer Notes at a rate of 3% of the market value of the Bearer Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes **provided that** either:

(i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) the Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the sale and purchase of Registered Notes which are not exempt otherwise, it will be payable at the rate of 0.1% by the seller and 0.1% by the buyer, by reference to the consideration or its fair market value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

Profits Tax

Profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes may be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Notes may be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum is revenue in nature and has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

THE PROPOSED FINANCIAL TRANSACTIONS TAX (THE "FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the British Virgin Islands and Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

NDRC REGISTRATION

On 5 January 2023, the NDRC published the NDRC Administrative Measures, which came into effect on 10 February 2023 and repealed the Circular 2044 on the same date. The NDRC Administrative Measures apply to medium and long-term foreign debts with a maturity of more than one year that are borrowed from overseas by enterprises within the territory of the PRC and by overseas enterprises or branches controlled by aforementioned PRC enterprises, denominated in local or foreign currency, and of which principal is repaid with payment of interest as agreed. For the purpose of the NDRC Administrative Measures, the forms of foreign debts include but are not limited to senior bonds, perpetual bonds, capital bonds, medium-term notes, convertible bonds, exchangeable bonds, financial leasing, and commercial loans.

Before borrowing any foreign debt, a Certificate of Examination and Registration of Foreign Debts Borrowed by Enterprises (企業借用外債審核登記證明) ("**Examination and Registration Certificate**") shall be obtained from the NDRC, and such certificate shall be valid for one year from the date of issuance and be automatically invalidated upon expiry. Apart from the foregoing pre-issuance requirement, the NDRC Administrative Measures stipulate post-issuance filing requirements as following: (i) filing with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance and the expiration of the Examination and Registration Certificate with respect to the relevant Notes in accordance with the NDRC Administrative Measures, (ii) filing with the NDRC the requisite information and documents within five PRC business days before the end of January and the end of July each year, and (iii) filing the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations. With respect to conducts in violation of the NDRC Administrative Measures, legal liabilities and consequences to enterprises borrowing foreign debts have been stipulated in the NDRC Administrative Measures. If any enterprise borrows foreign debts in violation of the NDRC Administrative Measures, the NDRC will take disciplinary actions such as holding an interview and giving a public warning against the relevant enterprise and its principal liable person. If any application documents to apply for foreign debt approval submitted by enterprises contain concealing, false record, misleading statement, or material omission, the NDRC will give a warning to relevant enterprise and its principal liable person. If the approval is obtained by concealment, deception, bribery, or any other improper means, such approval will be revoked. For any enterprise failing to comply with filing and reporting requirements under the NDRC Administrative Measures, the NDRC will order such enterprise to take rectification actions within a prescribed time limit; and if the circumstances are severe or the enterprise fails to take rectification action within the prescribed time limit, give a warning to the relevant enterprise and its principal liable person. Furthermore, conducts in violation of the NDRC Administrative Measures committed by enterprises will be publicised on, among others, the Credit China (信用中國) website and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

As new regulation, the NDRC Administrative Measures will be subject to interpretation and application by the relevant PRC authorities, and it remains unclear what impact non-compliance will have on the legality, enforceability and validity of the Notes. Where the NDRC Administrative Measures apply to a Tranche of Notes issued under the Programme, the Company undertakes to comply with all applicable requirements under the NDRC Administrative Measures in respect of such Notes.

PRC CURRENCY CONTROLS

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

CURRENT ACCOUNT ITEMS

Under the PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has adopted the Measures for the Administration of Pilot RMB Settlement in Cross-border Trade (跨境貿易人民幣結算試點管理辦法,中國人民銀行、財政部、商務部、海關總署、國家稅務總局、中國銀行業監督管理委員會公告,([2009]第10號)), and commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. In June 2010, July 2011 and February 2012 respectively, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知,銀發[2010]186號), the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement (關於擴大跨境貿易人民幣結算地區的通知,銀發[2011]203號), the Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知,銀發[2012]23號), and Circulars with regard to the expansion of designated cities and offshore jurisdictions implementing the pilot Renminbi settlement scheme for cross-border trades. Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, **provided that** the relevant provincial government has submitted to PBOC and five other PRC authorities (the "**Six Authorities**") a list of key enterprises subject to supervision and the Six Authorities have reviewed and approved such list (the "**Supervision List**").

Accordingly, offshore enterprises are entitled to use Renminbi to settle imports of goods and services and other current account items. Renminbi remittance for exports of goods from the PRC may only be effected by (a) enterprises with the foreign trading right and incorporated in a province which has already submitted the Supervision List (for the avoidance of doubt, that PRC enterprise does not necessarily need to be included in the Supervision List) or (b) enterprises that have been approved as a pilot enterprise for using Renminbi for exports before the Six Authorities reviewed and approved the Supervision List submitted by relevant province.

On 23 October 2019, the SAFE promulgated Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts (國家外匯管理局關於精簡外匯帳戶的通知,匯發[2019]29號) which became effective on 1 February 2020. SAFE has decided to review and integrate certain foreign exchange accounts and further reduce the types of accounts in order to further intensify the reform of foreign exchange administration, simplifying the relevant business operating procedures, and facilitate true and compliant foreign exchange transactions by banks, enterprises and other market participants, for example, "Current accounts – foreign currency cash account" and "current accounts – foreign exchange account under current accounts of overseas institutions" are included in "current accounts – foreign exchange settlement account".

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知,銀發[2013]168號), which, in particular, simplifies the procedures for cross-border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for the PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow the PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross-border remittance).

On the same day, the SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知,匯發[2019]28號), based on which, for the revenue obtained by an enterprise from trade in goods, the enterprise may, on its own, decide whether to open a to-be-inspected account for export revenue ("to-be-inspected account"). If an enterprise has not opened a to-be-inspected account, the examined revenue from trade in goods by the bank in accordance with the existing provisions may be directly deposited into the foreign exchange account under current accounts or used for foreign exchange settlement.

The foregoing measures and circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practises in applying these circulars and impose conditions for settlement of current account items.

CAPITAL ACCOUNT ITEMS

Under the applicable PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

On 7 April 2011, the State Administration of Foreign Exchange ("**SAFE**") issued the Notice on Relevant Issues regarding Streamlining the Business Operation of Cross-border RMB Capital Account Items (國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知), which clarifies that the borrowing by an onshore entity (including a financial institution) of Renminbi loans from an offshore creditor shall in principle follow the current regulations on borrowing foreign debts and the provision by an onshore entity (including a financial institution) of external guarantees in Renminbi shall in principle follow the current regulations on the provision of external guarantees in foreign currencies.

On 3 December 2013, MOFCOM promulgated the Notice of the Ministry of Commerce on Issues concerning Cross-border Direct Investment in RMB. (關於跨境人民幣直接投資有關問題的公告). The Notice also requires that the proceeds of cross-border direct investment in RMB may not be directly or indirectly used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in the PRC domestic listed companies through private placements or share transfers by agreement.

On 13 October 2011, the PBOC issued the Measures for the Administration on RMB Settlement in Foreign Direct Investment (外商直接投資人民幣結算職業管理辦法), which has been amended on 29 May 2015, setting out operating procedures for PRC banks to handle RMB settlement relating to RMB FDI and borrowing by foreign invested enterprises of offshore RMB loans. According to the Measures, foreign invested enterprises, whether established or acquired by foreign investors, shall complete the corporate information registration after the completion of relevant RMB FDI transactions, and shall make post-event registration or filing with the PBOC of increases or decreases in registered capital, equity transfers or swaps, merger or acquisition or other changes to registered information.

On 30 March 2015, SAFE promulgated the Notices of Reformation on Administration of Settlement of Capital Foreign Exchange of Foreign-invested Enterprises (關於改革外商投資外匯資本金結匯管理方式的通知(匯發[2015]19號)), which became effective on 1 June 2015. In order to further deepen the reform of the foreign exchange administration system, better satisfy and facilitate the needs of foreign-invested enterprises for business and capital operation, the SAFE has decided to reform the management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises nationwide on the basis of summarising the pilot experience of certain regions in the early days. The key points of this notice set out as the following:

- the foreign exchange capital of foreign-invested enterprises shall be subject to the discretional foreign exchange settlement;
- the capital in Renminbi obtained by foreign-invested enterprises from the discretionary settlement of foreign exchange capital shall be managed under the account pending for foreign exchange settlement payment;
- the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises;
- facilitating foreign-invested enterprises in carrying out domestic equity investment with the capital obtained from foreign exchange settlement;
- further standardising the administration of payment by the capital obtained by foreign exchange settlement;
- administration of the settlement and use of the capital in other foreign exchange accounts under direct investment; and
- further strengthening the ex-post regulation as well as investigation on and punishment against violations by the foreign exchange bureaus.

Previously, Renminbi may only be converted for capital account expenses once the prior approval of the SAFE had been obtained. However, according to the Circular of the SAFE on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知(匯發[2015]13號)) issued on 28 February 2015, the SAFE authorised some qualified local banks in the PRC to carry out foreign exchange procedures in relation to inbound and outbound investment from 1 June 2015.

On 26 January 2017, the SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核政策的通知(匯發[2017]3號)) to further advance the reform of foreign exchange administration, such as:

- settlement of domestic foreign exchange loans are allowed for export trade in goods. A domestic institution shall repay loans with the foreign exchange funds received from export trade in goods, rather than, in principle, purchased foreign exchange;
- a debtor may directly or indirectly repatriate the funds under guarantee and use them domestically by, among others, granting loans and making equity investment domestically. Where a bank performs its guarantee obligation under overseas loans with domestic guarantee, relevant foreign exchange settlement and sale shall be managed as the bank’s own foreign exchange settlement and sale;
- the deposits absorbed by a domestic bank through its principal international foreign exchange account and allowed to be used domestically are no more than 100% of the average daily deposit balance in the previous six months as opposed to the former 50%; and the funds used domestically are not included in the bank’s outstanding short-term external debt quota;
- allowing foreign exchange settlement in the domestic foreign exchange accounts of overseas institutions within pilot free trade zones: Where funds are repatriated and used domestically after settlement, a domestic bank shall, under the relevant provisions on cross-border transactions, handle such funds by examining the valid commercial documents and vouchers of domestic institutions and domestic individuals; and

- where a domestic institution grants overseas loans, the total of the balance of overseas loans granted in domestic currency and the balance of overseas loans granted in foreign currency shall not exceed 30% of owner's equity in the audited financial statements of the previous year.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. PBOC has relaxed the quota control for RQFII, initiated a bond market mutual access scheme between mainland and Hong Kong to allow eligible investors to invest in CIBM and has also expanded the list of foreign investors eligible to directly invest in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In 2018, CFETS further relaxed qualifications, application materials and the procedures for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

On 23 October 2019, the SAFE promulgated Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts (國家外匯管理局關於精簡外匯帳戶的通知,匯發[2019]29號) which became effective on 1 February 2020, according to which, several measures were taken to intensify, for example, "Capital accounts – special account for domestic reinvestment" is included in "capital accounts – foreign exchange capital account".

On the same day, the SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知,匯發[2019]28號) in order to further promote the reform of "simplification of administrative procedures and decentralisation of powers, combination of decentralisation and appropriate control, and optimisation of services". It cancelled restrictions on the use of funds in domestic asset realisation accounts for foreign exchange settlement and restrictions on the number of opened foreign exchange accounts under capital accounts.

On 11 November 2022, the PBOC, the SAFE and six other PRC authorities jointly issued *the Notice on the General Plan for the Construction of Science and Technology Innovation and Financial Reform Pilot Zones in Shanghai, Nanjing, Hangzhou, Hefei and Jiaxing* (上海市、南京市、杭州市、合肥市、嘉興市建設科創金融改革試驗區總體方案的通知), which further promotes the innovation on cross-border investment and financing activities in those cities and stresses the macro-prudential management on the monitoring of cross-border capital flows.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

THE GUARANTEED NOTE GUARANTEE

On the Issue Date of each Tranche of Guaranteed Notes, the Guaranteed Notes being issued on that date will have the benefit of a Deed of Guarantee executed by the Company. Pursuant to the Deed of Guarantee, the Company will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Guaranteed Notes and the Trust Deed. Its obligations in that respect will be contained in a Deed of Guarantee in connection with such Tranche to be dated on or about the Issue Date of such Tranche of Guaranteed Notes.

Pursuant to the SAFE Cross-border Security Provisions, all proceeds raised by the Issuer under the Guaranteed Notes outside the PRC (and guaranteed by the Company) may only be used for the relevant expenditures within the normal scope of business of the Issuer, and may not be used to support the Issuer in engaging in transactions beyond the normal scope of business, or conducting arbitrage activities through fabricating trade backgrounds, or engaging in speculative trading in other forms. Such proceeds may not be transferred back to the PRC for direct use or through a third party in the form of borrowing, equity investment or securities investment. The Company shall properly supervise the Issuer's use of the proceeds for the operation and business of the Issuer outside the PRC.

The Company is required by the SAFE Cross-border Security Provisions to handle the registration of the relevant Deed of Guarantee with SAFE within 15 working days of the date of execution of the relevant Deed of Guarantee. Although the non-registration does not render the Deed of Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Company if the Company fails to complete the SAFE registration. Further, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Company under the relevant Deed of Guarantee) as domestic banks may require evidence of SAFE registration in connection with the relevant Deed of Guarantee in order to effect such remittance. The Company intends to register the Deed of Guarantee as soon as practicable and in any event before the Registration Deadline (being 90 Registration Deadline Business Days after the relevant Issue Date). In case of any change in the major clauses of the Deed of Guarantee, the Company shall apply for the amendment registration. If the registration is not completed on or before the Registration Deadline, each holder of the Guaranteed Notes will have the right to request the Issuer to redeem all of that holder's Guaranteed Notes and will need to rely on the Issuer to source sufficient funds to fully discharge its obligations under the Guaranteed Notes. See "*Risk Factors – Risks Relating to the Guaranteed Notes – If the Company fails to complete the SAFE registration in connection with the Guaranteed Note Guarantee within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guaranteed Note Guarantee*". Prior to the performance or discharge of its obligations under the Guaranteed Note Guarantee, the Company is also required to complete a verification process with banks for each remittance under the Deed of Guarantee.

On 26 January 2017, SAFE issued the Circular of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Management and Improving Authenticity and Compliance Review (Hui Fa [2017] No. 3) (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核政策的通知(匯發[2017]3號)) (the "**SAFE Circular 2017**"), which took into effect on the same day. Pursuant to this SAFE Circular 2017, funds raised offshore under Nei Bao Wai Dai (內保外貸) ("**NBWD**") are allowed to be directly or indirectly repatriated to the PRC by means of loans or equity investments. However, it is unclear as to:

(a) whether the existing requirements on NBWD for offshore bond issuance remains applicable, under which bond proceeds must be used for the offshore project(s) in which an onshore entity holds equity interest; or

(b) whether, as a matter of practise, SAFE no longer enforces its existing requirements on NBWD for offshore bond issuance, and **provided that** the outbound guarantee registration is completed with SAFE, the bond proceeds can be repatriated to the PRC.

Further, according to the Policy Questions and Answers (second batch) of the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發[2017]3號)政策問答(第二期)) (the "**Questions and Answers**") promulgated by the SAFE on 27 April 2017, the use of proceeds raised by overseas bonds issuance shall still comply with the provisions of the SAFE Cross-border Security Provisions, which means such proceeds shall be only used for overseas investment projects in which the domestic guarantor has equity interests and the relevant overseas issuer or projects have been approved, registered, recorded or confirmed by the domestic and overseas investment authorities.

According to the SAFE Cross-border Security Provisions, the SAFE Circular 2017 and the Questions and Answers mentioned above, the proceeds from any such offshore bonds issuance must be applied towards the offshore project(s), where an onshore entity holds an equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC laws, unless otherwise permitted by SAFE. Besides, in accordance with the SAFE Cross-border Security Provisions, the onshore security provider can pay to the offshore creditor directly (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by the onshore security provider.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated dealer agreement dated 9 May 2025 (the "**Dealer Agreement**"), agreed with the Issuer, CDBALF and the Company a basis on which they or any of them may from time to time agree to subscribe the Notes. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Notes*". Under the terms of the Dealer Agreement, in respect of a Tranche of KW Notes, the Issuer, failing whom CDBALF or, in respect of a Tranche of Guaranteed Notes, the Issuer, failing whom the Company, agrees to pay the relevant Dealer a commission to be agreed between the Issuer, CDBALF (in respect of a Tranche of KW Notes), the Company and the relevant Dealer in respect of the Notes subscribed by it. The Issuer (failing which, CDBALF, in respect of a Tranche of KW Note or, as the case may be, the Company, in respect of a tranche of Guaranteed Note) has agreed to reimburse the Dealers for certain of their expenses incurred in connection with the establishment of the Programme and any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

In addition, a commission may be paid to certain private banks based on the principal amount of the Notes purchased by the clients of such private banks.

The Issuer, CDBALF and the Company have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe the Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. The Dealers and certain of their affiliates may have performed (or may in the future perform) certain investment banking and advisory services for the Issuer, CDBALF, the Company and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, CDBALF, the Company and/or their respective affiliates in the ordinary course of their business.

In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer, CDBALF or the Company or their respective subsidiaries, jointly controlled entities or associated companies. In connection with a Tranche of the Notes issued under the Programme, the Dealers or certain of their affiliates may purchase the Notes and allocate the Notes for asset management and/or proprietary purposes but not with a view to distribution. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. Further, the Dealers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, CDBALF, the Company or their respective subsidiaries or affiliates at the same time as the offer and sale of a Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained. The Issuer, CDBALF, the Company and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

Each Dealer has agreed to obtain any consent, approval or permission required by it for the acquisition, offer, sale or delivery by it of Notes under the laws, regulations and directives in force in any jurisdiction to which it is subject or in or from which it makes such acquisition, offer, sale or delivery and none of the Issuer, CDBALF, the Company, the Trustee and any other Dealer shall have any responsibility therefor.

IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, CDBALF or the Company, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, CDBALF or the Company, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, CDBALF or the Company or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer, CDBALF or the Company. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealer(s) named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, CDBALF or the Company, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

SELLING RESTRICTIONS

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including the United States, the European Economic Area, the United Kingdom, the Cayman Islands, Ireland, Japan, Hong Kong, the PRC, Singapore, Taiwan, Macau, Australia and New Zealand, to persons connected therewith. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Dealers or any affiliate of the Dealers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES OF AMERICA

In the case of Regulation S Category 1 offering, the Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer represents and agrees that it has not offered or sold or, in the case of Bearer Notes, delivered, and shall not offer or sell or, in the case of Bearer Notes, deliver, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes.

In the case of Regulation S Category 2 offering, the Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer represents and agrees that it has not offered and sold or, in the case of Bearer Notes, delivered, and shall not offer and sell or, in the case of Bearer Notes, deliver, Notes of any Series (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer who has subscribed for Notes of a Tranche (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant lead manager) shall determine and certify to the Principal Paying Agent the completion of the distribution of the Notes of such Tranche. Each Dealer and its affiliates also agree that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer(s), in the case of a non-syndicated issue, or the lead manager, in the case of syndicated issue, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

Terms used in the paragraphs above have the meanings given to them by Regulation S.

In addition, unless the Pricing Supplement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "TEFRA C" or "not applicable", each Dealer represents and agrees in relation to a Tranche of Bearer Notes:

(A) except to the extent permitted under rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986 (the "**Code**") (the "**TEFRA D**"):

    (i) it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person; and

    (ii) it has not delivered and shall not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;

(B) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Bearer Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by TEFRA D;

(C) if it is a United States person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it shall only do so in accordance with the requirements of rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) for purposes of Section 4701 of the Code; and

(D) with respect to each affiliate that acquires from it Bearer Notes for the purpose of offering or selling such Bearer Notes during the restricted period, it either (a) repeats and confirms the representations contained in (A) through (C) above on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in (A) through (C) above.

Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA D.

Notes issued pursuant to TEFRA D and any Receipts or Coupons appertaining thereto will bear the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code"

In addition, to the extent that the Pricing Supplement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "TEFRA C", under rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the Code (the "**TEFRA C**"), Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer represents and agrees that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Bearer Notes within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of Notes in bearer form, each Dealer represents and agrees that it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Bearer Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA C.

Each issuance of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the Relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the EU Prospectus Regulation in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, **provided that** any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the EU Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(c) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation.

provided that no such offer of Notes referred to in paragraphs (b) to (d) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

UNITED KINGDOM

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision,

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

    (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**");

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(c) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Article 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, **provided that** any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(c) at any time to fewer than 150 persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

UNITED KINGDOM

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any

Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

CAYMAN ISLANDS

No offer or invitation (whether directly or indirectly) may be made to the public in the Cayman Islands to subscribe for the Notes and no such intention is made hereby. Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will represent, warrant and agree, that it has not made and will not make any offer or invitation (whether directly or indirectly) to the public in the Cayman Islands to subscribe for the Notes.

IRELAND

In relation to the Notes, each Dealer subscribing for or purchasing such Notes has represented to, warranted and agreed with, or will represent to, warrant and agree with, the Issuer, CDBALF and the Company that it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the Notes or do anything in Ireland in respect of the Notes otherwise than in accordance with the provisions of:

(i) the Prospectus Regulation and any applicable supporting law, rule or regulation and any Central Bank rules issued and/or in force pursuant to Section 1363 of the Companies Act;

(ii) the Companies Act;

(iii) the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) and it will conduct itself in accordance with any rules or codes of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank;

(iv) Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, the European Union (Market Abuse) Regulations 2016 and any Central Bank rules issued and/or in force pursuant to Section 1370 of the Companies Act;

(v) the Central Bank Acts 1942 to 2023 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;

(vi) Notice BSD C01/02 dated 12 November 2002 issued by the Central Bank pursuant to Section 8(2) of the Central Bank Act 1971 (as amended); and

(vii) Regulation (EU) No. 1286/2014 of the European Parliament and of the Council at 26 November 2014 on key information documents for packaged retail and insurance based investment products (PRIIPs).

JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other relevant laws and regulations and ministerial guidelines of Japan.

HONG KONG

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme be required to represent, warrant and agree, that the offer of the Notes is not an offer of securities within the meaning of the Securities Law or other pertinent laws and regulations of the PRC and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

SINGAPORE

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

TAIWAN

Unless the Notes have been registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan, the Notes may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan.

MACAU

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be promoted, distributed, sold or delivered in Macau, or any document relating to the Notes be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Notes in Macau. The Notes have not been and will not be registered or otherwise authorised for public offer under the Financial System Act of Macau, thus the Notes have not been and will not be offered or sold in Macau, unless such offer is made by Macau licenced entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

AUSTRALIA

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to the Programme or any Notes has been, or will be, lodged with the Australian Securities and Investments Commission ("**ASIC**"). Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it:

(a) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, this Offering Circular or any offering memorandum or any other offering material or advertisement relating to any Notes in Australia, unless:

    (i) the aggregate consideration payable by each offeree is at least A$500,000 (or its equivalent in another currency), in either case disregarding moneys lent by the offeror or its associates, or the offer or invitation does not otherwise require disclosure to investors under Part 6D.2 or 7.9 of the Corporations Act;

    (ii) the offer or invitation does not constitute an offer to a "retail client" as defined for the purposes of section 761G and 761GA of the Corporations Act;

    (iii) such action complies with any other applicable laws, regulations or directives in Australia; and

    (iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

NEW ZEALAND

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Notes may not be offered for issue or sale to any person in New Zealand and no offering document or advertisement may be published or distributed in New Zealand, except to wholesale investors within the meaning of, and in compliance with, the Financial Markets Conduct Act 2013 of New Zealand.

GENERAL

Each Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular and any other offering or publicity material or any applicable Pricing Supplement.

None of the Issuer, the Trustee or any of the Dealers represent that any action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular, any other offering or publicity material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required. With regard to a Tranche, the Relevant Dealer(s) will be required to comply with any additional restrictions agreed between the Issuer and the Relevant Dealer(s) and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

1. Authorisations

The Company has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme, the giving of the Guaranteed Note Guarantee, the entry of the Keepwell and Asset Purchase Deed and the Deeds of Guarantee, and the performance of its obligations under the Guaranteed Notes, the Keepwell and Asset Purchase Deed, the Trust Deed and the Agency Agreement. The establishment of the Programme and the entry into of the Deeds of Guarantee and the Keepwell and Asset Purchase Deed was authorised by resolutions of the Board on 16 June 2017. The update of the Programme was authorised by resolutions of the directors on 28 March 2024 and approved by the shareholders on 28 June 2024.

CDBALF has obtained all necessary consents, approvals and authorisations in connection with the KW Note Guarantee, the execution of the Keepwell and Asset Purchase Deed, the Trust Deed and the Agency Agreement. The giving of the KW Note Guarantee was authorised by resolutions of the directors of CDBALF on 14 September 2017. The giving of the KW Note Guarantee in respect of the updated Programme was authorised by the resolutions of the directors of CDBALF on 28 April 2025.

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme, the issue of the Notes thereunder and the performance of its obligations under the Notes, the Keepwell and Asset Purchase Deed (in respect of each Tranche of KW Notes), the Trust Deed and the Agency Agreement. The establishment of the Programme and the issue of the Notes thereunder was authorised by resolutions of the directors of the Issuer on 22 September 2017. The update of the Programme and the issue of the Notes under the updated Programme was authorised by resolutions of the directors of the Issuer on 28 April 2025.

2. Legal Entity Identifier

The legal entity identifier of the Issuer is 254900PLOF8VWTAH3F83.

3. No Material Adverse Change

Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Issuer, CDBALF, the Company and the Group since 31 December 2024.

There has been no material adverse change in the financial or trading position or prospects of the Issuer since its date of incorporation.

4. Litigation

None of the Issuer, CDBALF, the Company or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer, CDBALF or the Company, as the case may be, believes are material in the context of the establishment of the Programme or the issue of Notes thereunder, nor is any of the Issuer, CDBALF or the Company aware that any such proceedings are pending or threatened.

5. Available Documents

Copies of the following documents will be available for inspection from the date of this Offering Circular at the Company's principal place of business at CDB Financial Centre, No. 2003 Fuzhong Third Rd., Lianhua Street, Futian District 518000, Shenzhen, PRC during normal business hours on any weekday (Saturdays, Sundays and public holiday excepted), so long as any of the Notes issued under the Programme is outstanding:

(a) the Company's Consolidated Financial Statements;

(b) the CDBALF 2023 Consolidated Financial Statements;

(c) the CDBALF 2024 Consolidated Financial Statements;

(d) the Trust Deed;

(e) the Agency Agreement;

(f) the Keepwell and Asset Purchase Deed;

(g) the memorandum and articles of association of the Issuer;

(h) the Constitution of CDBALF;

(i) the memorandum and articles of association of the Company;

(j) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer or the Trustee as to its holding of Notes and identity);

(k) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced;

(l) the Operating and Administrative Procedures Memorandum; and

(m) the Data Privacy Notice.

6. Financial Statements

The Company's 2023 Audited Consolidated Financial Statements and the Company's 2024 Audited Consolidated Financial Statements have been audited by BDO, the Company's independent auditor for the years ended 31 December 2023 and 2024, as stated in their reports appearing therein. The Company's 2023 Audited Consolidated Financial Statements and the Company's 2024 Audited Consolidated Financial Statements have been included elsewhere in this Offering Circular.

The CDBALF 2023 Consolidated Financial Statements and the CDBALF 2024 Consolidated Financial Statements have been audited by EY, CDBALF's independent auditor for the years ended 31 December 2023 and 2024, as stated in their report appearing therein. The CDBALF 2023 Consolidated Financial Statements and the CDBALF 2024 Consolidated Financial Statements have been included elsewhere in this Offering Circular.

7. Listing

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme, under which Notes may be issued by way of debt issues to Professional Investors only within the 12-month period after the date of this Offering Circular on the SEHK. Notes to be listed on the SEHK are required to have a denomination of at least HK$500,000 (or its equivalent in other currencies). Separate application will be made to the SEHK for the listing of, and permission to deal in, the Notes which are agreed at the time of issue to be so listed on the SEHK. There can be no assurance that the application will be approved.

However, Notes may be issued pursuant to the Programme which will not be listed on the SEHK or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

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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 217 to 264, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
(1) Impairment of lease receivables*	
The Group is required to apply International Financial Reporting Standard 9 ("IFRS 9") in assessing impairment of lease receivables at the end of reporting period. The Group applies significant judgements and assumptions in measuring expected credit losses ("ECL"), for example: • Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the ECL for lease receivables with longer remaining periods to maturity; • Models and parameters – For finance lease receivables and advances for finance lease projects, a three-stage impairment model is used to calculate ECL. For finance lease receivables and advances for finance lease projects classified into stages 1 and 2, the risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default. For finance lease receivables and advances for finance lease projects in stage 3, the management assesses impairment losses by estimating the cash flows from lease receivables. For operating lease receivables and straightline lease asset, a simplified approach is used to calculate the ECL. The risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default; • Forward-looking information – Judgement is used to create macroeconomic forecasts and to estimate the impact to ECL under multiple economic scenarios given different weights; • Individual impairment assessment – Identifying credit impaired lease receivables requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows. The Group established governance processes and controls for the measurement of ECL. Since impairment assessment of lease receivables involves many judgements and assumptions, and in view of the significance of the amounts (as at 31 December 2023, the net carrying amounts of the Group's finance lease receivables, advances for finance lease projects, operating lease receivables and straightline lease asset were RMB195,101 million, RMB537 million, RMB709 million, RMB864 million respectively, in which allowance for impairment losses of RMB9,025 million, RMB9 million, RMB961 million and RMB614 million were recorded), impairment of lease receivables is considered a key audit matter. Relevant disclosures are included in Notes 2, 3, 15, 23, 24, 32, 51.2 to the consolidated financial statements. * Lease receivables include finance lease receivables, advances for finance lease projects, operating lease receivables and straightline lease asset.	We evaluated and tested the effectiveness of design and implementation of key controls for impairment of lease receivables, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration. We also performed the following substantive procedures for the impairment loss of lease receivables: We adopted a risk-based sampling approach in our credit review procedures. We assessed the lessees' repayment capacity, taking into consideration post-leasing investigation reports, lessees' financial information and other available information. With the support of our internal credit risk modelling experts, and take into consideration the changes of the macroeconomics, we evaluated and tested the important parameters of the ECL model, management's major judgements and the related assumptions, mainly focusing on the following aspects: • Assessing the reasonableness of indicators of significant increase in credit risk, including probability of default changes of the lessees, changes of credit risk categories and others; • Assessing the reasonableness of the ECL model methodology and related parameters, including probability of default, loss given default, risk exposure at default, and significant increase in credit risk; • Assessing the forward-looking information management used to determine ECL, including the forecasts of macroeconomic variables and the assumptions of multiple macroeconomic scenarios; • Evaluating the models and the related assumptions used in individual impairment assessment and analysing the amount, timing and likelihood of management's estimated future cash flows. We evaluated the disclosures of credit risk and impairment allowance of lease receivables.
(2) Impairment of equipment held for operating lease businesses	
The Group applies International Accounting Standard 36 ("IAS 36") for the impairment measurement of equipment held for operating lease businesses at the end of reporting period. Management identifies operating lease equipment with impairment indicators and measures the recoverable amounts of these assets at the higher of: • fair value based on the market pricing data, less costs of disposal, and • the estimated value in use ("VIU") based on the present value of the expected future cash flows discounted. Judgements and assumptions are used when identifying impairment indicators and determining a rate to discount the expected future cash flows when calculating VIU. The Group established governance processes and controls for the impairment measurement of equipment held for operating lease businesses. Since management exercises significant judgements during impairment identification and measurement, and in view of the significance of the amounts (as at 31 December 2023, the net carrying amounts of the Group's equipment held for operating lease businesses was RMB118,044 million, and allowance for impairment losses of RMB6,178 million were recorded), impairment of equipment held for operating lease businesses is considered a key audit matter. Relevant disclosures are included in Notes 2, 3, 16, 29 to the consolidated financial statements.	We evaluated and tested the effectiveness of design and implementation of key controls for impairment of equipment held for operating lease businesses, including those over the timely identification of impairment indicators, review and approval of discount rate and impairment calculation. We also performed the following substantive procedures for the impairment loss of equipment held for operating lease businesses: • We assessed management's identification of impairment indicators for equipment held for operating lease businesses. • For fair value less costs of disposal, we compared the carrying amounts of equipment with the publicly available pricing data of the industry less the estimated costs of disposal; and • For VIU calculations, we compared the rental amounts used in forecasts of future cash flows against the rental amounts set out in the lease contracts. With the support of our internal asset valuation experts, we assessed the reasonableness of discount rate used. We evaluated the disclosures of impairment allowance of equipment held for operating lease businesses.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF 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 IFRS Accounting Standards 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Choi Kit Ying
Practising Certificate no. P07387
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2023	2022
Revenue			
Finance lease income	5	10,644,247	10,288,623
Operating lease income	5	12,361,652	12,475,713
Total revenue		23,005,899	22,764,336
Net investment gains	6	155,509	32,489
Other income, gains or losses	7	3,493,943	2,256,632
Total revenue and other income		26,655,351	25,053,457
Depreciation and amortisation	8	(6,097,374)	(5,380,735)
Staff costs	9	(502,419)	(546,785)
Fee and commission expenses	12	(85,725)	(51,015)
Interest expenses	13	(10,362,441)	(8,206,689)
Other operating expenses	14	(1,916,287)	(1,653,476)
Net impairment losses under expected credit loss model	15	(773,305)	(1,226,596)
Net impairment losses on other assets	16	(1,499,054)	(3,030,207)
Total expenses		(21,236,605)	(20,095,503)
Profit before tax		5,418,746	4,957,954
Income tax expense	17	(1,268,597)	(1,606,881)
Profit for the year attributable to owners of the Company		4,150,149	3,351,073
Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share)			
– Basic	18	0.33	0.27
– Diluted	18	0.33	0.27

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2023	2022
Profit for the year		4,150,149	3,351,073
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Gains on financial assets at fair value through other comprehensive income, net of tax	39	16,364	904
(Losses)/gains on cash flow hedges, net of tax	39	(323,719)	1,155,597
Currency translation differences		160,923	845,743
Total other comprehensive (losses)/income for the year, net of tax		(146,432)	2,002,244
Total comprehensive income for the year attributable to owners of the Company		4,003,717	5,353,317

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

(Amounts in thousands of RMB, unless otherwise stated)

		As at 31 December	
	Notes	2023	2022
Assets			
Cash and bank balances	19	69,440,305	29,760,725
Financial assets at fair value through profit or loss (FVTPL)	20	156,472	131,894
Derivative financial assets	21	675,904	840,778
Financial assets at fair value through other comprehensive income (FVOCI)	22	3,001,187	1,464,986
Accounts receivable	23	1,335,131	3,487,733
Finance lease receivables	24	195,101,137	193,494,283
Assets held-for-sale	25	–	364,578
Prepayments	26	12,708,141	11,551,036
Investment properties	28	1,089,534	1,041,945
Property and equipment	29	118,640,179	106,524,461
Right-of-use assets	30	174,329	141,184
Deferred tax assets	31	2,131,711	1,831,030
Other assets	32	5,240,873	4,082,614
Total assets		409,694,903	354,717,247
Liabilities			
Borrowings	33	295,875,445	246,882,657
Due to banks and other financial institutions		12,509,021	11,230,725
Financial assets sold under repurchase agreements		2,556,855	429,914
Derivative financial liabilities	21	246,329	28,283
Accrued staff costs	34	282,495	263,800
Bonds payable	35	32,187,230	36,872,054
Tax payable		446,635	769,122
Lease liabilities	30	192,262	147,234
Deferred tax liabilities	31	1,108,668	1,541,095
Other liabilities	36	27,008,123	22,268,918
Total liabilities		372,413,063	320,433,802
Equity			
Share capital	37	12,642,380	12,642,380
Capital reserve	38	2,418,689	2,418,689
Hedging and fair value reserve	39	389,237	696,592
Translation reserve		667,892	506,969
General reserve	40	7,869,271	6,792,264
Retained earnings	41	13,294,371	11,226,551
Total equity		37,281,840	34,283,445
Total liabilities and equity		409,694,903	354,717,247

The consolidated financial statements and the accompanying notes were approved by the board of directors on 28 March 2024 and were signed on its behalf.

MA Hong

JIN Tao

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts in thousands of RMB, unless otherwise stated)

		Attributable to the equity holders of the Company						
	Notes	Share capital	Capital reserve	Hedging and fair value reserve	Translation reserve	General reserve	Retained earnings	Total equity
As at 1 January 2023		12,642,380	2,418,689	696,592	506,969	6,792,264	11,226,551	34,283,445
Profit for the year		–	–	–	–	–	4,150,149	4,150,149
Other comprehensive losses for the year	39	–	–	(307,355)	160,923	–	–	(146,432)
Total comprehensive income for the year		–	–	(307,355)	160,923	–	4,150,149	4,003,717
Dividends	42	–	–	–	–	–	(1,005,322)	(1,005,322)
Appropriation to general reserve		–	–	–	–	1,077,007	(1,077,007)	–
As at 31 December 2023		12,642,380	2,418,689	389,237	667,892	7,869,271	13,294,371	37,281,840
As at 1 January 2022		12,642,380	2,418,689	(459,909)	(338,774)	6,235,767	9,608,601	30,106,754
Profit for the year		–	–	–	–	–	3,351,073	3,351,073
Other comprehensive income for the year	39	–	–	1,156,501	845,743	–	–	2,002,244
Total comprehensive income for the year		–	–	1,156,501	845,743	–	3,351,073	5,353,317
Dividends	42	–	–	–	–	–	(1,176,626)	(1,176,626)
Appropriation to general reserve		–	–	–	–	556,497	(556,497)	–
As at 31 December 2022		12,642,380	2,418,689	696,592	506,969	6,792,264	11,226,551	34,283,445

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2023	2022
OPERATING ACTIVITIES			
Profit before tax		5,418,746	4,957,954
Adjustments for:			
Bonds payable interest expenses	13	1,149,255	1,282,767
Lease liabilities interest expenses	30	7,797	7,154
Depreciation and amortisation	8	6,097,374	5,380,735
Net impairment losses on financial assets	15	773,305	1,226,596
Net impairment losses on other assets	16	1,499,054	3,030,207
Amortisation income of lease discount liabilities		(37,558)	(36,932)
Gains on disposal of equipment held for operating lease businesses	7	(281,656)	(613,236)
Losses on disposal of property and equipment held for administrative purposes		–	33
Gains on disposal of finance lease receivables	6	(2,789)	(28,639)
Realised gains from derivatives	6	(77,103)	–
Realised gains from FVOCI	6	(34,697)	(27,823)
Realised gains from FVTPL	6	(4,246)	–
Unrealised fair value changes in derivatives	6	(46,198)	(463)
Unrealised fair value changes in FVTPL	6	9,524	24,437
Foreign exchange losses from derivatives		380,614	170,962
Operating cash flows before movements in working capital		14,851,422	15,373,752
Decrease in mandatory reserve deposits with central bank		22,497	41,320
Decrease/(increase) in accounts receivable		1,972,854	(582,316)
Decrease/(increase) in finance lease receivables		3,032,271	(735,802)
Increase in other assets		(800,839)	(4,814,470)
Increase in borrowings		47,302,596	5,609,793
Increase in due to banks and other financial institutions		1,242,571	214,030
Increase in financial assets sold under repurchase agreements		2,101,979	429,914
Increase in accrued staff costs		18,695	59,843
(Decrease)/increase in other liabilities		(643,624)	3,228,878
Cash flows from operating activities		69,100,422	18,824,942
Income taxes paid		(2,274,035)	(1,825,135)
NET CASH FLOWS FROM OPERATING ACTIVITIES		66,826,387	16,999,807
INVESTING ACTIVITIES			
Change in pledged and restricted bank deposits		(15,562,847)	1,495,067
Purchase of FVOCI		(5,013,068)	(1,956,433)
Proceeds from disposal/maturity of FVTPL		(114,453)	(151,337)
Proceeds from disposal/maturity of FVOCI and others		3,501,655	1,519,854
Proceeds from disposal of property and equipment		2,023,909	4,246,568
Purchase of property and equipment		(20,157,577)	(13,942,972)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(35,322,381)	(8,789,253)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2023	2022
FINANCING ACTIVITIES			
Proceeds from issue of bonds		4,138,750	10,477,391
Repayments of bonds		(9,477,741)	(22,176,178)
Bond issuance cost		(8,916)	(43,523)
Bond interest paid		(1,160,862)	(1,356,437)
Dividends paid		(942,054)	(1,321,541)
Decrease in lease liabilities		(37,671)	(46,171)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(7,488,494)	(14,466,459)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		24,015,512	(6,255,905)
Effects of foreign exchange changes		180,482	719,940
Cash and cash equivalents at beginning of the year		24,660,800	30,196,765
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	44	48,856,794	24,660,800
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		11,506,620	10,721,473
Interest paid, exclusive bonds payable interest expenses		(9,101,384)	(6,783,207)
Net interest received		2,405,236	3,938,266

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of RMB, unless otherwise stated)

1 GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

China Development Bank Financial Leasing Co., Ltd. (the "Company") was established as Shenzhen Leasing Co., Ltd. (深圳租賃有限公司) on 25 December 1984, with the approval of the former Shenzhen Special Economic Zone Branch of People's Bank of China ("PBOC"), and subsequently renamed as Shenzhen Finance Leasing Co., Ltd. (深圳金融租賃有限公司) after reorganisation in December 1999. In 2008, China Development Bank Co., Ltd. ("China Development Bank") became the controlling shareholder of the Company, and the Company's total paid-in capital was increased to RMB8,000,000,000 and subsequently, the Company changed its name to CDB Leasing Co., Ltd. (國銀金融租賃有限公司). On 8 September 2015, pursuant to the resolution of shareholders' meeting, the Company's total paid-in capital was increased to RMB9,500,000,000. Pursuant to the approval of former China Banking and Insurance Regulatory Commission (the "CBIRC"), which was renamed as the National Financial Regulatory Administration (the "NFRA") in 2023, the Company became a joint stock company by issuing a total of 9,500,000,000 shares to the existing shareholders at par value of RMB1 each, representing 100% of share capital of the Company on 28 September 2015 (the "Financial Restructuring"). On the same day, the Company also changed its name to China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司). The registered address of the Company's office is CDB Financial Centre, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the People's Republic of China ("PRC").

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

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

The Company and its subsidiaries (the "Group") are principally engaged in aircraft leasing, ship leasing, regional development leasing, inclusive finance leasing, green energy and high-end equipment leasing, transfers of finance lease assets and lease-related financial business.

2 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

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

Financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Assets that meet the criteria to be classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Other accounting items are measured at their historical costs. The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 "Significant accounting judgements, estimates and assumptions".

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

2.2 New and amended standards and interpretations

2.2.1 New and amended standards and interpretations have been adopted

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

IFRS 17 and its amendments	*Insurance Contracts*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*

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

2.2.2 Standards, amendments and interpretations that are not yet effective

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

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

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

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

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

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

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.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of an entity begins when the Group obtains control over the entity and ceases when the Group loses control of the entity. Assets, liabilities, income and expenses of a entity 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 entity.

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)

2.4 Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less accumulated impairment losses, if any.

2.5 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. Lease incentives granted are recognised as an integral part of the total operating lease income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned;
- Finance lease income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.
- Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.
- Other income mainly includes consultancy fee income, management and commission fee income and gains/losses on disposal of equipment held for operating lease businesses. Consultancy fee income is recognised in accordance with the terms of the contract when the relevant services have been rendered. Management and commission fee income is recognised in accordance with the management service contracts and by reference to the agreed rate of management fee on a daily basis. Gains/losses on disposal of equipment held for operating leasing business is recognised as income/losses 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.

2.6 Leases

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

2.6.1 The Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term as follows:

	Lease term
Properties	12 to 72 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 2.17 "Impairment on non-financial assets".

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

2.6.2 The Group as a lessor

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and 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 a pattern reflecting a constant periodic rate of return. 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 utilisation of airframes, engines and other major life-limited components (supplemental amounts). In such leases, upon the lessee presenting invoices evidencing the completion of qualifying maintenance on the aircraft, the Group reimburses the lessee for the cost of the maintenance, up to a maximum of the supplemental amounts received with respect to such work unless otherwise indicated in the lease. The Group recognises the periodic payments as maintenance deposits from lessees in other liabilities.

2.7 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.

2.8 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. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. 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 exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified to profit or loss on disposal.

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.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they occur.

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, capitalisation rates ranging between 2% and 7% have been applied to the expenditure on the individual assets.

2.10 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 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 related to income 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.

2.11 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.

2.11.1 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.

The Group also makes contributions to Pay Related Social Insurance in Ireland at the applicable rates based on the amounts stipulated by the relevant government authorities.

2.11.2 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.

2.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.12.1 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.

2.12.2 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 in respect of taxable temporary differences associated with investments in subsidiaries, 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:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development.

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 as deferred tax assets to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.13 Property and equipment

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

(Amounts in thousands of RMB, unless otherwise stated)

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

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

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

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

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

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

Both lease premium assets and maintenance rights assets are presented under other assets (Note 32).

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

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

	Estimated residual value rates	Estimated useful life
Buildings	5%	20 to 40 years
Computers and electronic equipment	5%	3 years
Motor vehicles	5%	5 years
Office equipment	5%	3 to 5 years
Leasehold improvements	0%	The life of the lease

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

	Estimated residual value rates	Estimated useful life
Aircraft	15%	20 to 30 years
Aircraft – Buyer furnish equipment (BFE)	0%	The life of the lease
Ships	10% – 15%	8 to 25 years
Special equipment	2% – 5%	4 to 10 years

2.14 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

The estimate residual value rate and useful life of investment properties are 5% and 20 – 40 years respectively.

2.15 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.

2.16 Fair Value measurement

The Group measures its derivative financial instruments, equity and debt investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.17 Impairment on non-financial assets

The Group assesses whether there are any indicators of impairment for equipment held for operating lease businesses, property and equipment held for administrative purposes, investment properties, intangible assets with finite useful lives and right-of-use assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

2.18 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.

2.19 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.

2.19.1 Determination of fair value

Fair value is determined in the manner described in Note 53 "Fair values of the financial instruments".

2.19.2 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.

2.19.3 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 recognised and measured in accordance with International Financial Reporting Standard 9 ("IFRS 9"), 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 amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

Financial assets at fair value through other comprehensive income

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Debt instruments classified as at fair value through other comprehensive income

  Subsequent changes in the carrying amounts for debt instruments classified as at fair value through other comprehensive income as a result of interest income calculated using the effective interest method and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of hedging and fair value reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.
- Equity instruments designated as at fair value through other comprehensive income

  Investments in equity instruments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings/will continue to be held in the fair value reserve.

  Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, gains or losses" line item 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.

2.19.4 Impairment of financial assets

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

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

General approach

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

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

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

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

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

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

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

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

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

Definition of credit-impaired financial asset

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

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

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

Parameters of the ECL measurement

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

Simplified approach

For operating lease receivables and straightline lease asset, or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.19.5 Derecognition 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.

2.19.6 Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss.

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 amortisation recognised in profit or loss.

2.19.7 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.

2.20 Derivatives financial instruments and hedge accounting

2.20.1 Initial recognition and subsequent measurement

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

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

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

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

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

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

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

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

2.20.2 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 the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve is immediately reclassified through other comprehensive income to profit or loss.

2.21 Dividend payable

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of accounting policies as set out in Note 2, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, estimate and key assumptions that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognised in the consolidated financial statements:

3.1 Impairment losses for lease receivables

The Group uses a number of models and assumptions when estimating the impairment allowance under IFRS 9 of lease receivables at the balance sheet date and the operation period, for example:

- Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk are highly dependent on judgement and may have a significant impact on the ECL for lease receivables that contain a significant financing component;
- Models and parameters – A three-stage impairment model is used to calculate ECL. For lease receivables that contain a significant financing component classified into stages 1 and 2, the model incorporates key parameters, including probability of default, loss given default and exposure at default. For lease receivables that contain a significant financing component in stage 3, the management assesses impairment losses by estimating the cash flows from finance lease receivables and advances for finance lease projects. For lease receivables that do not contain a significant financing component, a simplified approach is used to calculate the ECL. The risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default;
- Forward-looking information – Judgement is used to create macroeconomic forecasts and to consider the impact to ECL under multiple economic scenarios given different weights.

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

Relevant disclosures are included in Note 51.2.2 to the consolidated financial statements.

3.2 Impairment losses for equipment held for operating lease businesses

The majority of the Group's equipment held for operating lease businesses are aircraft and ship. According to the accounting policy stated in Note 2.17, management makes judgement regarding whether there is any indicator of assets impairment at the financial reporting date, and measures the recoverable amount of any assets with impairment indicators. The recoverable amount is the higher of the net amount of assets' fair value minus the cost of disposal, and the estimated value in use. These measurements involve estimation.

3.3 Depreciation of operating lease assets

The Group calculates depreciation expense of operating lease assets based on management's assumption on their useful life and residual value. The useful lives and the residual value of operating lease assets reflect the future economic benefit obtained from the use of the operating lease assets and the benefit from disposal estimated by the Group's management. The estimation may differ due to actual physical wear and tear of the assets, changes of the technology innovation and market competition.

3.4 Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

3.5 Deferred taxes

The Group has established subsidiaries in several countries and regions. Deferred tax assets or liabilities should generally be recognised for deductible or taxable temporary differences relating to subsidiaries respectively, unless the Group is able to control the timing of the reversal of the temporary differences or to determine it is probable that the temporary differences would not be reversed in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax assets or liabilities that can be recognised for each subsidiary, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

(Amounts in thousands of RMB, unless otherwise stated)

3.6 Fair value of financial instruments

The Group has adopted valuation models to calculate the fair value for the financial instrument without active market price. Such valuation models include discounted cash flow model, market comparison approach and other valuation models. In practice, the discounted cash flow model only uses the observable data whenever possible, however, the management still needs to make assumption regarding the factors, such as counterparty's credit risk, market volatility and correlations. The market comparison approach requires the management to determine comparable listed companies, to select market multipliers and to estimate discount for liquidity, etc. The estimated fair value of the financial instruments will be affected for any changes of the above factors.

3.7 Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as the present values of the minimum lease payments of the lease amount to at least substantially all of the fair value of the assets held for lease businesses at the inception of the leases. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statements of financial position and has instead, recognised finance lease receivables (Note 24). On the other hand, the Group includes the assets held for lease businesses under operating lease in property and equipment, and investment properties. The determination of whether the Group has transferred substantially all the risks and rewards incident to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgements by management.

4 TAXATION

The principal income tax and other taxes to which the Group is subject are listed below:

Taxes	Tax basis	Statutory rates
PRC corporate income tax	Taxable income	25%,5%
Major income tax in other countries	Taxable income	16.5%, 12.5%
Value-added tax	Taxable added value	13%, 9%, 6%, 5% and 3%
City construction and maintenance tax	Turnover tax paid	7%
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	2%

5 TOTAL REVENUE

	Year ended 31 December	
	2023	2022
Finance lease income	10,644,247	10,288,623
Operating lease income[(1)]	12,361,652	12,475,713
	23,005,899	22,764,336

(1) The operating lease income recognised in 2023 and 2022 from variable lease payments that are not dependent on an index or rate is RMB588,308 thousand and RMB736,125 thousand, respectively.

6 NET INVESTMENT GAINS

	Year ended 31 December	
	2023	2022
Realised gains from financial assets at fair value through other comprehensive income	34,697	27,823
Realised gains from financial assets at fair value through profit or loss	4,246	–
Realised gains from disposal of finance lease receivables	2,789	28,639
Realised gains from derivatives	77,103	–
Unrealised fair value change of derivatives	46,198	463
Unrealised fair value change of financial assets at fair value through profit or loss	(9,524)	(24,436)
	155,509	32,489

7 OTHER INCOME, GAINS OR LOSSES

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

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

Pursuant to relevant documents published by Shenzhen Government in the PRC, the Group received government grants and incentives from Shenzhen Government in the years of 2023 and 2022, respectively, for encouraging the development of the financial industry. Such grants have been recognised as income when received.

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

(2) There is no significant long-term unsatisfied performance obligations for the year ended 31 December 2023 (2022: Nil)

(3) Compensation mainly comprises the insurance compensation received by the Group for the 5 aircraft that were previously leased to Russian Airlines, see details in Note 29.

(Amounts in thousands of RMB, unless otherwise stated)

8 DEPRECIATION AND AMORTISATION

	Year ended 31 December	
	2023	2022
Depreciation of property and equipment	5,958,920	5,261,464
Depreciation of right-of-use assets	38,099	27,418
Depreciation of investment properties	41,109	31,282
Amortisation of lease premium assets	27,918	33,264
Amortisation of land use rights	9,024	11,199
Amortisation of other intangible assets	22,304	16,108
	6,097,374	5,380,735

9 STAFF COSTS

	Year ended 31 December	
	2023	2022
Salaries, bonuses and allowances	391,950	421,620
Social welfare[1]	78,522	89,014
Defined contribution plans-annuity schemes[2]	21,336	22,130
Others	10,611	14,021
	502,419	546,785

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 timely distributed and paid in accordance with relevant laws and regulations and the Group's policy. There was no forfeited contribution available to reduce the contribution payable by the Group under the above schemes. The domestic employees of the Group in the PRC participate in a state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, operated by the relevant municipal and provincial governments.

(2) In addition to the social welfare plans, the Group also provides annuity schemes or defined contribution plans for certain qualified employees. The employees' and the Group's contributions for the annuity schemes or defined contribution plans are calculated based on a certain percentage of employees' salaries and recognised in profit or loss as expenses. The assets of the scheme are held separately from those of the Group. The Group cannot withdraw or utilise its fund contributions made to the annuity schemes or defined contribution plans under any circumstance.

10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the directors and supervisors of the Company payable by the Group are set out below:

For the year ended 31 December 2023

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive directors:					
Ma Hong[i]	–	846	114	710	1,670
Jin Tao[ii]	–	282	38	238	558
Huang Min[iii]	–	910	143	1,048	2,101
Non-executive directors:					
Li Yingbao[iv]	–	–	–	–	–
Yang Guifang[v]	–	–	–	–	–
Independent non-executive directors:					
Zheng Xueding[vi]	267	–	–	–	267
Xu Jin[vi]	400	–	–	–	400
Zhang Xianchu[vi]	267	–	–	–	267
Li Haijian[vii]	133	–	–	–	133
Liu Ming[vii]	133	–	–	–	133
Wang Guiguo[viii]	–	–	–	–	–
Supervisors:					
Ma Yongyi[ix]	–	200	–	–	200
Wang Yiyun[x]	–	737	95	875	1,707
Wang Bin[xi]	–	833	119	998	1,950
	1,200	3,808	509	3,869	9,386

(Amounts in thousands of RMB, unless otherwise stated)

For the year ended 31 December 2022

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive directors:					
Ma Hong[(i)]	–	840	136	715	1,691
Peng Zhong[(xii)]	–	843	212	715	1,770
Huang Min[(iii)]	–	904	231	1,164	2,299
Non-executive directors:					
Li Yingbao[(iv)]	–	–	–	–	–
Yang Guifang[(v)]	–	–	–	–	–
Independent non-executive directors:					
Zheng Xueding[(vi)]	330	–	–	–	330
Xu Jin[(vi)]	330	–	–	–	330
Zhang Xianchu[(vi)]	330	–	–	–	330
Supervisors:					
Ma Yongyi[(ix)]	–	200	–	–	200
Wang Yiyun[(x)]	–	775	132	847	1,754
Wang Bin[(xi)]	–	474	56	757	1,287
Huang Xuemei[(xiii)]	–	499	116	262	877
Li Xueling[(xiv)]	–	–	–	–	–
	990	4,535	883	4,460	10,868

(i) Ma Hong was appointed as the chairman of the board and an executive director in August 2021 and her appointment was approved by Shenzhen Office of CBIRC in November 2021.

(ii) Jin Tao was appointed as an executive director in September 2023 and his appointment was approved by Shenzhen Office of NFRA in November 2023.

(iii) Huang Min was appointed as an executive director in September 2015. Huang Min resigned in November 2023.

(iv) Li Yingbao was appointed as a non-executive director in September 2015 and his appointment was approved by Shenzhen Office of CBIRC in September 2015.

(v) Yang Guifang was appointed as a non-executive director in June 2021 and his appointment was approved by Shenzhen Office of CBIRC in October 2021.

(vi) Zheng Xueding, Xu Jin and Zhang Xianchu were approved by Shenzhen Office of CBIRC as independent non-executive directors in June 2016. Zheng Xueding and Zhang Xianchu resigned in August 2023. Xu Jin resigned in December 2023.

(vii) Li Haijian and Liu Ming were approved by Shenzhen Office of NFRA as independent non-executive directors in August 2023.

(viii) Wang Guiguo was approved by Shenzhen Office of NFRA as an independent non-executive director in December 2023.

(ix) Ma Yongyi was appointed as a supervisor in February 2018.

(x) Wang Yiyun was appointed as a supervisor in February 2019.

(xi) Wang Bin was appointed as a supervisor in June 2022.

(xii) Peng Zhong was approved by Shenzhen Office of CBIRC as an executive director in January 2020. Peng Zhong resigned in December 2022.

(xiii) Huang Xuemei was appointed as a supervisor in May 2015. Huang Xuemei resigned in June 2022.

(xiv) Li Xueling was appointed as a supervisor in June 2021. Li Xueling resigned in July 2022.

The Company did not operate any share option scheme during the years of 2023 and 2022.

The bonuses are discretionary and determined with reference to the Group's and the individuals' performance.

During the years of 2023 and 2022, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(Amounts in thousands of RMB, unless otherwise stated)

11 HIGHEST PAID INDIVIDUALS

None of the five individuals with the highest emoluments is a director of the Group for the year ended 31 December 2023 (none for the year end 31 December 2022). The emoluments of the five highest paid employees of the Group payable by the Group during the years of 2023 and 2022 are as follows:

	Year ended 31 December	
	2023	2022
Basic salaries and allowances	22,563	18,001
Bonuses	25,339	22,990
Post-employment benefits	–	12,422
Employer's contribution to pension schemes	1,780	1,685
	49,682	55,098

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group during the years of 2023 and 2022. No post-employment benefits have been paid to individuals as compensation for loss of office during the year of 2023 (2022: RMB12,422 thousand).

The emoluments of the five highest paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2023	2022
	No. of employees	No. of employees
Emolument bands		
– HKD4,000,001 to HKD4,500,000	–	3
– HKD5,000,001 to HKD5,500,000	–	1
– HKD5,500,001 to HKD6,000,000	1	–
– HKD6,000,001 to HKD6,500,000	1	–
– HKD7,000,001 to HKD7,500,000	1	–
– HKD9,000,001 to HKD9,500,000	1	–
– HKD26,000,001 to HKD26,500,000	1	–
– HKD45,000,001 to HKD45,500,000	–	1

The above personnel are employees of the Group's overseas aviation subsidiaries, and their remuneration is determined according to international market standards.

12 FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2023	2022
Business collaboration fee for leasing projects	59,202	32,299
Bank charges	26,523	18,716
	85,725	51,015

13 INTEREST EXPENSES

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

(1) Interest capitalised on qualifying assets in 2023 included RMB492,672 thousand (2022: RMB241,773 thousand) on prepayments.

(Amounts in thousands of RMB, unless otherwise stated)

14 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2023	2022
Service fees of operating lease ship business	665,535	853,684
Service fees of inclusive leasing business	292,129	111,809
Taxes and surcharges	67,915	68,097
Business travel and transportation expenses	38,869	20,054
Auditor's remuneration	14,923	16,168
Lease payments not included in the measurement of lease liabilities	7,694	8,248
Expenses and losses associated with repossession and maintenance of aircraft	454,080	196,714
Sundry expenses	375,142	378,702
	1,916,287	1,653,476

15 NET IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

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

16 NET IMPAIRMENT LOSSES ON OTHER ASSETS

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

17 INCOME TAX EXPENSE

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

The applicable enterprise income tax rate is 25% (2022: 25%) for the Company and its subsidiaries established in mainland China, except for certain subsidiaries which are subject to the preferential tax treatments, 16.5% (2022: 16.5%) for subsidiaries in Hong Kong, and 12.5% (2022:12.5%) for subsidiaries in Ireland. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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	
	2023	2022
Profit before tax	5,418,746	4,957,954
Tax at the statutory tax rate of 25%	1,354,687	1,239,489
Tax effect of expenses not deductible for tax purpose	29,796	18,474
(Over)/under provision in prior year	(1,971)	12,935
Tax losses and deductible temporary difference not recognised	12,052	108,920
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	(92,839)	227,063
Utilisation of previously unrecognised tax losses	(33,128)	–
Income tax expense for the year	1,268,597	1,606,881

(Amounts in thousands of RMB, unless otherwise stated)

18 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

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

Basic earnings per share amounts are calculated by dividing the profit attributable to owners of the Company by the weighted average numbers of ordinary shares in issue during the years ended 31 December 2023 and 2022, respectively.

Diluted earnings per share amounts are the same as basic earnings per share amounts due to the absence of dilutive potential ordinary share in the years of 2023 and 2022, respectively.

19 CASH AND BANK BALANCES

	31 December 2023	31 December 2022
Pledged and restricted bank deposits[1]	16,036,606	2,435,561
Mandatory reserve deposits with central bank[2]	343,549	366,046
Surplus reserve deposits with central bank[3]	199,401	179,769
Cash and bank balances	52,917,513	26,779,349
Less: Allowance for impairment loss	(56,764)	–
	69,440,305	29,760,725

(1) The bank deposits amounting to approximately RMB15,990,342 thousand were pledged as collateral for the Group's bank borrowings as at 31 December 2023 (31 December 2022: RMB2,262,687 thousand) (Note 33).

The bank deposits amounting to approximately RMB46,264 thousand (31 December 2022: RMB172,874 thousand) were restricted for use, among which approximately RMB45,900 thousand was in relation to the notes payable as at 31 December 2023 (31 December 2022: RMB44,000 thousand), and RMB364 thousand was in relation to others as at 31 December 2023 (31 December 2022: RMB128,874 thousand).

(2) The Group places mandatory reserve deposits in the PBOC, which include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

(3) Surplus reserve deposits primarily represent deposits maintained with the PBOC in addition to the mandatory reserve deposits.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023	31 December 2022
Measured at fair value:		
Equity investment, listed	13,961	14,034
Equity investment, unlisted	93,293	117,860
Debt instrument	49,218	–
	156,472	131,894

21 DERIVATIVE FINANCIAL INSTRUMENTS

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

	31 December 2023		
	Contractual/	Fair value	
	Notional amount	Assets	Liabilities
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	15,599,023	454,277	(7,092)
Cash flow hedge – cross currency swaps	340,374	2,611	–
Derivatives not under hedge accounting:			
Interest rate swaps	4,894,551	24,691	(480)
Currency forwards	1,226,299	18,095	–
Cross currency swaps	18,073,124	176,230	(60,394)
Foreign exchange swaps	2,797,667	–	(178,363)
	42,931,038	675,904	(246,329)

(Amounts in thousands of RMB, unless otherwise stated)

	31 December 2022		
	Contractual/ Notional amount	Fair value Assets	Liabilities
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	17,396,951	797,740	–
Derivatives not under hedge accounting:			
Currency forwards	139,292	–	(1,280)
Cross currency swaps	6,496,079	22,947	(27,003)
Foreign exchange swaps	905,398	20,091	–
	24,937,720	840,778	(28,283)

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

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

The Group determines the economic relationship between the hedging instruments and the hedged items by matching the critical terms of interest rate swap and cross currency swap contracts with the terms of borrowings and bonds payable contracts (i.e., notional amount, expected payment date and interest rate). The hedge ratio (the ratio between the notional amount of the derivatives to the par value of the borrowings and bonds payable being hedged) is determined to be 1:1. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the borrowings, bonds payable and the hedging instruments;
- Different interest rate curves applied to discount the hedged items and hedging instruments; and
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments.

	Outstanding notional amounts	Assets/ (Liabilities)	USD interest rates (p.a.)	Foreign currency rates	Maturity (Year)
31 December 2023					
Cash flow hedge					
Interest rate swaps[1]					
USD	15,599,023	447,185	1.1300% to 4.0400%	–	2024 to 2029
Cross currency swaps[2]					
CNY-USD	340,374	2,611	5.51%	USD1: CNY7.2830	2026

	Outstanding notional amounts	Assets/ (Liabilities)	USD interest rates (p.a.)	Foreign currency rates	Maturity (Year)
31 December 2022					
Cash flow hedge					
Interest rate swaps[1]					
USD	17,396,951	797,740	0.2680% to 3.2030%	–	2023 to 2028

(1) The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from related borrowings which are pegged to USD London Inter-bank Offered Rates ("LIBOR") (Ceased prior to 30 June 2023) or Secured Overnight Financing Rate ("SOFR"). Under these interest rate swaps, the Group receives floating interest pegged to USD LIBOR or USD SOFR and pays fixed interest. These hedges are classified as cash flow hedges and the effectiveness of the fair value changes of these interest rate swaps is recognised in hedging reserve, amounting to RMB321,934 thousand in 2023 (2022: RMB1,172,025 thousand), net-of-tax, and the hedge ineffectiveness is recognised in profit or loss, which is immaterial in 2023 and 2022.

(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 recognised in hedging reserve.

Interest rate benchmark reform

Following the decision by global regulators to phase out the existing interest rate benchmarks and replace them with Risk Free Rates ("RFRs"), the Group completed all the transition of its USD LIBOR-based derivative financial instruments to USD SOFR as of 31 December 2023. The Group has applied Amendments to IFRS 9, IAS 39, IFRS 7: Interest Rate Benchmark Reform – Phase 2 for hedge accounting in respect of modifications triggered by the transition. The transition from USD LIBOR to USD SOFR has no material impact on the amounts reported for the current financial year.

The information about derivative financial instruments based on an interbank offered rate that have not yet transitioned to an alternative benchmark rate as of 31 December 2022 is as follows:

As at 31 December 2022

	Nominal amount	Weighted average remaining maturity (Years)
Interest rate swaps:		
USD LIBOR (3 months)	17,197,067	2.3
USD LIBOR (6 months)	199,884	0.9
	17,396,951	

(Amounts in thousands of RMB, unless otherwise stated)

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

23 ACCOUNTS RECEIVABLE

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

(1) Overdue analysis of the operating lease receivables as at the end of the reporting period, based on the receivables due date and net of loss allowance, is as follows:

	31 December 2023	31 December 2022
Deferred	552,059	945,552
Overdue within 1 month	51,656	310
Overdue 1 to 2 months	3	8,358
Overdue 2 to 3 months	–	–
Overdue over 3 months	105,424	9,137
	709,142	963,357

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

The advances for finance lease projects with a carrying amount of approximately RMB537,002 thousand was pledged as collateral for the Group's bank borrowings as at 31 December 2023 (31 December 2022: RMB464,480 thousand) (Note 33).

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

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

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Gross amount					
Amount as at 1 January 2022	13,902	–	–	2,338,378	2,352,280
Net increase/(decrease)	2,497,375	–	–	(728,758)	1,768,617
Written-off	–	–	–	(72,211)	(72,211)
Effect of foreign currency exchange differences	45,938	–	–	182,450	228,388
Amount as at 31 December 2022	2,557,215	–	–	1,719,859	4,277,074

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

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

(Amounts in thousands of RMB, unless otherwise stated)

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Allowance for impairment losses					
Amount as at 1 January 2022	–	–	–	1,107,223	1,107,223
Charged/(recovered) for the year	32,415	–	–	(365,131)	(332,716)
Written-off	–	–	–	(72,211)	(72,211)
Effect of foreign currency exchange differences	424	–	–	86,621	87,045
Amount as at 31 December 2022	32,839	–	–	756,502	789,341

24 FINANCE LEASE RECEIVABLES

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

The Group entered into finance lease arrangements for certain of its aircraft, ships, equipment for infrastructure, transport and construction vehicle. The term range of finance leases is from 1 to 20 years.

The finance lease receivables with a carrying amount of approximately RMB1,429,463 thousand were pledged as collateral for the Group's bank borrowings as at 31 December 2023 (31 December 2022: RMB2,727,320 thousand) (Note 33).

The Group entered into finance lease receivables factoring arrangements and continued to recognise these transferred finance lease receivables in their full carrying amount, which was approximately RMB7,417,365 thousand as at 31 December 2023 (31 December 2022: RMB7,729,097 thousand) (Note 43).

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

Movements between stages for the years of 2023 and 2022 within finance lease receivables are as follows:

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

(Amounts in thousands of RMB, unless otherwise stated)

	Stage 1	Stage 2	Stage 3	Total
Present value of minimum finance lease receivables				
Amount as at 1 January 2022	178,257,871	19,144,924	1,059,048	198,461,843
Movement within stages:				
Move to stage 1	2,026,760	(2,026,760)	–	–
Move to stage 2	(10,813,324)	10,813,324	–	–
Move to stage 3	–	(665,422)	665,422	–
Net assets originated/(repayment)	3,127,937	166,279	(28,655)	3,265,561
Written-off	–	(550,552)	(215,663)	(766,215)
Effect of foreign currency exchange differences	1,045,362	11,475	14,860	1,071,697
Amount as at 31 December 2022	173,644,606	26,893,268	1,495,012	202,032,886

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

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2023	3,627,708	3,429,895	1,481,000	8,538,603
Movement within stages:				
Move to stage 1	642,406	(642,406)	–	–
Move to stage 2	(994,401)	1,316,051	(321,650)	–
Move to stage 3	–	(454,840)	454,840	–
(Recovered)/charged for the year	(943,574)	1,626,238	(114,247)	568,417
Written-off	–	–	(98,131)	(98,131)
Recovery of written-off finance lease receivables	–	–	597	597
Effect of foreign currency exchange differences	9,223	5,552	273	15,048
Amount as at 31 December 2023	2,341,362	5,280,490	1,402,682	9,024,534

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2022	3,085,915	3,504,853	999,522	7,590,290
Movement within stages:				
Move to stage 1	245,076	(245,076)	–	–
Move to stage 2	(309,870)	309,870	–	–
Move to stage 3	–	(367,150)	367,150	–
Charged for the year	553,150	365,808	323,172	1,242,130
Written-off	–	(147,548)	(215,663)	(363,211)
Effect of foreign currency exchange differences	53,437	9,138	6,819	69,394
Amount as at 31 December 2022	3,627,708	3,429,895	1,481,000	8,538,603

25 ASSETS HELD FOR SALE

	31 December 2023	31 December 2022
Aircraft	–	364,578

26 PREPAYMENTS

	31 December 2023	31 December 2022
Prepayments for operating lease assets purchases[(1)]	12,708,141	11,551,036

(1) As of 31 December 2023, the balance of prepayments to Airbus S.A.S. and the Boeing Company are amounted to RMB5,297 million (31 December 2022: RMB6,714 million) and RMB4,009 million (31 December 2022: RMB1,836 million), respectively.

(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 2023:

Name of subsidiary	Place and date of incorporation/registration and business	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
CDBL Funding 1	Cayman Islands/Ireland 23 Oct 2014	–	100	USD1	Bond issuing
CDBL Funding 2	Cayman Islands/Ireland 23 May 2017	–	100	USD50	Bond issuing
Aviation Capital Limited	Cayman Islands/Ireland 08 Sep 2008	100	100	USD1,000	Aircraft leasing
CDB Leasing (International) Company Limited	Hong Kong, China/Mainland China 03 Sep 2009	100	100	HKD10,000	Ship leasing
CDB Aviation Lease Finance Designated Activity Company	Ireland/Ireland 02 Jul 2009	100	100	USD173,287,671	Aircraft leasing/ Management
國銀航進飛機租賃(天津)有限公司 CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 13 Aug 2013	100	100	RMB1,000,000	Aircraft leasing
國銀航博飛機租賃(天津)有限公司 CLC Hangbo Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 11 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航坤飛機租賃(天津)有限公司 CLC Hangkun Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 11 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航隆飛機租賃(天津)有限公司 CLC Hanglong Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 12 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航慶飛機租賃(天津)有限公司 CLC Hangqing Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 12 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航遠飛機租賃(天津)有限公司 CLC Hangyuan Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 11 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航際飛機租賃(天津)有限公司 CLC Hangji Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航昱飛機租賃(天津)有限公司 CLC Hangyu Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 13 Jul 2015	100	100	RMB1,000,000	Aircraft leasing
國銀航鑫飛機租賃(天津)有限公司 CLC Hangxin Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航錦飛機租賃(天津)有限公司 CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航通飛機租賃(天津)有限公司 CLC Hangtong Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀飛機租賃(天津)有限公司 CLC Aircraft Leasing (Tianjin) Co., Ltd. *	Mainland China/Mainland China 11 Jun 2012	100	100	RMB500,000	Aircraft leasing
國銀航祥飛機租賃(天津)有限公司 CLC Hangxiang Aircraft Leasing (Tianjin) Co., Ltd. *	Mainland China/Mainland China 12 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航昌飛機租賃(天津)有限公司 CLC Hangchang Aircraft Leasing (Tianjin) Co., Ltd. *	Mainland China/Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航健飛機租賃(天津)有限公司 CLC Hangjian Aircraft Leasing (Tianjin) Co., Ltd. *	Mainland China/Mainland China 6 Jul 2018	100	100	RMB100,000	Aircraft leasing
國銀晨天(廈門)飛機租賃有限公司 CLC Chentian (Xiamen) Aircraft Leasing Co., Ltd.*	Mainland China/Mainland China 10 Aug 2015	100	100	RMB100,000	Aircraft leasing
國銀慧天(廈門)飛機租賃有限公司 CLC Huitian (Xiamen) Aircraft Leasing Co., Ltd.*	Mainland China/Mainland China 10 Aug 2015	100	100	RMB100,000	Aircraft leasing
天津勝利一號租賃有限公司 Tianjin Shengli No. 1 Leasing Co., Ltd.*	Mainland China/Mainland China 17 Feb 2022	100	100	RMB500,000	Ship leasing
天津勝利二號租賃有限公司 Tianjin Shengli No. 2 Leasing Co., Ltd.*	Mainland China/Mainland China 1 Jun 2022	100	100	RMB500,000	Ship leasing
天津勝利三號租賃有限公司 Tianjin Shengli No. 3 Leasing Co., Ltd.*	Mainland China/Mainland China 1 Jun 2022	100	100	RMB500,000	Ship leasing
揚帆一號(天津)租賃有限公司 Yangfan No. 1 (Tianjin) Leasing Co., Ltd.*	Mainland China/Mainland China 9 Sep 2021	100	100	RMB100,000	Ship leasing
揚帆二號(天津)租賃有限公司 Yangfan No. 2 (Tianjin) Leasing Co., Ltd.*	Mainland China/Mainland China 9 Sep 2021	100	100	RMB100,000	Ship leasing
揚帆四號(天津)租賃有限公司 Yangfan No. 4 (Tianjin) Leasing Co., Ltd.*	Mainland China/Mainland China 9 Sep 2021	100	100	RMB100,000	Ship leasing
揚帆八號(天津)租賃有限公司 Yangfan No. 8 (Tianjin) Leasing Co., Ltd.*	Mainland China/Mainland China 9 Sep 2021	100	100	RMB100,000	Ship leasing
天津喜悅十三號租賃有限公司 Tianjin Xiyue No. 13 Leasing Co., Ltd.*	Mainland China/Mainland China 27 Apr 2022	100	100	RMB100,000	Ship leasing
天津色彩一號租賃有限公司 Tianjin Secai No. 1 Leasing Co., Ltd.*	Mainland China/Mainland China 5 Jul 2022	100	100	RMB100,000	Ship leasing
深圳前海鵬程一號租賃有限公司 Shenzhen Qianhai Pengcheng No. 1 Leasing Co., Ltd.*	Mainland China/Mainland China 15 Mar 2023	100	100	RMB300,000	Ship leasing

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.

The above table lists the subsidiaries incorporated in Chinese mainland are all limited liability companies.

* These subsidiaries do not have official English names. English translated names are for identification only.

(Amounts in thousands of RMB, unless otherwise stated)

The Group also holds the following subsidiaries. As the information of the subsidiaries is similar, the subsidiaries were disclosed in aggregate as at 31 December 2023:

Aircraft leasing or financing

Place of Incorporation/registration and business	Numbers of the subsidiaries	Proportion of ordinary shares directly held by the Group (%)	Paid-up issued/ registered capital of each subsidiary	Principal activities
Mainland China/Mainland China	2	100	RMB5,000,000	Aircraft leasing
Mainland China/Mainland China	23	100	RMB500,000	Aircraft leasing
Mainland China/Mainland China	2	100	RMB300,000	Aircraft leasing
Mainland China/Mainland China	2	100	RMB100,000	Aircraft leasing
France/Ireland	1	100	EUR50,000	Aircraft leasing
USA/USA	1	100	USD5,000	Aircraft leasing
Malta/Ireland	1	100	EUR1,200	Aircraft financing
Hong Kong, China/Hong Kong, China	1	100	HKD1,000	Aircraft leasing
Ireland/Ireland	10	100	EUR2	Aircraft leasing
Ireland/Ireland	2	100	EUR2	Aircraft financing
Ireland/Ireland	1	100	USD2	Aircraft leasing
Ireland/Ireland	163	100	USD1	Aircraft leasing
Hong Kong, China/Hong Kong, China	1	100	USD1	Aircraft leasing

Ship leasing

Place of Incorporation/registration and business	Numbers of the subsidiaries	Proportion of ordinary shares directly held by the Group (%)	Paid-up issued/ registered capital of each subsidiary	Principal activities
Mainland China/Mainland China	56	100	RMB500,000	Ship leasing
Mainland China/Mainland China	7	100	RMB300,000	Ship leasing
Mainland China/Mainland China	56	100	RMB100,000	Ship leasing
Hong Kong, China/Mainland China	10	100	HKD10,000	Ship leasing
Hong Kong, China/Mainland China	1	100	USD1	Ship leasing
Hong Kong, China/Mainland China	232	100	HKD1	Ship leasing

Others

Place of Incorporation/registration and business	Numbers of the subsidiaries	Proportion of ordinary shares directly held by the Group (%)	Paid-up issued/ registered capital of each subsidiary	Principal activities
Mainland China/Mainland China	26	100	RMB500,000	Vehicle leasing
Mainland China/Mainland China	37	100	RMB100,000	Vehicle leasing
Hong Kong, China/Mainland China	1	100	HKD1	Textile equipment leasing
Hong Kong, China/Mainland China	1	100	HKD1	Container leasing

(Amounts in thousands of RMB, unless otherwise stated)

28 INVESTMENT PROPERTIES

	31 December 2023	31 December 2022
Cost		
At the beginning of the year	1,721,808	1,407,210
Disposals/written-off	–	(27,355)
Transfer from repossessed assets	–	344,734
Transfer from property and equipment	107,690	–
Transfer to property and equipment	–	(2,781)
At the end of the year	1,829,498	1,721,808
Accumulated depreciation		
At the beginning of the year	(256,113)	(225,022)
Charged for the year	(41,109)	(31,282)
Transfer from property and equipment	(18,992)	–
Transfer to property and equipment	–	191
At the end of the year	(316,214)	(256,113)
Accumulated impairment		
At the beginning of the year	(423,750)	(277,878)
Transfer from repossessed assets	–	(145,872)
At the end of the year	(423,750)	(423,750)
Net carrying amount		
At the beginning of the year	1,041,945	904,310
At the end of the year	1,089,534	1,041,945

The Group recognised the operating lease income of approximately RMB121,148 thousand from investment properties in the year of 2023 (2022: RMB128,396 thousand) which is disclosed in Note 5.

29 PROPERTY AND EQUIPMENT

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

Equipment held for operating lease businesses

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

(Amounts in thousands of RMB, unless otherwise stated)

	Aircraft	Ships	Special equipment	Total
Cost				
As at 1 January 2022	82,403,395	28,270,238	264,035	110,937,668
Additions	13,015,080	4,570,969	65,133	17,651,182
Transfer from finance lease receivables	–	550,552	–	550,552
Disposals/written-off	(3,701,526)	(671,062)	(264,035)	(4,636,623)
Other[1]	9,704,200	2,044,602	–	11,748,802
As at 31 December 2022	101,421,149	34,765,299	65,133	136,251,581
Accumulated depreciation				
As at 1 January 2022	(13,957,441)	(1,756,134)	(187,633)	(15,901,208)
Charged for the year	(3,626,478)	(1,597,652)	(1,033)	(5,225,163)
Disposals/written-off	260,083	305,853	187,631	753,567
Other[1]	(3,172,272)	(458,944)	–	(3,631,216)
As at 31 December 2022	(20,496,108)	(3,506,877)	(1,035)	(24,004,020)
Accumulated impairment				
As at 1 January 2022	(2,641,731)	(324,432)	–	(2,966,163)
Charged for the year	(2,953,231)	(74,622)	–	(3,027,853)
Transfer from finance lease receivables	–	(147,548)	–	(147,548)
Disposals/written-off	67,340	61,527	–	128,867
Other[1]	(345,825)	(89,990)	–	(435,815)
As at 31 December 2022	(5,873,447)	(575,065)	–	(6,448,512)
Net carrying amount				
As at 1 January 2022	65,804,223	26,189,672	76,402	92,070,297
As at 31 December 2022	75,051,594	30,683,357	64,098	105,799,049

(1) Other is mainly foreign currency translation.

As at 31 December 2023, the equipment held for operating lease businesses of the Group with net book values of approximately RMB43,088,677 thousand (31 December 2022: RMB38,797,903 thousand) and RMB1,041,301 thousand (31 December 2022: RMB1,092,143 thousand) were pledged as collateral for the Group's bank borrowings (Note 33) and long-term payables, respectively.

Property and equipment held for administrative purposes

	Buildings	Computers and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
Cost						
As at 1 January 2023	715,599	61,816	5,472	61,783	61,522	906,192
Additions	–	7,046	–	20,072	659	27,777
Transfer to investment properties	(107,690)	–	–	–	–	(107,690)
Other decrease	(2,796)	(4,272)	–	–	–	(7,068)
Other[1]	–	251	–	129	899	1,279
As at 31 December 2023	605,113	64,841	5,472	81,984	63,080	820,490
Accumulated depreciation						
As at 1 January 2023	(99,667)	(36,197)	(4,466)	(19,399)	(21,051)	(180,780)
Charged for the year	(14,738)	(10,853)	(547)	(32,889)	(3,118)	(62,145)
Transfer to investment properties	18,992	–	–	–	–	18,992
Other[1]	–	(183)	–	(108)	(278)	(569)
As at 31 December 2023	(95,413)	(47,233)	(5,013)	(52,396)	(24,447)	(224,502)
Net carrying amount						
As at 1 January 2023	615,932	25,619	1,006	42,384	40,471	725,412
As at 31 December 2023	509,700	17,608	459	29,588	38,633	595,988

(Amounts in thousands of RMB, unless otherwise stated)

	Buildings	Computers and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
Cost						
As at 1 January 2022	786,158	33,921	5,472	19,066	71,627	916,244
Additions	–	30,116	–	42,345	35	72,496
Transfer from investment properties	2,781	–	–	–	–	2,781
Disposals/written-off	(73,340)	(3,321)	–	(261)	(14,787)	(91,709)
Other[1]	–	1,100	–	633	4,647	6,380
As at 31 December 2022	715,599	61,816	5,472	61,783	61,522	906,192
Accumulated depreciation						
As at 1 January 2022	(89,466)	(17,675)	(3,865)	(14,192)	(31,622)	(156,820)
Charged for the year	(10,229)	(17,690)	(601)	(4,764)	(3,017)	(36,301)
Transfer from investment properties	(270)	–	–	–	–	(270)
Disposals/written-off	298	–	–	–	14,787	15,085
Other[1]	–	(832)	–	(443)	(1,199)	(2,474)
As at 31 December 2022	(99,667)	(36,197)	(4,466)	(19,399)	(21,051)	(180,780)
Net carrying amount						
As at 1 January 2022	696,692	16,246	1,607	4,874	40,005	759,424
As at 31 December 2022	615,932	25,619	1,006	42,384	40,471	725,412

(1) Other is mainly foreign currency translation.

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

For the year ended 31 December 2023, in accordance with IAS 36 Impairment of Assets, aircraft and ships were tested for indicators of impairment. To aid in this assessment, the Group sought valuations from independent appraisal firms. These appraisers make assumptions and estimates with respect to the future valuations of aircraft and ships. For the purpose of recognition and measurement of an impairment loss, if it is determined that a test for impairment is required, each aircraft or ship is tested individually by comparing its carrying amount to the higher of its value in use and fair value less costs to sell.

Value in use is determined as the total discounted cash flows expected to be generated by an aircraft or ship in the future. The estimated cash flows are discounted to their present value by using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset in question. For the calculation of value in use, the weighted average discount rates ("WACC") for 31 December 2023 were 6.80% and 6.64% (2022: 6.30% and 6.57%) for aircraft and ships, respectively. Fair value less costs to sell is determined by the Group based on the most relevant of observable market information from independent appraisal firms. In cases where the carrying value of the aircraft or ships exceeded the higher of value in use and fair value less costs to sell, an impairment charge is recognised.

As a result of the review, an impairment charge of RMB1,062 million (2022: RMB2,953 million) was recognised on 31 aircraft (2022: 41 aircraft). An impairment charge of RMB360 million (2022: RMB75 million) was recognised on 26 ships (2022: 7 ships).

Due to Russia-Ukraine conflict began in February 2022, the USA, the European Union and other countries imposed sanctions on Russia. The Group terminated the leasing of 15 aircraft with Russian Airlines and of which 6 aircraft have been successfully repossessed. As at 31 December 2022, there were still 9 aircraft remained detained in Russia, the Group believes that it is unlikely to be able to repossess those aircraft from Russia in the foreseeable future, if ever. The Group has recognised impairment losses of RMB2,414 million on these assets during the period ended 31 December 2022. As of 31 December 2023, there are 4 aircraft remained detained in Russia after the termination of lease with Russian Airlines following the imposition of sanctions by the European Union. As a result of their loss, the Group has filed claims under its relevant insurances held and is pursuing those claims for the agreed values of the aircraft as defined in the relevant policies. During the year ended 31 December 2023, the Group received compensation of RMB1,562 million in relation to 5 aircraft previously leased to Russian Airlines. (Note 7).

The directors of the Company are satisfied that the net book value of property and equipment is not further impaired below the balance recorded at 31 December 2023.

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

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

30 LEASES

The Group as a lessee

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties
As at 1 January 2023	141,184
Additions	69,041
Depreciation charge	(38,099)
Foreign currency translation	2,203
As at 31 December 2023	174,329

	Properties
As at 1 January 2022	154,492
Additions	2,502
Depreciation charge	(27,418)
Foreign currency translation	11,608
As at 31 December 2022	141,184

(Amounts in thousands of RMB, unless otherwise stated)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023	2022
Carrying amount at 1 January	147,234	172,141
New leases	69,041	2,502
Accretion of interest recognised during the year	7,797	7,154
Payments	(42,523)	(45,537)
Foreign currency translation	10,713	10,974
Carrying amount at 31 December	192,262	147,234
Analysed into:		
Within one year	20,645	23,615
In the second year	31,699	15,233
In the third to fifth year, inclusive	52,375	26,964
Beyond five year	87,543	81,422

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	For the year ended 31 December	
	2023	2022
Interest on lease liabilities	7,797	7,154
Depreciation charge of right-of-use assets	38,099	27,418
Expense relating to leases of low-value assets and short-term leases	7,694	8,248
Total amount recognised in profit or loss	53,590	42,820

The Group as a lessor

The Group leases its investment properties (Note 28) and property and equipment (Note 29) consisting of aircraft, ships, special equipment and buildings under operating lease arrangements. The terms of the leases generally require the lessees to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB12,362 million (2022: RMB12,476 million), details of which are included in Note 5 to the financial statements.

As at 31 December 2023 and 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December 2023	31 December 2022
Within one year	10,786,137	9,576,692
After one year but within two years	10,349,887	9,232,311
After two years but within three years	9,399,035	8,703,400
After three years but within four years	8,085,558	7,436,395
After four years but within five years	7,168,793	6,358,164
After five years	25,917,082	24,716,178
	71,706,492	66,023,140

31 DEFERRED TAXATION

Deferred income tax liabilities of RMB73 million (31 December 2022: RMB44 million) have not been recognised for the taxable temporary differences arising from undistributed profit of foreign subsidiaries given that the timing of the reversal of the temporary difference is controlled by the Group and the directors of the Group are of the view that it is probable that the temporary differences will not be reversed in the foreseeable future.

The effect of deductible losses not recognised as deferred income tax assets for the year ended 31 December 2023 are RMB988,802 thousand (31 December 2022: RMB1,762,952 thousand).

The tax losses are available within the period permitted by tax laws for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

The following are the major deferred tax assets/(liabilities) recognised and movements thereon for the years ended 31 December 2023 and 2022:

	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 2023	1,604,294	(92,440)	15,396	5,170	258,074	(695,005)	27,533	18,012	(851,099)	289,935
Credited/(charged) to profit or loss	187,138	31,661	3,507	–	(29,237)	60,373	(737)	3,483	434,274	690,462
Credited/(charged) to other comprehensive income	–	50,480	–	(5,457)	–	–	–	–	–	45,023
Foreign currency translation	734	357	–	–	4,208	(11,674)	–	–	3,998	(2,377)
As at 31 December 2023	1,792,166	(9,942)	18,903	(287)	233,045	(646,306)	26,796	21,495	(412,827)	1,023,043

	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of FVTPL	Changes in fair value of FVOCI	Deductible tax losses	Accelerated depreciation of operating lease assets	Deferred income	Accrued staff costs	Others	Total
As at 1 January 2022	1,399,569	63,937	9,287	6,291	112,467	(597,111)	28,271	13,462	(1,183,556)	(147,383)
Credited/(charged) to profit or loss	202,332	727	6,109	–	131,686	(31,104)	(738)	4,550	332,458	646,020
Charged to other comprehensive income	–	(159,702)	–	(1,121)	–	–	–	–	–	(160,823)
Foreign currency translation	2,393	2,598	–	–	13,921	(66,790)	–	–	(1)	(47,879)
As at 31 December 2022	1,604,294	(92,440)	15,396	5,170	258,074	(695,005)	27,533	18,012	(851,099)	289,935

(Amounts in thousands of RMB, unless otherwise stated)

32 OTHER ASSETS

	31 December 2023	31 December 2022
Maintenance right assets	744,542	832,735
Deductible value-added tax	1,065,630	465,308
Prepaid expenses	1,565,812	692,375
Straightline lease asset[(1)]	1,478,488	1,570,264
Other receivables	228,851	442,480
Land use rights[(2)]	363,039	372,063
Lease premium assets	178,177	190,179
Other intangible assets	45,914	22,805
Interest receivable	148,165	52,538
Notes receivable	–	18,524
Prepaid income tax	18,849	26,360
Deposits for lease of business place	23,262	23,529
Aircraft supplementary assets	8,425	13,401
	5,869,154	4,722,561
Less: Allowance for impairment losses		
– Straightline lease asset[(1)]	(614,169)	(613,897)
– Other receivables	(11,540)	(23,612)
– Interest receivable	(93)	–
– Aircraft supplementary assets	(2,479)	(2,438)
	(628,281)	(639,947)
	5,240,873	4,082,614

(1) Straightline lease asset appears the difference amount between operating lease income recognised on straight-line basis and the contractual receivables and the movement of the impairment of it is showing as follow:

	For the year ended 31 December	
	2023	2022
At the beginning of the year	613,897	266,877
Impairment losses during the year	(10,090)	311,383
Effect of foreign currency exchange differences	10,362	35,637
At the end of the year	614,169	613,897

(2) Land use rights of the Group represent the medium-term (50 years) leasehold land in the PRC.

33 BORROWINGS

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

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

(1) Secured bank borrowings

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

	31 December 2023	31 December 2022
Equipment held for operating lease businesses	43,088,677	38,797,903
Finance lease receivables	1,429,463	2,727,320
Accounts receivable	537,002	464,480
Bank deposits	15,990,342	2,262,687
	61,045,484	44,252,390

(2) The Group entered into finance lease receivables factoring arrangements and has recognised the cash received for the transfer as factoring financing. The balance of secured bank borrowings through factoring financing was approximately RMB7,873,794 thousand as at 31 December 2023 (31 December 2022: RMB7,104,143 thousand) (Note 43).

(Amounts in thousands of RMB, unless otherwise stated)

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

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

In addition, the Group has floating-rate borrowings which carry interest based on LPR, SOFR or Term SOFR.

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

	31 December 2023	31 December 2022
Effective interest rates:		
Fixed-rate borrowings (RMB)	2.40%-3.20%	1.85%-3.39%
Fixed-rate borrowings (USD)	2.05%-6.37%	1.10%-5.95%
Floating-rate borrowings (RMB)	1Y LPR/5Y LPR -1.30%~-0.28%	1Y LPR -1.05%~-0.28%
Floating-rate borrowings (USD)	SOFR/1M TSOFR/3M TSOFR+0.20%-1.45%	1M LIBOR/6M LIBOR/1M TSOFR/ 3M TSOFR/SOFR+0.30%-2.80%

34 ACCRUED STAFF COSTS

	31 December 2023	31 December 2022
Salaries, bonuses and allowances	226,460	196,105
Social welfare and others	56,035	67,695
	282,495	263,800

35 BONDS PAYABLE

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

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

			As at 31 December 2023			
			Maturity (Year)	Face value	Guaranteed unsecured bonds[1]	Unguaranteed unsecured bonds
Issuer	Currency	Fixed coupon rate				
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,957,890	–	4,957,890
CDBL Funding 2[2]	RMB	3.35% to 3.50%	2024 to 2026	1,600,000	1,600,000	–
	HKD	1.40% to 4.85%	2024	2,809,282	2,809,282	–
	USD	1.375% to 5.77%	2024 to 2027	14,696,603	14,696,603	–
CDBL Funding 1[2]	USD	2.87% to 4.25%	2024 to 2027	6,586,911	6,586,911	–
Issuer	Currency	Floating rate				
CDBL Funding 2[2]	USD	SOFR + Margin ranging from 0.85% to 1.00%	2024 to 2025	1,629,021	1,629,021	–
				32,279,707	27,321,817	4,957,890

			As at 31 December 2022			
			Maturity (Year)	Face value	Guaranteed unsecured bonds[1]	Unguaranteed unsecured bonds
Issuer	Currency	Fixed coupon rate				
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,875,220	–	4,875,220
CDBL Funding 2[2]	RMB	3.05% to 3.40%	2023 to 2024	900,000	900,000	–
	HKD	1.20% to 1.40%	2023 to 2024	1,161,251	1,161,251	–
	USD	1.20% to 3.125%	2023 to 2027	14,333,147	14,333,147	–
CDBL Funding 1[2]	USD	1.50% to 4.25%	2023 to 2027	13,441,678	13,441,678	–
Issuer	Currency	Floating Rate				
CDBL Funding 2[2]	USD	SOFR + Margin ranging from 0.85% to 1.00%	2023 to 2025	2,298,318	2,298,318	–
				37,009,614	32,134,394	4,875,220

(1) As at 31 December 2023 and 2022, the bonds were unconditionally and irrevocably guaranteed by CDB Leasing (International) Company Limited or CDB Aviation Lease Finance Designated Activity Company, with the benefit of a Keepwell and Asset Purchase Deed provided by the Company. CDB Leasing (International) Company Limited and CDB Aviation Lease Finance Designated Activity Company are subsidiaries of the Group.

(2) CDBL Funding 1 and CDBL Funding 2 are subsidiaries of the Group.

(Amounts in thousands of RMB, unless otherwise stated)

36 OTHER LIABILITIES

	31 December 2023	31 December 2022
Guaranteed deposits from lessees	6,906,406	7,242,270
Maintenance deposits from lessees	2,688,989	2,343,670
Accounts payable[(1)]	8,185,010	2,985,877
Interest payable	2,010,292	1,446,263
Notes payable[(2)]	1,513,847	3,252,356
Rent received in advance	1,697,520	2,052,502
Lease discount liabilities	375,527	406,198
Other payables	616,362	503,140
Deferred income	107,180	110,130
Lessor contributions	654,098	308,449
Straightline lease liabilities	213,974	163,035
Provisional value-added tax	1,834,107	1,251,913
Ship management fee payable	71,966	119,464
Dividends payable	63,268	–
Other taxes payable	54,949	49,339
Management consulting fees payable	14,628	34,312
Total	27,008,123	22,268,918

(1) Maturity analysis of the accounts payable as at the end of the reporting period, based on the payables due date, is as follows:

	31 December 2023	31 December 2022
Within one year	7,829,232	2,551,634
In the second year	105,847	101,489
In the third to fifth year, inclusive	249,931	332,754
Beyond five year	–	–
	8,185,010	2,985,877

(2) Notes payable is normally settled on one-year term.

37 SHARE CAPITAL

	31 December 2023	31 December 2022
Registered, issued and fully paid: par value RMB1.00 per share	12,642,380	12,642,380

38 CAPITAL RESERVE

	31 December 2023	31 December 2022
Capital reserve	2,418,689	2,418,689

The balance of capital reserve mainly represents share premium arising from the Company's initial public offering and other previous shares issuances in the current and prior years.

39 HEDGING AND FAIR VALUE RESERVE

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

	2023	2022
At the beginning of the year	696,592	(459,909)
Fair value changes on derivatives	(374,199)	1,316,119
Fair value gains on investments in debt instruments at FVOCI	56,518	29,028
Disposal of investments in debt instruments at FVOCI	(34,697)	(27,823)
Income tax effects	45,023	(160,823)
At the end of the year	389,237	696,592

(Amounts in thousands of RMB, unless otherwise stated)

40 GENERAL RESERVE

The general reserves comprise statutory reserve and reserve for general risk. The movements of general reserve of the Group are set out below:

	Year ended 31 December 2023		
	Opening	Additions	Closing
Statutory reserve [(1)]	1,512,554	277,619	1,790,173
Reserve for general risk [(2)]	5,279,710	799,388	6,079,098
	6,792,264	1,077,007	7,869,271

	Year ended 31 December 2022		
	Opening	Additions	Closing
Statutory reserve [(1)]	1,119,170	393,384	1,512,554
Reserve for general risk [(2)]	5,116,597	163,113	5,279,710
	6,235,767	556,497	6,792,264

(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.

41 RETAINED EARNINGS

The movements of retained earnings of the Group are set out below:

	2023	2022
At the beginning of the year	11,226,551	9,608,601
Profit for the year	4,150,149	3,351,073
Appropriation to general reserve	(1,077,007)	(556,497)
Dividends	(1,005,322)	(1,176,626)
At the end of the year	13,294,371	11,226,551

42 DIVIDENDS

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

43 TRANSFERS OF FINANCIAL ASSETS

Repurchase agreements

As at 31 December 2023, the Group entered into repurchase agreements with certain counterparties to sell the Group's financial assets at fair value through other comprehensive income with carrying amounts of approximately RMB3,001,187 thousand (31 December 2022: 488,665 thousand) (Note 22).

Sales and repurchase agreements are transactions in which the Group sells financial assets at fair value through other comprehensive income and simultaneously agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of these debt instruments or certificates of deposit sold. These debt instruments or certificates of deposit are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group and the Company retain substantially all the risks and rewards of these debt instruments or certificates of deposit. The proceeds from selling such debt instruments or certificates of deposit are presented as financial assets sold under repurchase agreements. For all these arrangements, the counterparties have recourse to the transferred financial assets.

The following tables provide a summary of carrying amounts related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

	31 December 2023	31 December 2022
Carrying amount of transferred assets	3,001,187	488,665
Carrying amount of associated liabilities	(2,556,855)	(429,914)
Net position	444,332	58,751

Factoring arrangements

The Group entered into finance lease receivables factoring arrangements (the "Arrangements") and transferred certain finance lease receivables to banks. Under the Arrangements, the banks have recourse right and the Group has the obligation to reimburse the banks for loss of rental if any lessees have late and default payment. As the Group has not transferred the significant risks relating to these transferred finance lease receivables, it continues to recognise in their full carrying amount and has recognised the cash received for the transfer as factoring financing. The carrying amount of the assets that the Group continued to recognise as at 31 December 2023 was approximately RMB7,417,365 thousand (31 December 2022: RMB7,729,097 thousand) (Note 24) and that of the associated liabilities as at 31 December 2023 was approximately RMB7,873,794 thousand (31 December 2022: RMB7,104,143 thousand) (Note 33).

44 CASH AND CASH EQUIVALENTS

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

45 CONTINGENT LIABILITIES

As at 31 December 2023, the total target amount of pending litigations against with the Group as defendant was RMB284.33 million (31 December 2022: RMB292.75 million). The Group believes that it is not necessary to make provisions for the pending litigations as defendant mentioned above during the reporting period. The Group estimates that these pending litigations would not have any material impact on the business, financial position or performance of the Group.

46 CAPITAL COMMITMENTS

Capital expenditures contracted by the Group as at 31 December 2023 and 2022 but are not yet to be recognised on the consolidated statement of financial position are as follows:

	31 December 2023	31 December 2022
Acquisition of equipment held for operating lease	27,116,956	37,333,106

47 FINANCE LEASE COMMITMENTS

	31 December 2023	31 December 2022
Finance lease commitments	36,383,972	28,115,884

Finance lease commitments are in relation to finance lease contracts signed by the Group as lessor which were not yet effective as at 31 December 2023 and 2022.

48 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

48.1 Parent Company

As at 31 December 2023, China Development Bank directly owned 64.4% of the share capital of the Company.

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled by the PRC government.

The Group had the following balances and entered into the following transactions with China Development Bank in its ordinary course of business:

The Group had the following balances with China Development Bank:

	As at 31 December	
	2023	2022
Bank balances	2,077,473	2,089,899
Derivative financial assets	–	15,173
Operating leases receivable	1,128	5,053
Right-of-use assets	923	1,968
Bank borrowings	10,572,857	7,189,264
Derivative financial liabilities	–	1,280
Lease liabilities	886	1,794
Interest payable	55,031	67,956
Other payable	7,465	295

The Group entered into the following transactions with China Development Bank:

	For the year ended 31 December	
	2023	2022
Interest income	30,648	20,618
Interest expenses	267,516	189,419
Operating lease income	88,543	88,682
Net investment (losses)/gains	(23,725)	4,019
Fee and commission expenses	60,460	42,180
Other operating expense	1,039	1,016

48.2 Other related parties

48.2.1 China Development Bank Securities Co., Limited

The Group and China Development Bank Securities Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Securities Co., Limited:

	As at 31 December	
	2023	2022
Operating leases receivable	–	156

The Group entered into the following transactions with China Development Bank Securities Co., Limited:

	For the year ended 31 December	
	2023	2022
Operating lease income	1,461	1,915

(Amounts in thousands of RMB, unless otherwise stated)

48.2.2 China Development Bank Capital Co., Limited and its subsidiaries

The Group and China Development Bank Capital Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Capital Co., Limited and its subsidiaries:

	As at 31 December	
	2023	2022
Accounts receivable	3,649	3,649
Bonds payable	–	210,548

The Group entered into the following transactions with China Development Bank Capital Co., Limited and its subsidiaries:

	For the year ended 31 December	
	2023	2022
Interest expenses	3,195	6,125

48.2.3 China Development Bank Fund Co., Limited and its subsidiaries

The Group and China Development Bank Fund Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Fund Co., Limited and its subsidiaries:

	As at 31 December	
	2023	2022
Finance lease receivables	608,520	792,214

The Group entered into the following transactions with China Development Bank Fund Co., Limited and its subsidiaries:

	For the year ended 31 December	
	2023	2022
Finance lease income	38,014	12,790

48.2.4 Three Gorges Capital Holdings (HK) Co., Ltd

As at 31 December 2023, Three Gorges Capital Holdings (HK) Co., Ltd directly owned 10.33% of the share capital of the Group, and placed a director on the Group's board, which had a significant impact on the Group.

The Group had the following balances with Three Gorges Capital Holdings (HK) Co., Ltd:

	As at 31 December	
	2023	2022
Finance lease receivables	–	16,067

The Group entered into the following transactions with Three Gorges Capital Holdings (HK) Co., Ltd:

	For the year ended 31 December	
	2023	2022
Finance lease income	171	15,510

48.3 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The following table shows the key management personnel compensation payable by the Group in the years of 2023 and 2022.

	For the year ended 31 December	
	2023	2022
Basic salaries and allowances	10,760	11,234
Bonuses	9,482	10,452
Employer's contribution to pension schemes	1,343	2,146
	21,585	23,832

48.4 Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: purchase, sale and leases of property and other assets; bank deposits and borrowings; purchase of bonds issued by other state-owned entities; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(Amounts in thousands of RMB, unless otherwise stated)

49 SEGMENT REPORTING

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

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

- Aircraft leasing: mainly engaged in the acquisition, leasing, management and disposal of commercial aircraft;
- Regional development leasing: mainly engaged in the leasing of urban and transportation facilities and key industrial equipment developed in service region supported by national policies;
- Ship leasing: mainly engaged in the leasing of ships;
- Inclusive finance: mainly engaged in the leasing of vehicles other than aircraft and ships, and construction machinery; and
- Green energy and high-end equipment leasing: mainly engaged in the leasing of energy infrastructure and high-end equipment.

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

Expenses of the headquarters are allocated according to the proportion of each segment's net revenue (segment's revenue deducting depreciation expenses of equipment held for operating lease businesses). Assets and liabilities of the headquarters are allocated according to the proportion of each segment's assets related to leasing business.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the years ended 31 December 2023 and 2022.

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

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

(Amounts in thousands of RMB, unless otherwise stated)

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

	Aircraft leasing	Regional development leasing	Ship leasing	Inclusive finance	Green energy and high-end equipment leasing	Total
For the year ended 31 December 2022						
Segment revenue and results						
Finance lease income	5,883	6,441,093	656,819	1,545,935	1,638,893	10,288,623
Operating lease income	7,024,856	128,396	5,320,528	–	1,933	12,475,713
Segment revenue	7,030,739	6,569,489	5,977,347	1,545,935	1,640,826	22,764,336
Segment other income, gains and losses	797,214	277,946	1,081,565	69,319	63,077	2,289,121
Segment revenue and other income	7,827,953	6,847,435	7,058,912	1,615,254	1,703,903	25,053,457
Interest expense	(2,328,007)	(3,345,956)	(1,086,188)	(658,720)	(787,818)	(8,206,689)
Other expense	(7,212,989)	(1,117,911)	(3,103,189)	(271,397)	(183,328)	(11,888,814)
Segment expenses	(9,540,996)	(4,463,867)	(4,189,377)	(930,117)	(971,146)	(20,095,503)
Profit before impairment losses and income tax	1,183,602	3,748,079	3,308,544	770,720	203,812	9,214,757
Profit before income tax	(1,713,043)	2,383,568	2,869,535	685,137	732,757	4,957,954
As at 31 December 2022						
Segment assets and liabilities						
Segment assets	93,374,950	131,065,400	49,684,606	35,638,732	43,122,529	352,886,217
Deferred tax assets						1,831,030
Group's total assets						354,717,247
Segment liabilities	88,914,136	117,320,579	43,600,152	31,609,657	37,448,183	318,892,707
Deferred tax liabilities						1,541,095
Group's total liabilities						320,433,802
For the year ended 31 December 2022						
Other segment information						
Depreciation of investment properties	–	(31,282)	–	–	–	(31,282)
Depreciation of property and equipment	(3,631,266)	(14,586)	(1,607,722)	(3,210)	(4,680)	(5,261,464)
Depreciation of right-of-use assets	(16,823)	(4,905)	(3,386)	(1,079)	(1,225)	(27,418)
Amortisation	(33,602)	(18,498)	(5,039)	(1,607)	(1,825)	(60,571)
Capital expenditure	13,023,301	49,970	4,574,881	10,999	12,495	17,671,646
Net impairment losses	(2,896,645)	(734,110)	(439,885)	(82,398)	(103,765)	(4,256,803)

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

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue is substantially derived from its operation in the PRC for the years ended 31 December 2023 and 2022.

50 FINANCIAL INSTRUMENTS

Categories of financial instruments

	31 December 2023	31 December 2022
Financial assets		
Cash and bank balances	69,440,305	29,760,725
Financial assets at fair value through profit and loss	156,472	131,894
Derivative financial assets	675,904	840,778
Financial assets at fair value through other comprehensive income	3,001,187	1,464,986
Accounts receivable	1,335,131	3,487,733
Finance lease receivables	195,101,137	193,494,283
Other financial assets	1,252,964	1,469,826
	270,963,100	230,650,225

	31 December 2023	31 December 2022
Financial liabilities		
Borrowings	295,875,445	246,882,657
Due to banks and other financial institutions	12,509,021	11,230,725
Derivative financial liabilities	246,329	28,283
Financial assets sold under repurchase agreement	2,556,855	429,914
Bonds payable	32,187,230	36,872,054
Lease liabilities	192,262	147,234
Other financial liabilities	22,724,866	18,235,801
	366,292,008	313,826,668

51 FINANCIAL RISK MANAGEMENT

51.1 Overview of financial risk management

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and monitors the risks continuously. The major financial risks of the Group are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk. The Group's objective is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The major derivative financial instruments adopted by the Group are interest rate swaps, cross currency swaps, currency forwards and foreign exchange swaps. 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 foreign exchange fluctuations of bonds payable.

The board of directors of the Company established the Group's risk management strategy. The senior management established related risk management policies and procedures, for credit risk, currency risk, interest rate risk, liquidity risk, and the use of derivative and non-derivative financial instruments, according to the risk management strategy approved by the board.

51.2 Credit risk

Credit risk for the Group represents the risk that the counterparty fails to meet its contractual obligations at the due date. Credit risk is considered as one of the most significant risks to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from leasing business and other financial assets, which include cash and bank balances, finance lease receivables, accounts receivable, debt instruments classified as at FVOCI and other financial assets. In addition, the Group provides financial guarantees only for subsidiaries' liabilities. At 31 December 2023 and 2022, two subsidiaries have issued guarantees to certain financial institutions in respect of bonds payable granted to their subsidiaries (Note 35).

The Group establishes industry risk management framework and measurements where the Group will perform research by industry, implement credit evaluation, estimate the value of lease assets, monitor lessees' business status and evaluate the impact of change in technology on lease assets, to strengthen the credit risk control and management.

51.2.1 Credit risk management

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with which the Group has credit transactions. In addition, the Group monitors the leases receivable regularly to mitigate the risk of significant exposures from non-performing assets.

The Group employs a range of policies and practices to mitigate credit risk of leasing business. The most typical one is the taking of collateral, margin deposits and guarantees by third parties. The Group provides guidelines on acceptable types of collateral, which mainly includes:

- Civil aircraft and engines
- Ships
- Machinery and equipment
- Highway toll rights
- Properties

The Group regularly evaluates the credit risk, improves the credit risk monitoring and early warning management system, strengthens risk analysis and control, coordinates the resolution of key non-performing and risky projects, conducts special risk checks on the stock business and improves the foresight, timeliness and prognosis of risk control.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

51.2.2 Expected credit loss

The Group formulates the credit losses of cash and bank balances, finance lease receivables, accounts receivable, FVOCI and other financial assets.

For financial assets whose impairment losses are measured using ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition and applies a three-stage impairment model (refer to Note 2.19.4) to calculate their impairment allowance and recognise their ECL.

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below:

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, lifetime or 12-month 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.

For credit-impaired financial assets with individual amount that are relatively significant, the Group mainly evaluates future cash flows (including the recoverable value of the collateral held) in different circumstances on an individual basis. Expected credit losses are measured as the differences between the present value of estimated cash flows discounted at the original effective interest rate and the asset's gross carrying amount. Any adjustment is recognised in profit or loss as an impairment loss or reversal. The estimation of future cash flows is critical for credit-impaired financial assets for which expected credit losses are measured on an individual basis. Factors affecting this estimate include, among other things, the financial condition of individual customers, risk mitigation methods, industry trends, the future performance of individual customers and guarantors, and cash flows from the sale of collateral.

During the reporting period, based on the requirements of the Administrative Measures for the Implementation of the Expected Credit Loss Law of Commercial Banks《商業銀行預期信用損失法實施管理辦法》, the Group conducted a re-verification of the measurement of expected credit losses, and continued to optimize the model according to the results of the re-verification, including updating forward-looking information, model parameters, risk grouping, and other.

There have been no significant changes in estimation techniques or significant assumptions adopted in ECL calculation during the reporting period.

Judgement of significant increase in credit risk ("SICR")

Under IFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group considers various reasonable and supportable information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial assets. Major factors being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group sets quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly include the PD changes of the lessees, changes of credit risk categories and other indicators of SICR. In the judgement of whether the credit risk has SICR after initial recognition, the Group has not rebutted the 30 days past due as presumption of SICR.

(Amounts in thousands of RMB, unless otherwise stated)

The definition of credit-impaired assets

Under IFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets while considering quantitative and qualitative indicators. When the Group assesses whether the lessee has credit impairment, the following factors are mainly considered:

- Whether internal credit rating of the lessee is default grade;
- Whether the lessee has overdue more than 60 days after the lease contract payment date;
- Whether the lessee has significant financial difficulties;
- Whether the lessee is likely to go bankrupt or other financial restructuring; and
- Whether the lessor gives the lessee concessions for economic or contractual reasons due to the lessee's financial difficulties, where such concessions are normally reluctant to be made by the lessor.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by any separately identifiable event.

Forward-looking information

The Group has performed historical data analysis and identified Gross Domestic Product (GDP), Consumer Price Index (CPI), Completed Investment in Fixed Assets, China Newbuilding Price Index (CNPI), Global Revenue Passenger Kilometres (RPK), etc. associated with credit risk and expected credit losses for each portfolio. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables and PD. The impact of these economic variables on the PD varies according to different types of business. Forecasts of these economic variables are carried out at least quarterly by the Group to provide the best estimate view of the economy over the next year.

When calculating the weighted average ECL provision, the Group determines the optimistic, neutral and pessimistic scenarios and their weightings through a combination of macro-statistical analysis and expert judgement. As at 31 December 2023, the Group has taken into account different macro-economic scenarios, and made forward-looking forecasts of macro-economic indicators. Of which, the year-on-year GDP growth rate used to estimate ECL under each scenario is as follows: 5.3% under neutral scenario, 11.53% under optimistic scenario, and 3.26% under pessimistic scenario.

The Group conducts sensitivity analysis on the weightings of multiple economic scenarios used in forward-looking measurement. As at 31 December 2023, when the weighting of optimistic scenario or pessimistic scenario increases by 10%, and the weighting of baseline scenario decreases by 10%, the respective decrease or increase in financial assets loss allowance will not exceed 5%.

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 2023		31 December 2022	
	Amount	%	Amount	%
Aircraft leasing	444,429	0%	472,648	0%
Regional development leasing	106,970,910	52%	120,383,974	60%
Ship leasing	13,663,855	7%	11,011,765	5%
Inclusive finance	26,901,935	13%	32,829,929	16%
Green energy and high-end equipment leasing	56,144,542	28%	37,334,570	19%
	204,125,671	100%	202,032,886	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 2023				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	69,497,069	–	–	–	69,497,069
FVOCI	3,001,187	–	–	–	3,001,187
Accounts receivable	638,332	–	–	1,670,365	2,308,697
Finance lease receivables	167,388,757	35,087,543	1,649,371	–	204,125,671
Other financial assets	400,278	–	–	1,478,488	1,878,766

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	29,760,725	–	–	–	29,760,725
FVOCI	1,464,986	–	–	–	1,464,986
Accounts receivable	2,557,215	–	–	1,719,859	4,277,074
Finance lease receivables	173,644,606	26,893,268	1,495,012	–	202,032,886
Other financial assets	537,071	–	–	1,570,264	2,107,335

Since 1 July 2023, the Group commenced to manage its credit risk exposure based on the Measures for the Risk Classification of Financial Assets of Commercial Bank 《商業銀行金融資產風險分類辦法》 (the "Measures") issued by the CBIRC, and it no longer applies the Guidelines on the Risk-based Classification of Loan 《貸款風險分類指引》. The implementation of the Measures has improved the Group's risk classification and management system for financial assets.

(Amounts in thousands of RMB, unless otherwise stated)

The Measures requires the Group to classify their financial assets into five categories: normal, special mention, substandard, doubtful and loss, five categories are defined as follows:

Internal credit rating	Description
Normal	Debtors are able to perform contracts and there is no objective evidence that the principal, interest, or income cannot be paid in full and on time
Special mention	Although there are some factors that may adversely affect the performance of contracts, debtors are currently able to pay
Substandard	Debtors are unable to pay the principal, interest or income in full, or financial assets are credit-impaired
Doubtful	Debtors are unable to pay the principal, interest, or income in full, and financial assets are significant credit-impaired
Loss	After exhaustion of all possible measures only a very small part of financial assets can be recovered or all financial assets are lost

The Group strictly follows the regulatory requirements in five-category financial assets classifications management and makes adjustments to these classifications as necessary according to customers' operational and financial position, together with other factors that may affect the repayment of financial assets.

Finance lease receivables:

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Credit rating:				
Normal	167,388,757	23,139,156	–	190,527,913
Special mention	–	11,948,387	–	11,948,387
Substandard	–	–	441,038	441,038
Doubtful	–	–	–	–
Loss	–	–	1,208,333	1,208,333
Net amount	167,388,757	35,087,543	1,649,371	204,125,671
Less: allowance for impairment losses	(2,341,362)	(5,280,490)	(1,402,682)	(9,024,534)
Net carrying amount	165,047,395	29,807,053	246,689	195,101,137

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Credit rating:				
Normal	173,644,606	13,328,703	–	186,973,309
Special mention	–	13,564,565	–	13,564,565
Substandard	–	–	665,422	665,422
Doubtful	–	–	–	–
Loss	–	–	829,590	829,590
Net amount	173,644,606	26,893,268	1,495,012	202,032,886
Less: allowance for impairment losses	(3,627,708)	(3,429,895)	(1,481,000)	(8,538,603)
Net carrying amount	170,016,898	23,463,373	14,012	193,494,283

Advances for finance lease projects in accounts receivable:

As at 31 December 2023, the credit rating of advances for finance lease projects in accounts receivable is normal in stage 1, with a gross amount of RMB546,331 thousand (31 December 2022: RMB2,489,752 thousand) and an allowance for impairment losses of RMB9,329 thousand (31 December 2022: RMB28,791 thousand).

As of 31 December 2023 and 2022, operating lease receivables impaired using the simplified approach are as follows:

	31 December 2023			31 December 2022		
	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance
Deferred	61%	1,420,887	868,828	44%	1,695,111	749,559
Overdue within 1 month	1%	52,035	379	1%	312	2
Overdue 1 to 2 months	0%	3	–	0%	8,358	–
Overdue 2 to 3 months	–	–	–	–	–	–
Overdue over 3 months	47%	197,440	92,016	43%	16,078	6,941
	58%	1,670,365	961,223	44%	1,719,859	756,502

51.3 Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse movements in market prices (including interest rates and exchange rates).

51.3.1 Market risks measurement techniques

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would mature in a certain period or need to be repriced, and then uses the exposure information to perform sensitivity analysis under changing market interest rate and exchange rate.

51.3.2 Currency risk

The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. Most aircraft and ships held under finance and operating leases that the Group has purchased are denominated in US dollars; and the corresponding finance lease receivables and operating lease receivables are denominated in US dollars; and the main sources of fund are from bank borrowings and bond issuance denominated in US dollars. Other than aircraft and ship leasing, the Group's remaining leasing businesses are mostly denominated in RMB, which does not expose the Group to significant currency risk. The exchange rate risk exposure primarily arises from the profits of some of the Group's overseas SPVs, which are denominated in foreign currencies.

The Group's policy has been reviewed and, due to the increased volatility in USD, it was decided to hedge up to currency risk exposure that affects profit and loss. The Group utilises a rollover hedging strategy, such as currency forward and cross currency swaps (CCS), to offset or limit the exposure currency risk. For the years ended 31 December 2023 and 2022, the Group's hedge relationships between the hedging instruments, such as CCS, and the designated hedged items were highly effective. The hedge ratios for the Group's hedge relationships are 1:1.

(Amounts in thousands of RMB, unless otherwise stated)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is RMB:

	USD (in RMB equivalent)	HKD (in RMB equivalent)	Others (in RMB equivalent)	Total (in RMB equivalent)
31 December 2023				
Cash and bank balances	9,619,477	22,388	2	9,641,867
Other financial assets	29,704,670	1,088	–	29,705,758
Total financial assets	39,324,147	23,476	2	39,347,625
Borrowings	27,942,385	–	–	27,942,385
Due to banks and other financial institutions	1,629,021	–	–	1,629,021
Financial assets sold under repurchase agreements	2,556,855	–	–	2,556,855
Derivative financial liabilities	2,612	–	–	2,612
Bonds payable	4,915,549	–	–	4,915,549
Other financial liabilities	343,780	–	–	343,780
Total financial liabilities	37,390,202	–	–	37,390,202
Net exposure	1,933,945	23,476	2	1,957,423
Net off-balance sheet position	(6,572,320)	–	–	(6,572,320)

	USD (in RMB equivalent)	HKD (in RMB equivalent)	Others (in RMB equivalent)	Total (in RMB equivalent)
31 December 2022				
Cash and bank balances	14,888,969	21,927	533	14,911,429
Finance lease receivables	432,405	–	–	432,405
Derivative financial assets	43,039	–	–	43,039
Other financial assets	62,974,067	1,990	–	62,976,057
Total financial assets	78,338,480	23,917	533	78,362,930
Borrowings	36,725,688	–	–	36,725,688
Due to banks and other financial institutions	2,611,725	–	–	2,611,725
Financial assets sold under repurchase agreements	429,914	–	–	429,914
Derivative financial liabilities	28,283	–	–	28,283
Bonds payable	4,828,113	–	–	4,828,113
Other financial liabilities	19,381,967	759,566	249	20,141,782
Total financial liabilities	64,005,690	759,566	249	64,765,505
Net exposure	14,332,790	(735,649)	284	13,597,425
Net off-balance sheet position	(7,540,769)	1,167,854	–	(6,372,915)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is US dollar:

	RMB	HKD (in RMB equivalent)	Others (in RMB equivalent)	Total (in RMB equivalent)
31 December 2023				
Cash and bank balances	12,952,592	2,057	17,403	12,972,052
Accounts receivable	8,573	–	–	8,573
Other financial assets	2,815,489	3,759,011	263	6,574,763
Total financial assets	15,776,654	3,761,068	17,666	19,555,388
Borrowings	20,357,647	–	–	20,357,647
Bonds payable	1,598,633	2,808,619	–	4,407,252
Lease liabilities	–	38,071	118,324	156,395
Other financial liabilities	11,796,709	3,773,546	263	15,570,518
Total financial liabilities	33,752,989	6,620,236	118,587	40,491,812
Net exposure	(17,976,335)	(2,859,168)	(100,921)	(20,936,424)

	RMB	HKD (in RMB equivalent)	Others (in RMB equivalent)	Total (in RMB equivalent)
31 December 2022				
Cash and bank balances	280,187	783	2,047	283,017
Accounts receivable	13,039	–	–	13,039
Other financial assets	898,918	759,358	249	1,658,525
Total financial assets	1,192,144	760,141	2,296	1,954,581
Borrowings	2,775,402	–	–	2,775,402
Bonds payable	898,518	1,160,648	–	2,059,166
Lease liabilities	–	12,968	117,681	130,649
Other financial liabilities	414,619	3,396	–	418,015
Total financial liabilities	4,088,539	1,177,012	117,681	5,383,232
Net exposure	(2,896,395)	(416,871)	(115,385)	(3,428,651)

(Amounts in thousands of RMB, unless otherwise stated)

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 2023	31 December 2022
Profit before tax:		
5% appreciation	13,850	66,891
5% depreciation	(13,850)	(66,891)
Equity:		
5% appreciation	733,258	631,230
5% depreciation	(733,258)	(631,230)

51.3.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing of market interest rates on its cash flow risks.

Interest margins may increase as a result of fluctuation in market interest rates, but may reduce or create losses in the event that unexpected movements arise. Therefore, the Group primarily manages the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities.

Most of the Group's operating lease businesses receive fixed rate rents, while certain bonds and bank borrowings carry interest at floating rates. The Group hedges the cash flow volatility risk as the result of the interest rate fluctuation through the interest rate swap contracts and cross currency swaps (CCS), as its cash flow hedges strategy. The Group switches the floating rates into fixed rate through interest rate swap contract to effectively match the future fixed rental income, and fix the interest spread.

The interest rate swaps are settled at maturity. The floating rate on the interest rate swaps is LIBOR (Ceased prior to 30 June 2023) or SOFR. The Group will settle the difference between the fixed and floating interest rate on a net basis. For the years ended 31 December 2023 and 2022, the Group's hedge relationships between interest rate swaps and CCS, and the designated hedged items were highly effective. The hedge ratios for the Group's hedge relationships are 1:1.

As at 31 December 2023 and 2022, the Group's assets and liabilities at carrying amounts, categorised by remaining maturity based on the earlier of contractual repricing and remaining maturity dates are as follows:

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2023						
Cash and bank balances	49,183,719	3,110,304	17,146,282	–	–	69,440,305
FVTPL	–	49,218	–	–	107,254	156,472
Derivative financial assets	–	–	–	–	675,904	675,904
FVOCI	–	–	3,001,187	–	–	3,001,187
Accounts receivable	537,002	–	–	–	798,129	1,335,131
Finance lease receivables	150,333,076	25,371,493	13,527,477	5,869,091	–	195,101,137
Other financial assets	–	–	–	–	1,252,964	1,252,964
Total financial assets	200,053,797	28,531,015	33,674,946	5,869,091	2,834,251	270,963,100
Borrowings	133,270,568	135,531,104	27,013,994	59,779	–	295,875,445
Due to banks and other financial institutions	12,154,886	354,135	–	–	–	12,509,021
Financial assets sold under repurchase agreements	2,556,855	–	–	–	–	2,556,855
Derivative financial liabilities	–	–	–	–	246,329	246,329
Bonds payable	8,883,706	4,625,388	13,762,587	4,915,549	–	32,187,230
Lease liabilities	3,523	30,426	70,770	87,543	–	192,262
Other financial liabilities	–	–	442,163	–	22,282,703	22,724,866
Total financial liabilities	156,869,538	140,541,053	41,289,514	5,062,871	22,529,032	366,292,008
Interest rate gap	43,184,259	(112,010,038)	(7,614,568)	806,220	(19,694,781)	(95,328,908)

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2022						
Cash and bank balances	27,454,038	2,306,687	–	–	–	29,760,725
FVTPL	–	–	–	–	131,894	131,894
Derivative financial assets	–	–	–	–	840,778	840,778
FVOCI	–	1,464,986	–	–	–	1,464,986
Accounts receivable	–	1,386,833	464,480	609,647	1,026,773	3,487,733
Finance lease receivables	145,164,231	29,640,129	13,002,064	5,687,859	–	193,494,283
Other financial assets	–	–	–	–	1,469,826	1,469,826
Total financial assets	172,618,269	34,798,635	13,466,544	6,297,506	3,469,271	230,650,225
Borrowings	127,768,570	98,194,700	20,784,700	134,687	–	246,882,657
Due to banks and other financial institutions	11,230,725	–	–	–	–	11,230,725
Financial assets sold under repurchase agreements	429,914	–	–	–	–	429,914
Derivative financial liabilities	–	–	–	–	28,283	28,283
Bonds payable	3,762,745	7,154,700	25,954,609	–	–	36,872,054
Lease liabilities	812	602	20,613	125,207	–	147,234
Other financial liabilities	–	–	534,032	–	17,701,769	18,235,801
Total financial liabilities	143,192,766	105,350,002	47,293,954	259,894	17,730,052	313,826,668
Interest rate gap	29,425,503	(70,551,367)	(33,827,410)	6,037,612	(14,260,781)	(83,176,443)

(Amounts in thousands of RMB, unless otherwise stated)

The following table illustrates the potential impact of a parallel upward or downward shift of 10 basis points in all financial instruments' yield rate on the Group's profit before tax and equity, based on the Group's positions of interest-generating assets, interest-bearing liabilities and interest rate swap contracts at the end of 31 December 2023 and 2022.

	31 December 2023	31 December 2022
Profit before tax:		
+ 10 basis points	(4,196)	(1,259)
– 10 basis points	4,196	1,259
Equity:		
+ 10 basis points	40,128	99,667
– 10 basis points	(40,128)	(99,667)

51.4 Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management target is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the financial demand of leasing business investment.

The major payment demand of the Group is the repayments of matured bank borrowings and withdraw request from lessees under finance leases.

51.4.1 Liquidity risk management policy

The Group implements the following procedures to manage the liquidity:

(a) proactive management of the maturity profile of the Group's assets and liabilities and maintaining appropriate liquidity provision for mitigating the liquidity risk; and

(b) obtaining diversified funding via multiple channels, thereby preserving sufficient funds to purchase assets and repay debt.

51.4.2 Cash flows for non-derivative financial assets and liabilities

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities by remaining contractual maturities as at 31 December 2023 and 2022. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

	31 December 2023						
	Indefinite/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Cash and bank balances	35,749,509	13,493,196	24,069	3,151,883	18,382,937	–	70,801,594
FVTPL	107,254	–	–	–	–	49,218	156,472
FVOCI	–	–	–	34,331	3,138,887	–	3,173,218
Accounts receivable	256,705	227,821	783,253	665,175	271,518	104,225	2,308,697
Finance lease receivables	874,399	5,426,744	11,353,461	42,302,926	128,684,100	53,615,008	242,256,638
Other financial assets	196,494	25,069	41,379	165,779	742,139	707,906	1,878,766
Total non-derivative financial assets	37,184,361	19,172,830	12,202,162	46,320,094	151,219,581	54,476,357	320,575,385
Borrowings	–	22,634,197	43,115,831	160,906,276	78,286,759	6,309,965	311,253,028
Due to banks and other financial institutions	–	7,574,614	4,616,264	366,117	–	–	12,556,995
Financial assets sold under repurchase agreements	–	–	2,559,787	–	–	–	2,559,787
Bonds payable	–	1,806,322	6,849,851	5,116,332	19,505,299	–	33,277,804
Lease liabilities	–	2,767	6,346	32,662	84,339	106,635	232,749
Other financial liabilities	–	3,401,547	4,366,134	8,273,226	5,456,158	1,325,840	22,822,905
Total non-derivative financial liabilities	–	35,419,447	61,514,213	174,694,613	103,332,555	7,742,440	382,703,268
Net position	37,184,361	(16,246,617)	(49,312,051)	(128,374,519)	47,887,026	46,733,917	(62,127,883)

	31 December 2022						
	Indefinite/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Cash and bank balances	24,831,784	2,478,886	145,131	2,348,109	–	–	29,803,910
FVTPL	131,894	–	–	–	–	–	131,894
FVOCI	–	–	–	1,500,000	–	–	1,500,000
Accounts receivable	1,625,281	520,493	61,430	138,411	1,072,259	859,200	4,277,074
Finance lease receivables	851,331	5,429,929	11,644,200	43,755,680	130,697,442	43,398,086	235,776,668
Other financial assets	53,923	128,469	193,045	199,687	627,633	904,578	2,107,335
Total non-derivative financial assets	27,494,213	8,557,777	12,043,806	47,941,887	132,397,334	45,161,864	273,596,881
Borrowings	–	21,148,790	43,558,197	127,966,318	63,961,767	3,456,053	260,091,125
Due to banks and other financial institutions	–	6,328,734	4,948,074	–	–	–	11,276,808
Financial assets sold under repurchase agreements	–	434,815	–	–	–	–	434,815
Bonds payable	–	472	1,572,936	8,480,572	29,129,537	–	39,183,517
Lease liabilities	–	2,871	5,481	23,787	57,428	110,810	200,377
Other financial liabilities	–	852,720	1,377,037	9,497,446	5,429,984	2,091,949	19,249,136
Total non-derivative financial liabilities	–	28,768,402	51,461,725	145,968,123	98,578,716	5,658,812	330,435,778
Net position	27,494,213	(20,210,625)	(39,417,919)	(98,026,236)	33,818,618	39,503,052	(56,838,897)

(Amounts in thousands of RMB, unless otherwise stated)

51.4.3 Cash flows analysis for derivative financial instruments

The following table illustrates the details of the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that are settled on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves as at 31 December 2023 and 2022 for exchange rate as well.

51.4.3.1 Derivatives settled on a gross basis

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2023						
Currency forward	–	–	–	–	–	–
Total inflows	–	–	3,576,817	–	–	3,576,817
Total outflows	–	–	(3,558,358)	–	–	(3,558,358)
Total	–	–	18,459	–	–	18,459
Cross currency swaps						
Total inflows	663,337	2,145,304	3,483,814	8,891,800	–	15,184,255
Total outflows	(666,117)	(2,198,655)	(3,598,838)	(8,600,676)	–	(15,064,286)
Total	(2,780)	(53,351)	(115,024)	291,124	–	119,969
Foreign exchange swaps						
Total inflows	1,368,144	1,398,256	–	–	–	2,766,400
Total outflows	(1,454,446)	(1,490,639)	–	–	–	(2,945,085)
Total	(86,302)	(92,383)	–	–	–	(178,685)

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2022						
Currency forward						
Total inflows	138,160	–	–	–	–	138,160
Total outflows	(139,280)	–	–	–	–	(139,280)
Total	(1,120)	–	–	–	–	(1,120)
Cross currency swaps						
Total inflows	328	147,507	636,757	654,134	–	1,438,726
Total outflows	(330)	(148,612)	(647,428)	(645,755)	–	(1,442,125)
Total	(2)	(1,105)	(10,671)	8,379	–	(3,399)
Foreign exchange swaps						
Total inflows	924,605	–	–	–	–	924,605
Total outflows	(904,674)	–	–	–	–	(904,674)
Total	19,931	–	–	–	–	19,931

(Amounts in thousands of RMB, unless otherwise stated)

51.4.3.2 Derivatives settled on a net basis

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2023						
Interest rate swaps						
Total inflows/(outflows)	61,929	77,063	202,166	150,134	(3,832)	487,460

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2022						
Currency forwards						
Total outflows	(132,764)	–	–	–	–	(132,764)
Interest rate swaps						
Total inflows	54,837	77,576	376,391	339,861	345	849,010

51.5 Interest rate benchmark reform

The Group has completed all the transition of its USD LIBOR-based financial instruments to USD SOFR as at 31 December 2023. The Group has applied Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 for amortised cost measurement and hedge accounting in respect of modifications triggered by the transition. The transition from USD LIBOR to USD SOFR has no material impact on the amounts reported for the current and prior financial year.

The information about financial instruments based on an interbank offered rate that have not yet to transitioned to an alternative benchmark rate as at 31 December 2022 is as follows:

As at 31 December 2022

	Non-derivative financial assets carrying value US$'000	Non-derivative financial liabilities carrying value US$'000	Derivatives – nominal amount US$'000
USD LIBOR (1 month)	262,183	1,437,000	–
USD LIBOR (3 months)	511,291	4,279,903	2,469,211
USD LIBOR (6 months)	–	28,700	28,700
	773,474	5,745,603	2,497,911

52 CAPITAL MANAGEMENT

The Group's objectives of managing its capital, which adopts a broader concept than the equity as presented on the consolidated statements of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operates;
- to safeguard the Group's ability to continue as a going concern so as to provide returns for shareholders; and
- to maintain a strong capital base to support its business development.

Capital adequacy and the utilisation of regulatory capital are closely monitored by the management in accordance with the guidelines developed by the Basel Commission and relevant regulations promulgated by the NFRA or the CBIRC. The Group files the required information to the NFRA or the CBIRC quarterly. As at 31 December 2023, the capital adequacy ratio was 12.47% (31 December 2022:12.46%).

53 FAIR VALUES OF THE FINANCIAL INSTRUMENTS

53.1 Determination of fair value and valuation techniques

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

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

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

- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves or third party bid prices on similar securities;
- for currency forwards, cross currency swaps and foreign exchange swap – third party bid prices on similar securities;
- for debt investments – the fair value of debt investments including RMB and USD bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. or third party bid prices on similar securities; and
- for other financial instruments – third party provided the valuation results.

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

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

(Amounts in thousands of RMB, unless otherwise stated)

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

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

	Group			
	As at 31 December			
	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds payable	32,187,230	31,491,583	36,872,054	35,399,151

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

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

Some of the Group's financial assets and financial liabilities are measured at fair value as at 31 December 2023 and 2022. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

		Fair value as at			
	Financial assets/ financial liabilities	31 December 2023	31 December 2022	Fair value hierarchy	Valuation technique(s) and key Input(s)
Currency forwards (Note 21)	Assets Liabilities	18,095 –	– 1,280	Level 2	Third party bid prices on similar securities.
Interest rate swaps (Note 21)	Assets Liabilities	478,968 7,572	797,740 –	Level 2	Discounted cash flow analysis using observable yield curves or third party bid prices on similar securities.
Cross Currency Swaps (Note 21)	Assets Liabilities	178,841 60,394	22,947 27,003	Level 2	Third party bid prices on similar securities.
Foreign exchange swap (Note 21)	Assets Liabilities	– 178,363	20,091 –	Level 2	Third party bid prices on similar securities.
FVTPL-listed equity investments (Note 20)	Assets	13,961	14,034	Level 1	Open market quotations
FVTPL-unlisted equity investments (Note 20)	Assets	93,293	117,860	Level 3	Market comparison approach. The valuation of the equity investment is based on comparing comparable listed companies in operating and financial indexes and then adjusted for non-liquidity.
FVTPL-debt investments (Note 20)	Assets	49,218	–	Level 2	Third party bid prices on similar securities.
FVOCI – debt instrument (Note 22)	Assets	3,001,187	–	Level 2	The valuation of these bonds is based on the valuation results provided by China Central Depository & Clearing Co., Ltd.
FVOCI – certificates of deposit (Note 22)	Assets	–	1,464,986	Level 2	The valuation of these certificate of deposit is based on the valuation results provided by China Central Depository & Clearing Co., Ltd.

54 EVENTS AFTER THE REPORTING PERIOD

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

55 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

(Amounts in thousands of RMB, unless otherwise stated)

56 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2023	2022
Assets		
Cash and bank balances	28,366,794	17,544,480
Financial assets at fair value through profit or loss	93,293	131,894
Derivative financial assets	17,659	20,091
Financial assets at fair value through other comprehensive income	3,001,187	1,464,986
Accounts receivable	103,370	1,472,003
Finance lease receivables	181,748,677	183,963,201
Amounts due from subsidiaries	43,186,232	10,118,784
Prepayments	9,491,548	9,048,046
Investments in subsidiaries	1,310,628	383,055
Investment properties	1,089,534	1,041,945
Property and equipment	968,506	743,421
Right-of-use assets	34,681	14,291
Deferred tax assets	3,674,941	2,702,980
Other assets	2,110,819	1,378,038
Total assets	275,197,869	230,027,215
Liabilities		
Borrowings	208,916,553	172,072,932
Due to banks and other financial institutions	12,509,021	11,230,725
Financial assets sold under repurchase agreements	2,556,855	429,914
Derivative financial liabilities	181,557	17,229
Accrued staff costs	190,786	191,606
Bonds payable	4,915,549	4,828,113
Tax payable	399,674	751,586
Lease liabilities	31,456	8,916
Other liabilities	19,271,008	15,866,226
Total liabilities	248,972,459	205,397,247
Equity		
Share capital	12,642,380	12,642,380
Capital reserve	2,418,689	2,418,689
Hedging and fair value reserve	854	(15,511)
General reserve	5,142,281	4,610,386
Retained earnings	6,021,206	4,974,024
Total equity	26,225,410	24,629,968
Total liabilities and equity	275,197,869	230,027,215

The balance sheet of the Company was approved by the board of directors on 28 March 2024 and was signed on its behalf.

MA Hong **JIN Tao**

(Amounts in thousands of RMB, unless otherwise stated)

	Capital reserve	Hedging and fair value reserve	General reserve	Retained earnings	Total reserve
At 1 January 2023	2,418,689	(15,511)	4,610,386	4,974,024	11,987,588
Profit for the year	–	–	–	2,584,400	2,584,400
Other comprehensive income for the year	–	16,365	–	–	16,365
Dividends	–	–	–	(1,005,323)	(1,005,323)
Appropriation to general reserve	–	–	531,895	(531,895)	–
At 31 December 2023	2,418,689	854	5,142,281	6,021,206	13,583,030
At 1 January 2022	2,418,689	(27,006)	4,132,005	2,770,002	9,293,690
Profit for the year	–	–	–	3,859,029	3,859,029
Other comprehensive income for the year	–	11,495	–	–	11,495
Dividends	–	–	–	(1,176,626)	(1,176,626)
Appropriation to general reserve	–	–	478,381	(478,381)	–
At 31 December 2022	2,418,689	(15,511)	4,610,386	4,974,024	11,987,588

57 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised by the board of directors on 28 March 2024.

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 256 to 312, which comprise the consolidated statement of financial position as at 31 December 2024, 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 material accounting policy information and other explanatory information.

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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">(1) Impairment of lease receivables*</td></tr>
<tr><td>
The Group is required to apply International Financial Reporting Standard 9 ("IFRS 9") in assessing impairment of lease receivables at the end of reporting period.
The Group applies significant judgements and assumptions in measuring expected credit losses ("ECL"), for example:

Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the ECL for lease receivables with longer remaining periods to maturity;
Models and parameters – For finance lease receivables and advances for finance lease projects, a three-stage impairment model is used to calculate ECL. For finance lease receivables and advances for finance lease projects classified into stages 1 and 2, the risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default. For finance lease receivables and advances for finance lease projects in stage 3, the management assesses impairment losses by estimating the cash flows from lease receivables. For operating lease receivables and straightline lease asset, a simplified approach is used to calculate the ECL. The risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default;
Forward-looking information – Judgement is used to create macroeconomic forecasts and to estimate the impact to ECL under multiple economic scenarios given different weights;
Individual impairment assessment – Identifying credit impaired lease receivables requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.

The Group established governance processes and controls for the measurement of ECL.
* Lease receivables include finance lease receivables, advances for finance lease projects, operating lease receivables and straightline lease asset.
Since impairment assessment of lease receivables involves many judgements and assumptions, and in view of the significance of the amounts (as at 31 December 2024, the net carrying amounts of the Group's finance lease receivables, advances for finance lease projects, operating lease receivables and straightline lease asset were RMB202,100 million, nil, RMB539 million, RMB1,192 million respectively, in which allowance for impairment losses of RMB9,278 million, nil, RMB711 million and RMB212 million were recorded), impairment of lease receivables is considered a key audit matter.
Relevant disclosures are included in Notes 2, 3, 15, 23, 24, 32, 51.2 to the consolidated financial statements.
</td><td>
We evaluated and tested the effectiveness of design and implementation of key controls for impairment of lease receivables, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration.
We also performed the following substantive procedures for the impairment loss of lease receivables:
We adopted a risk-based sampling approach in our credit review procedures. We assessed the lessees' repayment capacity, taking into consideration post-leasing investigation reports, lessees' financial information and other available information.
With the support of our internal credit risk modelling experts, and take into consideration the changes of the macroeconomics, we evaluated and tested the important parameters of the ECL model, management's major judgements and the related assumptions, mainly focusing on the following aspects:

Assessing the reasonableness of indicators of significant increase in credit risk, including probability of default changes of the lessees, changes of credit risk categories and others;
Assessing the reasonableness of the ECL model methodology and related parameters, including probability of default, loss given default, risk exposure at default, and significant increase in credit risk;
Assessing the forward-looking information management used to determine ECL, including the forecasts of macroeconomic variables and the assumptions of multiple macroeconomic scenarios;
Evaluating the models and the related assumptions used in individual impairment assessment and analysing the amount, timing and likelihood of management's estimated future cash flows.

We evaluated the disclosures of credit risk and impairment allowance of lease receivables.
</td></tr>
<tr><td colspan="2">(2) Impairment of equipment held for operating lease businesses</td></tr>
<tr><td>
The Group applies International Accounting Standard 36 ("IAS 36") for the impairment measurement of equipment held for operating lease businesses at the end of reporting period.
Management identifies operating lease equipment with impairment indicators and measures the recoverable amounts of these assets at the higher of:

fair value based on the market pricing data, less costs of disposal, and
the estimated value in use ("VIU") based on the present value of the expected future cash flows discounted.

Judgements and assumptions are used when identifying impairment indicators and determining a rate to discount the expected future cash flows when calculating VIU.
The Group established governance processes and controls for the impairment measurement of equipment held for operating lease businesses.
Since management exercises significant judgements during impairment identification and measurement, and in view of the significance of the amounts (as at 31 December 2024, the net carrying amounts of the Group's equipment held for operating lease businesses was RMB133,023 million, and allowance for impairment losses of RMB5,426 million were recorded), impairment of equipment held for operating lease businesses is considered a key audit matter.
Relevant disclosures are included in Notes 2, 3, 16, 29 to the consolidated financial statements.
</td><td>
We evaluated and tested the effectiveness of design and implementation of key controls for impairment of equipment held for operating lease businesses, including those over the timely identification of impairment indicators, review and approval of discount rate and impairment calculation.
We also performed the following substantive procedures for the impairment loss of equipment held for operating lease businesses:

We assessed management's identification of impairment indicators for equipment held for operating lease businesses.
For fair value less costs of disposal, we compared the carrying amounts of equipment with the publicly available pricing data of the industry less the estimated costs of disposal; and
For VIU calculations, we compared the rental amounts used in forecasts of future cash flows against the rental amounts set out in the lease contracts. With the support of our internal asset valuation experts, we assessed the reasonableness of discount rate used.

We evaluated the disclosures of impairment allowance of equipment held for operating lease businesses.
</td></tr>
</table>

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF 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 IFRS Accounting Standards 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Choi Kit Ying

Practising Certificate no. P07387

Hong Kong,

28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2024

(Amounts in thousands of RMB, unless otherwise stated)

	Notes	Year ended 31 December 2024	2023
Revenue			
Finance lease income	5	10,846,075	10,644,247
Operating lease income	5	14,588,980	12,361,652
Total revenue		25,435,055	23,005,899
Net investment gains	6	205,030	155,509
Other income, gains or losses	7	2,923,022	3,493,943
Total revenue and other income		28,563,107	26,655,351
Depreciation and amortisation	8	(7,102,295)	(6,097,374)
Staff costs	9	(514,692)	(502,419)
Fee and commission expenses	12	(55,073)	(85,725)
Interest expenses	13	(12,978,413)	(10,362,441)
Other operating expenses	14	(2,051,396)	(1,916,287)
Net impairment reversal/(losses) under expected credit loss model	15	355,337	(773,305)
Net impairment losses on other assets	16	(213,810)	(1,499,054)
Total expenses		(22,560,342)	(21,236,605)
Profit before tax		6,002,765	5,418,746
Income tax expense	17	(1,499,777)	(1,268,597)
Profit for the year attributable to owners of the Company		4,502,988	4,150,149
Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share)			
– Basic	18	0.36	0.33
– Diluted	18	0.36	0.33

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2024	2023
Profit for the year		4,502,988	4,150,149
Other comprehensive losses			
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains on financial assets at fair value through other comprehensive income, net of tax	39	(854)	16,364
Losses on cash flow hedges, net of tax	39	(518,131)	(323,719)
Currency translation differences		242,938	160,923
Total other comprehensive losses for the year, net of tax		(276,047)	(146,432)
Total comprehensive income for the year attributable to owners of the Company		4,226,941	4,003,717

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

(Amounts in thousands of RMB, unless otherwise stated)

		As at 31 December	
	Notes	2024	2023
Assets			
Cash and bank balances	19	43,670,649	69,440,305
Financial assets at fair value through profit or loss (FVTPL)	20	213,910	156,472
Derivative financial assets	21	437,938	675,904
Financial assets at fair value through other comprehensive income (FVTOCI)	22	–	3,001,187
Accounts receivable	23	624,734	1,335,131
Finance lease receivables	24	202,099,637	195,101,137
Assets held-for-sale	25	175,805	–
Prepayments	26	13,535,354	12,708,141
Investment properties	28	1,058,369	1,089,534
Property and equipment	29	133,593,877	118,640,179
Right-of-use assets	30	143,192	174,329
Deferred tax assets	31	2,327,409	2,131,711
Other assets	32	7,969,456	5,240,873
Total assets		405,850,330	409,694,903
Liabilities			
Borrowings	33	309,814,063	295,875,445
Due to banks and other financial institutions		5,185,420	12,509,021
Financial assets sold under repurchase agreements		–	2,556,855
Derivative financial liabilities	21	856,453	246,329
Accrued staff costs	34	274,566	282,495
Bonds payable	35	27,072,912	32,187,230
Tax payable		466,952	446,635
Lease liabilities	30	160,754	192,262
Deferred tax liabilities	31	1,044,984	1,108,668
Other liabilities	36	20,710,467	27,008,123
Total liabilities		365,586,571	372,413,063
Equity			
Share capital	37	12,642,380	12,642,380
Capital reserve	38	2,418,689	2,418,689
Hedging and fair value reserve	39	(129,748)	389,237
Translation reserve		910,830	667,892
General reserve	40	8,175,006	7,869,271
Retained earnings	41	16,246,602	13,294,371
Total equity		40,263,759	37,281,840
Total liabilities and equity		405,850,330	409,694,903

The consolidated financial statements and the accompanying notes were approved by the board of directors on 28 March 2025 and were signed on its behalf.

MA Hong

JIN Tao

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

(Amounts in thousands of RMB, unless otherwise stated)

		Attributable to the equity holders of the Company						
	Notes	Share capital	Capital reserve	Hedging and fair value reserve	Translation reserve	General reserve	Retained earnings	Total equity
As at 1 January 2024		12,642,380	2,418,689	389,237	667,892	7,869,271	13,294,371	37,281,840
Profit for the year		–	–	–	–	–	4,502,988	4,502,988
Other comprehensive losses for the year	39	–	–	(518,985)	242,938	–	–	(276,047)
Total comprehensive income for the year		–	–	(518,985)	242,938	–	4,502,988	4,226,941
Dividends	42	–	–	–	–	–	(1,245,022)	(1,245,022)
Appropriation to general reserve		–	–	–	–	305,735	(305,735)	–
As at 31 December 2024		12,642,380	2,418,689	(129,748)	910,830	8,175,006	16,246,602	40,263,759
As at 1 January 2023		12,642,380	2,418,689	696,592	506,969	6,792,264	11,226,551	34,283,445
Profit for the year		–	–	–	–	–	4,150,149	4,150,149
Other comprehensive losses for the year	39	–	–	(307,355)	160,923	–	–	(146,432)
Total comprehensive income for the year		–	–	(307,355)	160,923	–	4,150,149	4,003,717
Dividends	42	–	–	–	–	–	(1,005,322)	(1,005,322)
Appropriation to general reserve		–	–	–	–	1,077,007	(1,077,007)	–
As at 31 December 2023		12,642,380	2,418,689	389,237	667,892	7,869,271	13,294,371	37,281,840

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	2024	2023
OPERATING ACTIVITIES			
Profit before tax		6,002,765	5,418,746
Adjustments for:			
Bonds payable interest expenses	13	946,719	1,149,255
Lease liabilities interest expenses	30	7,906	7,797
Depreciation and amortisation	8	7,102,295	6,097,374
Net impairment (reversal)/losses on financial assets	15	(355,337)	773,305
Net impairment losses on other assets	16	213,810	1,499,054
Amortisation income of lease discount liabilities		(39,177)	(37,558)
Gains on disposal of equipment held for operating lease businesses	7	(353,534)	(281,656)
Gains on disposal of finance lease receivables	6	(25)	(2,789)
Realised gains from derivatives	6	(23,780)	(77,103)
Realised gains from FVTOCI	6	(164,209)	(34,697)
Realised gains from FVTPL	6	(17,661)	(4,246)
Unrealised fair value changes in derivatives	6	10,143	(46,198)
Unrealised fair value changes in FVTPL	6	(9,498)	9,524
Foreign exchange losses from derivatives		1,374,066	380,614
Operating cash flows before movements in working capital		14,694,483	14,851,422
Decrease in mandatory reserve deposits with central bank		23,166	22,497
Decrease in accounts receivable		950,709	1,972,854
(Increase)/decrease in finance lease receivables		(13,634,410)	3,032,271
Increase in other assets		(3,968,110)	(800,839)
Increase in borrowings		12,839,298	47,302,596
(Decrease)/increase in due to banks and other financial institutions		(7,338,399)	1,242,571
(Decrease)/increase in financial assets sold under repurchase agreements		(2,575,934)	2,101,979
(Decrease)/increase in accrued staff costs		(7,929)	18,695
Increase/(decrease) in other liabilities		1,231,060	(643,624)
Cash flows from operating activities		2,213,934	69,100,422
Income taxes paid		(1,631,251)	(2,274,035)
NET CASH FLOWS FROM OPERATING ACTIVITIES		582,683	66,826,387
INVESTING ACTIVITIES			
Placement of pledged and restricted bank deposits and fixed deposits		(15,351,412)	(20,296,375)
Withdrawal of pledged and restricted bank deposits and fixed deposits		2,160,556	4,733,528
Purchase of FVTOCI		(6,009,933)	(5,013,068)
Proceeds from disposal/maturity of FVTPL		78,038	21,139
Net cash outflow from derivatives		(929,110)	(135,592)
Proceeds from disposal/maturity of FVTOCI and others		9,208,732	3,501,655
Proceeds from disposal of property and equipment		1,437,104	2,023,909
Purchase of property and equipment		(23,122,677)	(20,157,577)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(32,528,702)	(35,322,381)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)

(Amounts in thousands of RMB, unless otherwise stated) (Continued)

		Year ended 31 December	
	Notes	2024	2023
FINANCING ACTIVITIES			
Proceeds from issue of bonds		7,529,520	4,138,750
Repayments of bonds		(12,362,297)	(9,477,741)
Bond issuance cost		(2,095)	(8,916)
Bond interest paid		(977,915)	(1,160,862)
Dividends paid		(1,307,661)	(942,054)
Decrease in lease liabilities		(41,801)	(37,671)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(7,162,249)	(7,488,494)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(39,108,268)	24,015,512
Effects of foreign exchange changes		156,477	180,482
Cash and cash equivalents at beginning of the year		48,856,794	24,660,800
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	44	9,905,003	48,856,794
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		13,043,735	11,506,620
Interest paid, exclusive bonds payable interest expenses		(11,921,620)	(9,101,384)
Net interest received		1,122,115	2,405,236

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of RMB, unless otherwise stated)

1 GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

China Development Bank Financial Leasing Co., Ltd. (the "Company") was established as Shenzhen Leasing Co., Ltd. (深圳租賃有限公司) on 25 December 1984, with the approval of the former Shenzhen Special Economic Zone Branch of People's Bank of China ("PBOC"), and subsequently renamed as Shenzhen Finance Leasing Co., Ltd. (深圳金融租賃有限公司) after reorganisation in December 1999. In 2008, China Development Bank Co., Ltd. ("China Development Bank") became the controlling shareholder of the Company, and the Company's total paid-in capital was increased to RMB8,000,000,000 and subsequently, the Company changed its name to CDB Leasing Co., Ltd. (國銀金融租賃有限公司). On 8 September 2015, pursuant to the resolution of shareholders' meeting, the Company's total paid-in capital was increased to RMB9,500,000,000. Pursuant to the approval of former China Banking and Insurance Regulatory Commission (the "CBIRC"), which was renamed as the National Financial Regulatory Administration (the "NFRA) in 2023, 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's parent is China Development Bank, incorporated in the People's Republic of China (PRC). Its ultimate controlling party is the Ministry of Finance ("MOF") and Central Huijin Investment Ltd. ("Huijin"). The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. Huijin was established to hold certain equity investments as authorised by the State Council and does not engage in other commercial activities. Huijin exercises legal rights and obligations on behalf of the PRC government.

The Company and its subsidiaries (the "Group") are principally engaged in aircraft leasing, ship leasing, regional development leasing, inclusive finance leasing, green energy and high-end equipment leasing, transfers of finance lease assets and lease-related financial business.

2 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

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

Financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Assets that meet the criteria to be classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Other accounting items are measured at their historical costs. The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 "Significant accounting judgements, estimates and assumptions".

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

2.2 New and amended standards and interpretations

2.2.1 New and amended standards and interpretations have been adopted

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

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IAS 1	*Non-current Liabilities with Covenants*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

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

2.2.2 Standards, amendments and interpretations that are not yet effective

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[3]
IFRS 18	*Presentation and Disclosure in Financial Statements*[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosures in Financial Statements:

IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss;
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements; and
- improve aggregation and disaggregation.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

The directors of the company anticipate that the application of these amendments may have an impact on the group's consolidated financial statements in future periods.

2 MATERIAL 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.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of an entity begins when the Group obtains control over the entity and ceases when the Group loses control of the entity. Assets, liabilities, income and expenses of a entity 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 entity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.4 Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less accumulated impairment losses, if any.

2.5 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. Lease incentives granted are recognised as an integral part of the total operating lease income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned;
- Finance lease income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.
- Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.
- Other income mainly includes consultancy fee income, management and commission fee income and gains/losses on disposal of equipment held for operating lease businesses. Consultancy fee income is recognised in accordance with the terms of the contract when the relevant services have been rendered. Management and commission fee income is recognised in accordance with the management service contracts and by reference to the agreed rate of management fee on a daily basis. Gains/losses on disposal of equipment held for operating leasing business is recognised as income/losses 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.

2.6 Leases

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

2.6.1 The Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term as follows:

	Lease term
Properties	12 to 60 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 2.17 "Impairment on non-financial assets".

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

2 MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Leases (Continued)

2.6.2 The Group as a lessor

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and 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 a pattern reflecting a constant periodic rate of return. 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 utilisation of airframes, engines and other major life-limited components (supplemental amounts). In such leases, upon the lessee presenting invoices evidencing the completion of qualifying maintenance on the aircraft, the Group reimburses the lessee for the cost of the maintenance, up to a maximum of the supplemental amounts received with respect to such work unless otherwise indicated in the lease. The Group recognises the periodic payments as maintenance deposits from lessees in other liabilities.

2.7 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.

2.8 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. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. 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 exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified to profit or loss on disposal.

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.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they occur.

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, capitalisation rates ranging between 2% and 7% have been applied to the expenditure on the individual assets.

2.10 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 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 related to income 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.

2.11 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.

2.11.1 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.

The Group also makes contributions to Pay Related Social Insurance in Ireland at the applicable rates based on the amounts stipulated by the relevant government authorities.

2.11.2 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 MATERIAL ACCOUNTING POLICIES (Continued)

2.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.12.1 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.

2.12.2 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 in respect of taxable temporary differences associated with investments in subsidiaries, 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:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development.

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 as deferred tax assets to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.13 Property and equipment

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

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

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

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

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

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

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

Both lease premium assets and maintenance rights assets are presented under other assets (Note 32).

(Amounts in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Property and equipment (Continued)

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

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

	Estimated residual value rates	Estimated useful life
Buildings	5%	20 to 40 years
Computers and electronic equipment	5%	3 years
Motor vehicles	5%	5 years
Office equipment	5%	3 to 5 years
Leasehold improvements	0%	The life of the lease

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

	Estimated residual value rates	Estimated useful life
Aircraft	15%	20 to 30 years
Aircraft – Buyer furnish equipment (BFE)	0%	The life of the lease
Ships	10% – 15%	8 to 25 years
Special equipment	0% – 5%	4 to 25 years

2.14 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

The estimate residual value rate and useful life of investment properties are 5% and 20 – 40 years respectively.

2.15 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.

2.16 Fair Value measurement

The Group measures its derivative financial instruments, equity and debt investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair

value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.17 Impairment on non-financial assets

The Group assesses whether there are any indicators of impairment for equipment held for operating lease businesses, property and equipment held for administrative purposes, investment properties, intangible assets with finite useful lives and 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.

2 MATERIAL ACCOUNTING POLICIES (Continued)

2.17 Impairment on non-financial assets (Continued)

If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

2.18 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.

2.19 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.

2.19.1 Determination of fair value

Fair value is determined in the manner described in Note 53 "Fair values of the financial instruments".

2.19.2 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.

2.19.3 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 recognised and measured in accordance with International Financial Reporting Standard 9 ("IFRS 9"), 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 amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

Financial assets at fair value through other comprehensive income

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Debt instruments classified as at fair value through other comprehensive income

  Subsequent changes in the carrying amounts for debt instruments classified as at fair value through other comprehensive income as a result of interest income calculated using the effective interest method and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of hedging and fair value reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.
- Equity instruments designated as at fair value through other comprehensive income

  Investments in equity instruments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings/will continue to be held in the fair value reserve.

  Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, gains or losses" line item 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.

2.19.4 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.

2 MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Financial instruments (Continued)

2.19.4 Impairment of financial assets (Continued)

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

General approach

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

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

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

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

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

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

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

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

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

Definition of credit-impaired financial asset

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

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

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

Parameters of the ECL measurement

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

Simplified approach

For operating lease receivables and straightline lease asset, or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.19.5 Derecognition 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.

2.19.6 Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

2 MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Financial instruments (Continued)

2.19.6 Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss.

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 amortisation recognised in profit or loss.

2.19.7 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.

2.20 Derivatives financial instruments and hedge accounting

2.20.1 Initial recognition and subsequent measurement

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

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

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

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

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

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

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

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

2.20.2 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 the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve is immediately reclassified through other comprehensive income to profit or loss.

2.21 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 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.1 Impairment losses for lease receivables

The Group uses a number of models and assumptions when estimating the impairment allowance under IFRS 9 of lease receivables at the balance sheet date and the operation period, for example:

- Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk are highly dependent on judgement and may have a significant impact on the ECL for lease receivables that contain a significant financing component;
- Models and parameters – A three-stage impairment model is used to calculate ECL. For lease receivables that contain a significant financing component classified into stages 1 and 2, the model incorporates key parameters, including probability of default, loss given default and exposure at default. For lease receivables that contain a significant financing component in stage 3, the management assesses impairment losses by estimating the cash flows from finance lease receivables and advances for finance lease projects. For lease receivables that do not contain a significant financing component, a simplified approach is used to calculate the ECL. The risk modelling approach incorporates key parameters, including probability of default, loss given default and exposure at default;
- Forward-looking information – Judgement is used to create macroeconomic forecasts and to consider the impact to ECL under multiple economic scenarios given different weights.

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

Relevant disclosures are included in Note 51.2.2 to the consolidated financial statements.

3.2 Impairment losses for equipment held for operating lease businesses

The majority of the Group's equipment held for operating lease businesses are aircraft and ship. According to the accounting policy stated in Note 2.17, management makes judgement regarding whether there is any indicator of assets impairment at the financial reporting date, and measures the recoverable amount of any assets with impairment indicators. The recoverable amount is the higher of the net amount of assets' fair value minus the cost of disposal, and the estimated value in use. These measurements involve estimation.

3.3 Depreciation of operating lease assets

The Group calculates depreciation expense of operating lease assets based on management's assumption on their useful life and residual value. The useful lives and the residual value of operating lease assets reflect the future economic benefit obtained from the use of the operating lease assets and the benefit from disposal estimated by the Group's management. The estimation may differ due to actual physical wear and tear of the assets, changes of the technology innovation and market competition.

3.4 Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

3.5 Deferred taxes

The Group has established subsidiaries in several countries and regions. Deferred tax assets or liabilities should generally be recognised for deductible or taxable temporary differences relating to subsidiaries respectively, unless the Group is able to control the timing of the reversal of the temporary differences or to determine it is probable that the temporary differences would not be reversed in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax assets or liabilities that can be recognised for each subsidiary, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

3.6 Fair value of financial instruments

The Group has adopted valuation models to calculate the fair value for the financial instrument without active market price. Such valuation models include discounted cash flow model, market comparison approach and other valuation models. In practice, the discounted cash flow model only uses the observable data whenever possible, however, the management still needs to make assumption regarding the factors, such as counterparty's credit risk, market volatility and correlations. The market comparison approach requires the management to determine comparable listed companies, to select market multipliers and to estimate discount for liquidity, etc. The estimated fair value of the financial instruments will be affected for any changes of the above factors.

3.7 Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as the present values of the minimum lease payments of the lease amount to at least substantially all of the fair value of the assets held for lease businesses at the inception of the leases. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statements of financial position and has instead, recognised finance lease receivables (Note 24). On the other hand, the Group includes the assets held for lease businesses under operating lease in property and equipment, and investment properties. The determination of whether the Group has transferred substantially all the risks and rewards incident to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgements by management.

(Amounts in thousands of RMB, unless otherwise stated)

4 TAXATION

The principal income tax and other taxes to which the Group is subject are listed below:

Taxes	Tax basis	Statutory rates
PRC corporate income tax	Taxable income	25%,5%
Major income tax in other countries	Taxable income	16.5%, 12.5%
Value-added tax	Taxable added value	13%, 9%, 6%, 5% and 3%
City construction and maintenance tax	Turnover tax paid	7%
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	2%

5 TOTAL REVENUE

	Year ended 31 December	
	2024	2023
Finance lease income	10,846,075	10,644,247
Operating lease income[1]	14,588,980	12,361,652
	25,435,055	23,005,899

[1] The operating lease income included the rental income, amortisation of lease incentive asset and lease deficit, and lessee aircraft maintenance reserve compensation income. The operating lease income recognised in 2024 and 2023 from variable lease payments that are not dependent on an index or rate is RMB1,006,743 thousand and RMB588,308 thousand, respectively.

6 NET INVESTMENT GAINS

	Year ended 31 December	
	2024	2023
Realised gains from financial assets at fair value through other comprehensive income	164,209	34,697
Realised gains from financial assets at fair value through profit or loss	17,661	4,246
Realised gains from disposal of finance lease receivables	25	2,789
Realised gains from derivatives	23,780	77,103
Unrealised fair value change of derivatives	(10,143)	46,198
Unrealised fair value change of financial assets at fair value through profit or loss	9,498	(9,524)
	205,030	155,509

(Amounts in thousands of RMB, unless otherwise stated)

7 OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2024	2023
Interest income from deposits with financial institutions	2,890,877	958,000
Gains on disposal of assets held for operating lease businesses, net	353,534	281,656
Government grants and incentives[1]	170,118	102,163
Management and commission fee income[2]	549,419	677,344
Foreign exchange losses, net	(1,471,273)	(358,305)
Compensation[3]	219,084	1,710,901
Others	211,263	122,184
	2,923,022	3,493,943

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

Pursuant to relevant documents published by Shenzhen Government in the PRC, the Group received government grants and incentives from Shenzhen Government in the years of 2024 and 2023, respectively, for encouraging the development of the financial industry. Such grants have been recognised as income when received.

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

(2) There is no significant long-term unsatisfied performance obligations for the year ended 31 December 2024 (2023: Nil)

(3) Compensation relates to settlements received from customers and third parties, refunds from original equipment manufacturers. During the year ended 31 December 2023, compensation mainly comprises the insurance compensation received by the Group in relation to five aircraft previously on lease to Russian airlines and transferred the ownership of these aircraft to a third party pursuant to settlement agreements.

8 DEPRECIATION AND AMORTISATION

	Year ended 31 December	
	2024	2023
Depreciation of property and equipment	6,963,575	5,958,920
Depreciation of right-of-use assets	37,708	38,099
Depreciation of investment properties	42,567	41,109
Amortisation of lease premium assets	23,396	27,918
Amortisation of land use rights	9,653	9,024
Amortisation of other intangible assets	25,396	22,304
	7,102,295	6,097,374

9 STAFF COSTS

	Year ended 31 December	
	2024	2023
Salaries, bonuses and allowances	392,230	391,950
Social welfare [1]	83,284	78,522
Defined contribution plans-annuity schemes [2]	29,620	21,336
Others	9,558	10,611
	514,692	502,419

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 timely distributed and paid in accordance with relevant laws and regulations and the Group's policy. There was no forfeited contribution available to reduce the contribution payable by the Group under the above schemes. The domestic employees of the Group in the PRC participate in a state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, operated by the relevant municipal and provincial governments.

(2) In addition to the social welfare plans, the Group also provides annuity schemes or defined contribution plans for certain qualified employees. The employees' and the Group's contributions for the annuity schemes or defined contribution plans are calculated based on a certain percentage of employees' salaries and recognised in profit or loss as expenses. The assets of the scheme are held separately from those of the Group. The Group cannot withdraw or utilise its fund contributions made to the annuity schemes or defined contribution plans under any circumstance.

(Amounts in thousands of RMB, unless otherwise stated)

10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the directors and supervisors of the Company payable by the Group are set out below:

For the year ended 31 December 2024

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive directors:					
Ma Hong (i)	–	849	114	275	1,238
Jin Tao (ii)	–	848	114	275	1,237
Non-executive directors:					
Yang Guifang (iii)	–	–	–	–	–
Zhang Kesheng (iv)	–	–	–	–	–
Liu Xipu (iv)	–	–	–	–	–
Li Yingbao (xi)	–	–	–	–	–
Independent non-executive directors:					
Li Haijian (v)	400	–	–	–	400
Liu Ming (v)	400	–	–	–	400
Wang Guiguo (vi)	400	–	–	–	400
Supervisors:					
Ma Yongyi (vii)	–	200	–	–	200
Wang Yiyun (viii)	–	648	107	228	983
Wang Bin (ix)	–	805	127	310	1,242
	1,200	3,350	462	1,088	6,100

For the year ended 31 December 2023

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive directors:					
Ma Hong (i)	–	846	114	710	1,670
Jin Tao (ii)	–	282	38	238	558
Huang Min (x)	–	910	143	1,048	2,101
Non-executive directors:					
Li Yingbao (xi)	–	–	–	–	–
Yang Guifang (iii)	–	–	–	–	–
Independent non-executive directors:					
Zheng Xueding (xii)	267	–	–	–	267
Xu Jin (xii)	400	–	–	–	400
Zhang Xianchu (xii)	267	–	–	–	267
Li Haijian (v)	133	–	–	–	133
Liu Ming (v)	133	–	–	–	133
Wang Guiguo (vi)	–	–	–	–	–
Supervisors:					
Ma Yongyi (vii)	–	200	–	–	200
Wang Yiyun (viii)	–	737	95	875	1,707
Wang Bin (ix)		833	119	998	1,950
	1,200	3,808	509	3,869	9,386

(Amounts in thousands of RMB, unless otherwise stated)

10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

(i) Ma Hong was appointed as the chairman of the board and an executive director in August 2021 and her appointment was approved by Shenzhen Office of CBIRC in November 2021.

(ii) Jin Tao was appointed as an executive director in September 2023 and his appointment was approved by Shenzhen Office of NFRA in November 2023.

(iii) Yang Guifang was appointed as a non-executive director in June 2021 and his appointment was approved by Shenzhen Office of CBIRC in October 2021.

(iv) Zhang Kesheng and Liu Xipu were approved by Shenzhen Office of NFRA as non-executive directors in April 2024.

(v) Li Haijian and Liu Ming were approved by Shenzhen Office of NFRA as independent non-executive directors in August 2023.

(vi) Wang Guiguo was approved by Shenzhen Office of NFRA as an independent non-executive director in December 2023.

(vii) Ma Yongyi was appointed as a supervisor in February 2018.

(viii) Wang Yiyun was appointed as a supervisor in February 2019.

(ix) Wang Bin was appointed as a supervisor in June 2022.

(x) Huang Min was appointed as an executive director in September 2015. Huang Min resigned in November 2023.

(xi) Li Yingbao was appointed as a Non-Executive Director in September 2015, and his appointment was approved by Shenzhen Office of CBIRC in September 2015. Li Yingbao resigned in January 2024.

(xii) Zheng Xueding, Xu Jin and Zhang Xianchu were approved by Shenzhen Office of CBIRC as independent non-executive directors in June 2016. Zheng Xueding and Zhang Xianchu resigned in August 2023. Xu Jin resigned in December 2023.

The Company did not operate any share option scheme during the years of 2024 and 2023.

The bonuses are discretionary and determined with reference to the Group's and the individuals' performance. The total bonuses for the above Directors and Supervisors for the year ended 31 December 2024 have not yet been finalised in accordance with regulations of the relevant authorities in the PRC at the date of this consolidated financial statements. The final emoluments will be disclosed in a separate announcement when determined.

During the years of 2024 and 2023, 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.

11 HIGHEST PAID INDIVIDUALS

None of the five individuals with the highest emoluments is a director of the Group for the year ended 31 December 2024 (none for the year end 31 December 2023). The emoluments of the five highest paid employees of the Group payable by the Group during the years of 2024 and 2023 are as follows:

	Year ended 31 December	
	2024	2023
Basic salaries and allowances	22,425	22,563
Bonuses	16,795	25,339
Termination Payment	8,441	–
Post-employment benefits	–	–
Employer's contribution to pension schemes	4,019	1,780
	51,679	49,682

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group during the years of 2024 and 2023. No post-employment benefits have been paid to individuals as compensation for loss of office during the year of 2024 and 2023.

The emoluments of the five highest paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2024	2023
	No. of employees	No. of employees
Emolument bands		
– HKD5,500,001 to HKD6,000,000	1	1
– HKD6,000,001 to HKD6,500,000	1	1
– HKD7,000,001 to HKD7,500,000	1	1
– HKD9,000,001 to HKD9,500,000	–	1
– HKD10,000,001 to HKD15,000,000	1	–
– HKD26,000,001 to HKD26,500,000	1	1

The above personnel are employees of the Group's overseas aviation subsidiaries, and their remuneration is determined according to international market standards.

(Amounts in thousands of RMB, unless otherwise stated)

12 FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2024	2023
Business collaboration fee for leasing projects	47,215	59,202
Bank charges	7,858	26,523
	55,073	85,725

13 INTEREST EXPENSES

	Year ended 31 December	
	2024	2023
Borrowings	12,197,349	9,069,337
Bonds payable	946,719	1,149,255
Due to banks and other financial institutions	148,495	323,912
Financial assets sold under repurchase agreements	35,460	47,921
Others	223,621	264,688
Less: Interest capitalised on qualifying assets[1]	(573,231)	(492,672)
	12,978,413	10,362,441

(1) Interest capitalised on qualifying assets in 2024 included RMB573,231 thousand (2023: RMB492,672 thousand) on prepayments.

14 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2024	2023
Service fees of operating lease ship business	584,085	665,535
Service fees of inclusive leasing business	543,595	292,129
Taxes and surcharges	84,728	67,915
Business travel and transportation expenses	33,591	38,869
Auditor's remuneration	15,758	14,923
Lease payments not included in the measurement of lease liabilities	16,530	7,694
Expenses and losses associated with repossession and maintenance of aircraft	366,654	454,080
Sundry expenses	406,455	375,142
	2,051,396	1,916,287

15 NET IMPAIRMENT (REVERSAL)/LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Year ended 31 December	
	2024	2023
Finance lease receivables	272,094	568,417
Accounts receivable	(227,721)	170,394
Straightline lease asset	(407,067)	(10,090)
Cash and bank balances	(14,888)	56,616
Others	22,245	(12,032)
	(355,337)	773,305

16 NET IMPAIRMENT LOSSES ON OTHER ASSETS

	Year ended 31 December	
	2024	2023
Equipment held for operating lease businesses	166,238	1,422,036
Assets held for sale	44,197	77,018
Aircraft supplementary assets	3,375	–
	213,810	1,499,054

(Amounts in thousands of RMB, unless otherwise stated)

17 INCOME TAX EXPENSE

	Year ended 31 December	
	2024	2023
Current income tax		
– PRC enterprise income tax	1,606,741	1,954,036
– Income tax in other countries	8,619	6,994
Deferred income tax	(104,309)	(690,462)
Over provision in prior year	(11,274)	(1,971)
	1,499,777	1,268,597

The applicable enterprise income tax rate is 25% (2023: 25%) for the Company and its subsidiaries established in mainland China, except for certain subsidiaries which are subject to the preferential tax treatments, 16.5% (2023: 16.5%) for subsidiaries in Hong Kong, and 12.5% (2023:12.5%) for subsidiaries in Ireland. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	Year ended 31 December	
	2024	2023
Profit before tax	6,002,765	5,418,746
Tax at the statutory tax rate of 25%	1,500,691	1,354,687
Tax effect of expenses not deductible for tax purpose	4,651	29,796
Over provision in prior year	(11,274)	(1,971)
Tax losses and deductible temporary difference not recognised	32,236	12,052
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	(3,494)	(92,839)
Utilisation of previously unrecognised tax losses	(23,033)	(33,128)
Income tax expense for the year	1,499,777	1,268,597

Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules

In December 2021, the OECD published Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules ("Pillar Two"). The Group is within the scope of the Pillar Two rules. As at 31 December 2024, the Chinese mainland has not implemented Pillar Two legislation. In contrast, Ireland and Hong Kong, where our Group operates, have enacted this legislation, effective from 1 January 2024 in Ireland and scheduled for 1 January 2025 in Hong Kong. Under the legislation, the Group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15% minimum rate.

The Group is currently engaged with tax specialists to assist them with applying the legislation. Although the head-line tax rate in respect of trading entities in Ireland is below 15%, the Group might not be exposed to paying Pillar Two income taxes in relation to Ireland. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with paragraph 86 of IAS 12.

The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 Income Taxes issued in May 2023. As at 31 December 2024, the implementation of Pillar Two has no significant impact on the Group's consolidated financial statements.

18 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Year ended 31 December	
	2024	2023
Earnings:		
Profit attributable to owners of the Company (RMB'000)	4,502,988	4,150,149
Number of shares:		
Weighted average number of shares in issue ('000)	12,642,380	12,642,380
Basic earnings per share (RMB Yuan)	0.36	0.33

Basic earnings per share amounts are calculated by dividing the profit attributable to owners of the Company by the weighted average numbers of ordinary shares in issue during the years ended 31 December 2024 and 2023, respectively.

Diluted earnings per share amounts are the same as basic earnings per share amounts due to the absence of dilutive potential ordinary share in the years of 2024 and 2023, respectively.

19 CASH AND BANK BALANCES

	31 December 2024	31 December 2023
Pledged and restricted bank deposits (1)	32,987,581	16,036,606
Mandatory reserve deposits with central bank (2)	320,383	343,549
Surplus reserve deposits with central bank (3)	234,884	199,401
Cash and bank balances	10,170,119	52,917,513
Less: Allowance for impairment loss	(42,318)	(56,764)
	43,670,649	69,440,305

(1) The bank deposits amounting to approximately RMB32,987,577 thousand were pledged as collateral for the Group's bank borrowings as at 31 December 2024 (31 December 2023: RMB15,990,342 thousand) (Note 33).
The bank deposits amounting to approximately RMB4 thousand (31 December 2023: RMB46,264 thousand) were restricted for use, among which nil was in relation to the notes payable as at 31 December 2024 (31 December 2023: RMB45,900 thousand), and RMB4 thousand was in relation to others as at 31 December 2024 (31 December 2023: RMB364 thousand).

(2) The Group places mandatory reserve deposits in the PBOC, which include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

(3) Surplus reserve deposits primarily represent deposits maintained with the PBOC in addition to the mandatory reserve deposits.

(Amounts in thousands of RMB, unless otherwise stated)

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2024	31 December 2023
Measured at fair value:		
Equity investment, listed	10,778	13,961
Equity investment, unlisted	92,734	93,293
Debt instrument	110,398	49,218
	213,910	156,472

21 DERIVATIVE FINANCIAL INSTRUMENTS

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

	31 December 2024		
	Contractual/ Notional amount	Fair value Assets	Liabilities
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	20,481,269	382,652	(2,417)
Cash flow hedge – cross currency swaps	4,243,504	40,976	(1,811)
Cash flow hedge – currency forwards	30,188,620	–	(426,958)
Cash flow hedge – foreign exchange swaps	2,615,787	–	(11,836)
Derivatives not under hedge accounting:			
Interest rate swaps	575,072	2,850	–
Cross currency swaps	26,375,597	11,460	(413,431)
	84,479,849	437,938	(856,453)

	31 December 2023		
	Contractual/ Notional amount	Fair value Assets	Liabilities
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	15,599,023	454,277	(7,092)
Cash flow hedge – cross currency swaps	340,374	2,611	–
Derivatives not under hedge accounting:			
Interest rate swaps	4,894,551	24,691	(480)
Currency forwards	1,226,299	18,095	–
Cross currency swaps	18,073,124	176,230	(60,394)
Foreign exchange swaps	2,797,667	–	(178,363)
	42,931,038	675,904	(246,329)

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

Hedge accounting has been applied for interest rate swaps, cross currency swaps, foreign exchange swaps and currency forwards 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, cross currency swap, foreign exchange swaps and currency forwards contracts with the terms of intra-group balances, borrowings and bonds payable contracts (i.e., notional amount, expected payment date and interest rate). The hedge ratio (the ratio between the notional amount of the derivatives to the par value of the intra-group balances, borrowings and bonds payable being hedged) is determined to be 1:1. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the intra-group balances, borrowings, bonds payable and the hedging instruments;
- Different interest rate curves applied to discount the hedged items and hedging instruments; and
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments.

	Outstanding notional amounts	Assets/ (Liabilities)	USD interest rates (p.a.)	Foreign currency rates	Maturity (Year)
31 December 2024					
Cash flow hedge					
Interest rate swaps [1]					
USD	20,481,269	380,235	1.13% to 4.04%	–	2025 to 2031
Cross currency swaps [2]					
CNY-USD	4,243,504	39,165	4.58% to 5.51%	USD1:CNY7.2500 to USD1:CNY7.2830	2026 to 2027
Currency forwards [3]					
CNY-USD	30,188,620	(426,958)	–	USD1:CNY6.8800 to USD1:CNY7.2585	2025 to 2027
Foreign exchange swaps[4]					
CNY-USD	2,615,787	(11,836)	–	USD1:CNY7.2563 to USD1:CNY7.2628	2025

	Outstanding notional amounts	Assets/ (Liabilities)	USD interest rates (p.a.)	Foreign currency rates	Maturity (Year)
31 December 2023					
Cash flow hedge					
Interest rate swaps [1]					
USD	15,599,023	447,185	1.13% to 4.04%	–	2024 to 2029
Cross currency swaps [2]					
CNY-USD	340,374	2,611	5.51%	USD1:CNY7.2830	2026

(1) The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from related borrowings which are pegged to USD London Inter-bank Offered Rates ("LIBOR") (Ceased prior to 30 June 2023) or Secured Overnight Financing Rate ("SOFR"). Under these interest rate swaps, the Group receives floating interest pegged to USD LIBOR or USD SOFR and pays fixed interest. These hedges are classified as cash flow hedges and the effectiveness of the fair value changes of these interest rate swaps is recognised in hedging reserve, amounting to RMB321,585 thousand in 2024 (2023: RMB321,934 thousand), net-of-tax, and the hedge ineffectiveness is recognised in profit or loss, which is immaterial in 2024 and 2023.

(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 recognised in hedging reserve. The hedge ineffectiveness is immaterial for the year ended 2024 and 2023.

(3) The Group uses currency forwards to hedge against the exposure to variability in cash flows for the related intra-group balances and borrowings. Under the currency forwards, the Group receives RMB principal and pays USD principal with fixed exchange rate on a future date. These hedges are classified as cash flow hedges and the fair value changes of these currency forwards are recognised in hedging reserve. The hedge ineffectiveness is immaterial for the year ended 2024.

(4) The Group uses foreign exchange swaps to hedge against the exposure to variability in cash flows for the related intra-group balances and borrowings. Under the foreign exchange swaps, the Group receives RMB principal and pays USD principal with fixed exchange rate on a far-leg settlement date. These hedges are classified as cash flow hedges and the fair value changes of these currency forwards are recognised in hedging reserve. The hedge ineffectiveness is immaterial for the year ended 2024.

(5) When currency forward or foreign exchange swaps contracts are used to hedge the foreign currency risk of the related intra-group balances and borrowings, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve. The change in the forward element of the contract that relates to the hedged item is recognised as a cost of hedging and included in the hedge reserve.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2024	31 December 2023
Measured at fair value:		
Debt instrument	–	3,001,187
Certificates of deposit	–	–
	–	3,001,187

(Amounts in thousands of RMB, unless otherwise stated)

23 ACCOUNTS RECEIVABLE

	31 December 2024	31 December 2023
Operating lease receivables [1]	1,249,695	1,670,365
Advances for finance lease projects [2]	–	546,331
Other accounts receivable	88,510	92,001
	1,338,205	2,308,697
Less: Allowance for impairment losses		
– Allowance for operating lease receivables	(710,574)	(961,223)
– Allowance for advances for finance lease projects	–	(9,329)
– Allowance for other accounts receivable	(2,897)	(3,014)
	(713,471)	(973,566)
	624,734	1,335,131

[1] Overdue analysis of the operating lease receivables as at the end of the reporting period, based on the receivables due date and net of loss allowance, is as follows:

	31 December 2024	31 December 2023
Not overdue	526,703	552,059
Overdue within 1 month	1,645	51,656
Overdue 1 to 2 months	10,702	3
Overdue over 3 months	71	105,424
	539,121	709,142

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

The advances for finance lease projects with a carrying amount of Nil was pledged as collateral for the Group's bank borrowings as at 31 December 2024 (31 December 2023: RMB537,002 thousand) (Note 33).

Movements of accounts receivable between stages for the years of 2024 and 2023 are as follows:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Gross amount					
Amount as at 1 January 2024	638,332	–	–	1,670,365	2,308,697
Net decrease	(552,063)	–	–	(435,075)	(987,138)
Written-off	–	–	–	(43,916)	(43,916)
Effect of foreign currency exchange differences	2,241	–	–	58,321	60,562
Amount as at 31 December 2024	88,510	–	–	1,249,695	1,338,205

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

Movements of allowance for impairment losses during the years of 2024 and 2023 are as follows:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Allowance for impairment losses					
Amount as at 1 January 2024	12,343	–	–	961,223	973,566
Recovered for the year	(9,484)	–	–	(218,237)	(227,721)
Written-off	–	–	–	(43,916)	(43,916)
Effect of foreign currency exchange differences	38	–	–	11,504	11,542
Amount as at 31 December 2024	2,897	–	–	710,574	713,471

(Amounts in thousands of RMB, unless otherwise stated)

23 ACCOUNTS RECEIVABLE (Continued)

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

24 FINANCE LEASE RECEIVABLES

	31 December 2024	31 December 2023
Finance lease receivables		
Not later than one year	56,842,453	59,083,131
Later than one year and not later than two years	47,211,571	47,425,290
Later than two year and not later than three years	36,960,477	37,179,613
Later than three year and not later than four years	26,187,881	26,694,788
Later than four year and not later than five years	20,787,232	17,384,409
Later than five years	67,477,343	54,489,407
Gross amount of finance lease receivables	255,466,957	242,256,638
Less: Unearned finance income	(44,089,411)	(38,130,967)
Present value of minimum finance lease receivables	211,377,546	204,125,671
Less: Allowance for impairment losses	(9,277,909)	(9,024,534)
Carrying amount of finance lease receivables	202,099,637	195,101,137
Present value of minimum finance lease receivables		
Not later than one year	46,782,738	49,432,679
Later than one year and not later than two years	39,441,915	39,980,314
Later than two year and not later than three years	31,179,157	31,856,046
Later than three year and not later than four years	21,866,717	22,861,764
Later than four year and not later than five years	17,471,503	14,587,801
Later than five years	54,635,516	45,407,067
	211,377,546	204,125,671

The Group entered into finance lease arrangements for certain of its aircraft, ships, equipment for infrastructure, transport and construction vehicle. The term range of finance leases is from 1 to 25 years.

The finance lease receivables with a carrying amount of approximately RMB4,052,390 thousand were pledged as collateral for the Group's bank borrowings as at 31 December 2024 (31 December 2023: RMB1,429,463 thousand) (Note 33).

The Group entered into finance lease receivables factoring arrangements and continued to recognise these transferred finance lease receivables in their full carrying amount, which was approximately RMB3,953,646 thousand as at 31 December 2024 (31 December 2023: RMB7,417,365 thousand) (Note 43).

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

Movements between stages for the years of 2024 and 2023 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 2024	167,388,757	35,087,543	1,649,371	204,125,671
Movement within stages:				
Move to stage 1	1,437,886	(1,437,886)	–	–
Move to stage 2	(5,534,445)	5,534,445	–	–
Move to stage 3	(1,031,222)	(1,116,940)	2,148,162	–
Net assets originated/(repayment)	16,266,677	(9,457,331)	217,808	7,027,154
Written-off	–	–	(28,214)	(28,214)
Recovery of written-off finance lease receivables	–	–	414	414
Effect of foreign currency exchange differences	218,028	34,408	85	252,521
Amount as at 31 December 2024	178,745,681	28,644,239	3,987,626	211,377,546

(Amounts in thousands of RMB, unless otherwise stated)

24 FINANCE LEASE RECEIVABLES (Continued)

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

Movements of allowance for impairment losses on finance lease receivables during the years of 2024 and 2023 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2024	2,341,362	5,280,490	1,402,682	9,024,534
Movement within stages:				
Move to stage 1	135,903	(135,903)	–	–
Move to stage 2	(58,470)	58,470	–	–
Move to stage 3	(15,351)	(249,102)	264,453	–
Charged/(recovered) for the year	355,852	(364,911)	281,153	272,094
Written-off	–	–	(28,214)	(28,214)
Recovery of written-off finance lease receivables	–	–	414	414
Effect of foreign currency exchange differences	2,756	6,240	85	9,081
Amount as at 31 December 2024	2,762,052	4,595,284	1,920,573	9,277,909

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2023	3,627,708	3,429,895	1,481,000	8,538,603
Movement within stages:				
Move to stage 1	642,406	(642,406)	–	–
Move to stage 2	(994,401)	1,316,051	(321,650)	–
Move to stage 3	–	(454,840)	454,840	–
(Recovered)/Charged for the year	(943,574)	1,626,238	(114,247)	568,417
Written-off	–	–	(98,131)	(98,131)
Recovery of written-off finance lease receivables	–	–	597	597
Effect of foreign currency exchange differences	9,223	5,552	273	15,048
Amount as at 31 December 2023	2,341,362	5,280,490	1,402,682	9,024,534

25 ASSETS HELD FOR SALE

	31 December 2024	31 December 2023
Ships	131,956	–
Aircraft	43,849	–
	175,805	–

26 PREPAYMENTS

	31 December 2024	31 December 2023
Prepayments for operating lease assets purchases [1]	13,535,354	12,708,141

[1] As at 31 December 2024, the balance of prepayments to Airbus S.A.S. and the Boeing Company are amounted to RMB5,779 million (31 December 2023: RMB5,297 million) and RMB5,692 million (31 December 2023: RMB4,009 million), respectively.

(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 2024:

Name of subsidiary	Place and date of incorporation/registration and business	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
CDBL Funding 1	Cayman Islands/Ireland 23 Oct 2014	–	100	USD1	Bond issuing
CDBL Funding 2	Cayman Islands/Ireland 23 May 2017	–	100	USD50	Bond issuing
CDB Leasing (International) Company Limited	Hong Kong, China/Mainland China 03 Sep 2009	100	100	HKD10,000	Ship leasing
CDB Aviation Lease Finance Designated Activity Company	Ireland/Ireland 02 Jul 2009	100	100	USD173,287,671	Aircraft leasing/ Management
國銀航進飛機租賃(天津)有限公司 CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/ Mainland China 13 Aug 2013	100	100	RMB1,000,000	Aircraft leasing
國銀航博飛機租賃(天津)有限公司 CLC Hangbo Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/ Mainland China 11 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航坤飛機租賃(天津)有限公司 CLC Hangkun Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/ Mainland China 11 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航隆飛機租賃(天津)有限公司 CLC Hanglong Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/ Mainland China 12 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航慶飛機租賃(天津)有限公司 CLC Hangqing Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/ Mainland China 12 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航遠飛機租賃(天津)有限公司 CLC Hangyuan Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/ Mainland China 11 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航際飛機租賃(天津)有限公司 CLC Hangji Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/ Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航昱飛機租賃(天津)有限公司 CLC Hangyu Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/ Mainland China 13 Jul 2015	100	100	RMB1,000,000	Aircraft leasing
國銀航鑫飛機租賃(天津)有限公司 CLC Hangxin Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/ Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航錦飛機租賃(天津)有限公司 CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/ Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航通飛機租賃(天津)有限公司 CLC Hangtong Aircraft Leasing (Tianjin) Co., Ltd.*	Mainland China/ Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航祥飛機租賃(天津)有限公司 CLC Hangxiang Aircraft Leasing (Tianjin) Co., Ltd. *	Mainland China/ Mainland China 12 Nov 2014	100	100	RMB500,000	Aircraft leasing
國銀航昌飛機租賃(天津)有限公司 CLC Hangchang Aircraft Leasing (Tianjin) Co., Ltd. *	Mainland China/ Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航健飛機租賃(天津)有限公司 CLC Hangjian Aircraft Leasing (Tianjin) Co., Ltd. *	Mainland China/ Mainland China 6 Jul 2018	100	100	RMB100,000	Aircraft leasing
國銀晨天(廈門)飛機租賃有限公司 CLC Chentian (Xiamen) Aircraft Leasing Co., Ltd.*	Mainland China/ Mainland China 10 Aug 2015	100	100	RMB100,000	Aircraft leasing
國銀慧天(廈門)飛機租賃有限公司 CLC Huitian (Xiamen) Aircraft Leasing Co., Ltd.*	Mainland China/ Mainland China 10 Aug 2015	100	100	RMB100,000	Aircraft leasing
天津勝利一號租賃有限公司 Tianjin Shengli No.1 Leasing Co., Ltd.*	Mainland China/ Mainland China 17 Feb 2022	100	100	RMB500,000	Ship leasing
天津勝利二號租賃有限公司 Tianjin Shengli No.2 Leasing Co., Ltd.*	Mainland China/ Mainland China 1 Jun 2022	100	100	RMB500,000	Ship leasing
天津勝利三號租賃有限公司 Tianjin Shengli No.3 Leasing Co., Ltd.*	Mainland China/ Mainland China 1 Jun 2022	100	100	RMB500,000	Ship leasing
揚帆一號(天津)租賃有限公司 Yangfan No.1 (Tianjin) Leasing Co., Ltd.*	Mainland China/ Mainland China 9 Sep 2021	100	100	RMB100,000	Ship leasing
揚帆二號(天津)租賃有限公司 Yangfan No.2 (Tianjin) Leasing Co., Ltd.*	Mainland China/ Mainland China 9 Sep 2021	100	100	RMB100,000	Ship leasing
揚帆四號(天津)租賃有限公司 Yangfan No.4 (Tianjin) Leasing Co., Ltd.*	Mainland China/ Mainland China 9 Sep 2021	100	100	RMB100,000	Ship leasing
揚帆八號(天津)租賃有限公司 Yangfan No.8 (Tianjin) Leasing Co., Ltd.*	Mainland China/ Mainland China 9 Sep 2021	100	100	RMB100,000	Ship leasing
天津喜悦十三號租賃有限公司 Tianjin Xiyue No.13 Leasing Co., Ltd.*	Mainland China/ Mainland China 27 Apr 2022	100	100	RMB100,000	Ship leasing
天津色彩一號租賃有限公司 Tianjin Secai No.1 Leasing Co., Ltd.*	Mainland China/ Mainland China 5 Jul 2022	100	100	RMB100,000	Ship leasing
深圳前海鵬程一號租賃有限公司 Shenzhen Qianhai Pengcheng No.1 Leasing Co., Ltd.*	Mainland China/ Mainland China 15 Mar 2023	100	100	RMB300,000	Ship leasing
揚帆九號(天津)租賃有限公司 Yangfan No.9 (Tianjin) Leasing Co., Ltd.*	Mainland China/ Mainland China 27 Apr 2022	100	100	RMB100,000	Ship leasing
天津喜悦二號租賃有限公司 Tianjin Xiyue No.2 Leasing Co., Ltd.*	Mainland China/ Mainland China 27 Apr 2022"	100	100	RMB100,000	Ship leasing
天津色彩二號租賃有限公司 Tianjin Secai No.2 Leasing Co., Ltd.*	Mainland China/ Mainland China 5 Jul 2022	100	100	RMB100,000	Ship leasing
天津色彩三號租賃有限公司 Tianjin Secai No.3 Leasing Co., Ltd.*	Mainland China/ Mainland China 5 Jul 2022	100	100	RMB100,000	Ship leasing
深圳前海鵬程五號租賃有限公司 Shenzhen Qianhai Pengcheng No.5 Leasing Co., Ltd.*	Mainland China/ Mainland China 16 Mar 2023	100	100	RMB300,000	Ship leasing
深圳前海鵬程七號租賃有限公司 Shenzhen Qianhai Pengcheng No.7 Leasing Co., Ltd.*	Mainland China/ Mainland China 16 Mar 2023	100	100	RMB300,000	Ship leasing
天津慶雲一號租賃有限公司 Tianjin Qingyun-I Leasing Limited	Mainland China/ Mainland China 30 May 2023	100	100	RMB500,000	Ship leasing
天津慶雲二號租賃有限公司 Tianjin Qingyun-II Leasing Limited	Mainland China/ Mainland China 30 May 2023	100	100	RMB500,000	Ship leasing
深圳前海勝利四號租賃有限公司 Shenzhen Qianhai Shengli-IV Leasing Limited	Mainland China/ Mainland China 8 Sep 2023	100	100	RMB500,000	Ship leasing
天津藍海一號租賃有限公司 Tianjin Blue Ocean-I Leasing Limited	Mainland China/ Mainland China 9 Jan 2024	100	100	RMB100,000	Ship leasing
天津藍海二號租賃有限公司 Tianjin Blue Ocean-II Leasing Limited	Mainland China/ Mainland China 9 Jan 2024	100	100	RMB100,000	Ship leasing
天津色彩四號租賃有限公司 Tianjin Color-IV Leasing Limited	Mainland China/ Mainland China 10 Apr 2024	100	100	RMB100,000	Ship leasing
南京福汽享行祺二科技有限公司 Nanjing Fuqi Xiangxing Qi-II Technology Co., Ltd	Mainland China/ Mainland China 29 Nov 2023	100	100	RMB100,000	Vehicle leasing
國銀航鵬飛機租賃(天津)有限公司 CLC Hangpeng Aircraft Leasing (Tianjin) Co., Ltd.	Mainland China/ Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航怡飛機租賃(天津)有限公司 CLC Hangyi Aircraft Leasing (Tianjin) Co., Ltd.	Mainland China/ Mainland China 13 Jul 2015	100	100	RMB500,000	Aircraft leasing
國銀航德飛機租賃(天津)有限公司 CLC Hangde Aircraft Leasing (Tianjin) Co., Ltd.	Mainland China/ Mainland China 6 Jul 2018	100	100	RMB100,000	Aircraft leasing
國銀航星飛機租賃(天津)有限公司 CLC Hangxing Aircraft Leasing (Tianjin) Co., Ltd	Mainland China/ Mainland China 03 Jun 2024	100	100	RMB100,000	Aircraft leasing

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.

The above table lists the subsidiaries incorporated in Chinese mainland are all limited liability companies.

* These subsidiaries do not have official English names. English translated names are for identification only.

(Amounts in thousands of RMB, unless otherwise stated)

27 INVESTMENTS IN SUBSIDIARIES (Continued)

The Group also holds the following subsidiaries. As the information of the subsidiaries is similar, the subsidiaries were disclosed in aggregate as at 31 December 2024:

Aircraft leasing or financing

Place of Incorporation/ registration and business	Numbers of the subsidiaries	Proportion of ordinary shares directly held by the Group (%)	Paid-up issued/ registered capital of each subsidiary	Principal activities
Mainland China/Mainland China	16	100	RMB500,000	Aircraft leasing
Mainland China/Mainland China	10	100	RMB100,000	Aircraft leasing
France/Ireland	1	100	EUR50,000	Aircraft leasing
USA/USA	1	100	USD5,000	Aircraft leasing
Malta/Ireland	1	100	EUR1,200	Aircraft financing
Hong Kong, China/Hong Kong, China	1	100	HKD1,000	Aircraft leasing
Ireland/Ireland	10	100	EUR2	Aircraft leasing
Ireland/Ireland	2	100	EUR2	Aircraft financing
Ireland/Ireland	1	100	USD2	Aircraft leasing
Ireland/Ireland	168	100	USD1	Aircraft leasing
Hong Kong, China/Hong Kong, China	2	100	USD1	Aircraft leasing

Ship leasing

Place of Incorporation/ registration and business	Numbers of the subsidiaries	Proportion of ordinary shares directly held by the Group (%)	Paid-up issued/ registered capital of each subsidiary	Principal activities
Mainland China/Mainland China	112	100	RMB500,000	Ship leasing
Mainland China/Mainland China	5	100	RMB300,000	Ship leasing
Mainland China/Mainland China	78	100	RMB100,000	Ship leasing
Hong Kong, China/Mainland China	8	100	HKD10,000	Ship leasing
Hong Kong, China/Mainland China	1	100	USD1	Ship leasing
Hong Kong, China/Mainland China	222	100	HKD1	Ship leasing

Others

Place of Incorporation/ registration and business	Numbers of the subsidiaries	Proportion of ordinary shares directly held by the Group (%)	Paid-up issued/ registered capital of each subsidiary	Principal activities
Mainland China/Mainland China	38	100	RMB100,000	Vehicle leasing
Hong Kong, China/Mainland China	1	100	HKD1	Textile equipment leasing

(Amounts in thousands of RMB, unless otherwise stated)

28 INVESTMENT PROPERTIES

	31 December 2024	31 December 2023
Cost		
At the beginning of the year	1,829,498	1,721,808
Transfer from property and equipment	24,390	107,690
Transfer to property and equipment	(11,804)	–
At the end of the year	1,842,084	1,829,498
Accumulated depreciation		
At the beginning of the year	(316,214)	(256,113)
Charged for the year	(42,567)	(41,109)
Transfer from property and equipment	(3,136)	(18,992)
Transfer to property and equipment	1,952	–
At the end of the year	(359,965)	(316,214)
Accumulated impairment		
At the beginning of the year	(423,750)	(423,750)
At the end of the year	(423,750)	(423,750)
Net carrying amount		
At the beginning of the year	1,089,534	1,041,945
At the end of the year	1,058,369	1,089,534

The Group recognised the operating lease income of approximately RMB115,096 thousand from investment properties in the year of 2024 (2023: RMB121,148 thousand) which is disclosed in Note 5.

29 PROPERTY AND EQUIPMENT

	31 December 2024	31 December 2023
Equipment held for operating lease businesses	133,022,685	118,044,191
Property and equipment held for administrative purposes	571,192	595,988
	133,593,877	118,640,179

Equipment held for operating lease businesses

	Aircraft	Ships	Special equipment	Total
Cost				
As at 1 January 2024	111,604,294	39,795,171	1,748,735	153,148,200
Additions	10,981,288	6,178,695	4,633,472	21,793,455
Transfer to assets held-for-sale	(170,342)	(182,535)	–	(352,877)
Disposals/written-off	(3,020,069)	(798,228)	(48,225)	(3,866,522)
Foreign currency translation	1,749,513	640,824	–	2,390,337
As at 31 December 2024	121,144,684	45,633,927	6,333,982	173,112,593
Accumulated depreciation				
As at 1 January 2024	(23,743,554)	(5,078,886)	(104,063)	(28,926,503)
Charged for the year	(4,163,417)	(2,001,938)	(761,685)	(6,927,040)
Transfer to assets held-for-sale	11,338	50,579	–	61,917
Disposals/written-off	1,457,936	137,930	9,295	1,605,161
Foreign currency translation	(383,378)	(94,218)	–	(477,596)
As at 31 December 2024	(26,821,075)	(6,986,533)	(856,453)	(34,664,061)
Accumulated impairment				
As at 1 January 2024	(5,333,877)	(843,629)	–	(6,177,506)
Charged for the year	(143,891)	(4,168)	(18,179)	(166,238)
Transfer to assets held-for-sale	115,155	–	–	115,155
Disposals/written-off	885,742	–	–	885,742
Foreign currency translation	(70,365)	(12,635)	–	(83,000)
As at 31 December 2024	(4,547,236)	(860,432)	(18,179)	(5,425,847)
Net carrying amount				
As at 1 January 2024	82,526,863	33,872,656	1,644,672	118,044,191
As at 31 December 2024	89,776,373	37,786,962	5,459,350	133,022,685

(Amounts in thousands of RMB, unless otherwise stated)

29 PROPERTY AND EQUIPMENT (Continued)

Equipment held for operating lease businesses (Continued)

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

As at 31 December 2024, the equipment held for operating lease businesses of the Group with net book values of approximately RMB39,172,287 thousand (31 December 2023: RMB43,088,677 thousand) and RMB988,030 thousand (31 December 2023: RMB1,041,301 thousand) were pledged as collateral for the Group's bank borrowings (Note 33) and long-term payables, respectively.

Property and equipment held for administrative purposes

	Buildings	Computers and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
Cost						
As at 1 January 2024	605,113	64,841	5,472	81,984	63,080	820,490
Transferred from investment properties	11,804	–	–	–	–	11,804
Additions	–	21,220	–	1,415	1,139	23,774
Transfer to investment properties	(24,390)	–	–	–	–	(24,390)
Disposals	–	(1,120)	–	–	–	(1,120)
Foreign currency translation	–	195	–	126	834	1,155
As at 31 December 2024	592,527	85,136	5,472	83,525	65,053	831,713
Accumulated depreciation						
As at 1 January 2024	(95,413)	(47,233)	(5,013)	(52,396)	(24,447)	(224,502)
Transferred from investment properties	(1,952)	–	–	–	–	(1,952)
Charged for the year	(13,718)	(11,032)	(185)	(8,094)	(3,506)	(36,535)
Transfer to investment properties	3,136	–	–	–	–	3,136
Disposals/written-off	–	–	–	–	–	–
Foreign currency translation	–	(264)	–	(99)	(305)	(668)
As at 31 December 2024	(107,947)	(58,529)	(5,198)	(60,589)	(28,258)	(260,521)
Net carrying amount						
As at 1 January 2024	509,700	17,608	459	29,588	38,633	595,988
As at 31 December 2024	484,580	26,607	274	22,936	36,795	571,192

(Amounts in thousands of RMB, unless otherwise stated)

29 PROPERTY AND EQUIPMENT (Continued)

Property and equipment held for administrative purposes (Continued)

	Buildings	Computers and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
Cost						
As at 1 January 2023	715,599	61,816	5,472	61,783	61,522	906,192
Additions	–	7,046	–	20,072	659	27,777
Transfer from investment properties	(107,690)	–	–	–	–	(107,690)
Other decrease	(2,796)	(4,272)	–	–	–	(7,068)
Foreign currency translation	–	251	–	129	899	1,279
As at 31 December 2023	605,113	64,841	5,472	81,984	63,080	820,490
Accumulated depreciation						
As at 1 January 2023	(99,667)	(36,197)	(4,466)	(19,399)	(21,051)	(180,780)
Charged for the year	(14,738)	(10,853)	(547)	(32,889)	(3,118)	(62,145)
Transfer from investment properties	18,992	–	–	–	–	18,992
Foreign currency translation	–	(183)	–	(108)	(278)	(569)
As at 31 December 2023	(95,413)	(47,233)	(5,013)	(52,396)	(24,447)	(224,502)
Net carrying amount						
As at 1 January 2023	615,932	25,619	1,006	42,384	40,471	725,412
As at 31 December 2023	509,700	17,608	459	29,588	38,633	595,988

As at 31 December 2024, the carrying value of property and equipment of the Group for which registration was not completed amounted to approximately RMB6,361 thousand (31 December 2023: RMB6,903 thousand). However, this registration process does not affect the rights of the Group to these assets.

For the year ended 31 December 2024, in accordance with IAS 36 Impairment of Assets, aircraft, ships and vehicles were tested for indicators of impairment. To aid in this assessment, the Group sought valuations from independent appraisal firms. These appraisers make assumptions and estimates with respect to the future valuations of aircraft, ships and vehicles. For the purpose of recognition and measurement of an impairment loss, if it is determined that a test for impairment is required, each aircraft, or ship or vehicle is tested individually by comparing its carrying amount to the higher of its value in use and fair value less costs to sell.

Value in use is determined as the total discounted cash flows expected to be generated by an aircraft or vehicle in the future. The estimated cash flows are discounted to their present value by using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset in question. For the calculation of value in use, the weighted average discount rates ("WACC") for 31 December 2024 were 5.96% for aircraft and 2.83% for vehicles (2023: 6.80% for aircraft and 3.51% for vehicles). Fair value less costs to sell is determined by the Group based on the most relevant of observable market information from independent appraisal firms. In cases where the carrying value of the aircraft or vehicles exceeds the higher of value in use and fair value less costs to sell, an impairment charge is recognised.

As a result of the review, an impairment charge of RMB144 million (2023: RMB1,062 million) was recognised for 2 aircraft (2023: 31 aircraft). An impairment charge of RMB4 million (2023: RMB360 million) was recognised for 1 ship (2023: 26 ships). An impairment charge of RMB18 million (2023: Nil) was recognised for 5,314 vehicles (2023: Nil).

As at 31 December 2024, there are 4 aircraft remained detained in Russia after the termination of lease with Russian Airlines following the imposition of sanctions by the European Union. As a result of their loss, the Group has filed claims under its relevant insurances held and is pursuing those claims for the agreed values of the aircraft as defined in the relevant policies.

The directors of the Company are satisfied that the net book value of property and equipment is not further impaired below the balance recorded at 31 December 2024.

As at 31 December 2024, there would be no change in the impairment of aircraft and vehicles assuming a 50 Basis Point ("BP") increase or 50BP decrease in WACC.

As at 31 December 2024, there was no change in the impairment of aircraft and vehicles assuming a 5% increase in current market value (31 December 2023: RMB164 million and nil) for aircraft and vehicles, respectively. If the current market value decreases by 5%, the impairment will increase RMB54 million and RMB0 million (31 December 2023: RMB195 million and nil) for aircrafts and vehicles, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

30 LEASES

The Group as a lessee

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties
As at 1 January 2024	174,329
Additions	4,557
Depreciation charge	(37,708)
Foreign currency translation	2,014
As at 31 December 2024	143,192

	Properties
As at 1 January 2023	141,184
Additions	69,041
Depreciation charge	(38,099)
Foreign currency translation	2,203
As at 31 December 2023	174,329

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024	2023
Carrying amount at 1 January	192,262	147,234
New leases	4,557	69,041
Accretion of interest recognised during the year	7,906	7,797
Payments	(46,140)	(42,523)
Foreign currency translation	2,169	10,713
Carrying amount at 31 December	160,754	192,262
Analysed into:		
Within one year	34,557	20,645
In the second year	21,981	31,699
In the third to fifth year, inclusive	27,200	52,375
Beyond five year	77,016	87,543

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	For the year ended 31 December	
	2024	2023
Interest on lease liabilities	7,906	7,797
Depreciation charge of right-of-use assets	37,708	38,099
Expense relating to leases of low-value assets and short-term leases	16,530	7,694
Total amount recognised in profit or loss	62,144	53,590

(Amounts in thousands of RMB, unless otherwise stated)

30 LEASES (Continued)

The Group as a lessor

The Group leases its investment properties (Note 28) and property and equipment (Note 29) consisting of aircraft, ships, special equipment and buildings under operating lease arrangements. The terms of the leases generally require the lessees to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB14,589 million (2023: RMB12,362 million), details of which are included in Note 5 to the consolidated financial statements.

As at 31 December 2024 and 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December 2024	31 December 2023
Within one year	12,959,169	10,786,137
After one year but within two years	11,885,632	10,349,887
After two years but within three years	9,961,083	9,399,035
After three years but within four years	8,679,443	8,085,558
After four years but within five years	7,646,350	7,168,793
After five years	25,538,179	25,917,082
	76,669,856	71,706,492

31 DEFERRED TAXATION

Deferred income tax liabilities of RMB80 million (31 December 2023: RMB73 million) have not been recognised for the taxable temporary differences arising from undistributed profit of foreign subsidiaries given that the timing of the reversal of the temporary difference is controlled by the Group and the directors of the Group are of the view that it is probable that the temporary differences will not be reversed in the foreseeable future.

The effect of deductible losses not recognised as deferred income tax assets for the year ended 31 December 2024 are RMB613,424 thousand (31 December 2023: RMB988,802 thousand).

The tax losses are available within the period permitted by tax laws for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

The following are the major deferred tax assets/(liabilities) recognised and movements thereon for the years ended 31 December 2024 and 2023:

	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of FVTPL	Changes in fair value of FVTOCI	Deductible tax losses	Accelerated depreciation of operating lease assets	Deferred income	Accrued staff costs	Others	Total
As at 1 January 2024	1,792,166	(9,942)	18,903	(287)	233,045	(646,306)	26,796	21,495	(412,827)	1,023,043
Credited/(charged) to profit or loss	88,330	(31,581)	794	–	57,655	(19,402)	(738)	2,918	6,333	104,309
Credited to other comprehensive income	–	162,095	–	287	–	–	–	–	–	162,382
Foreign currency translation	702	(676)	–	–	4,094	(9,479)	–	–	(1,950)	(7,309)
As at 31 December 2024	1,881,198	119,896	19,697	–	294,794	(675,187)	26,058	24,413	(408,444)	1,282,425

	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 2023	1,604,294	(92,440)	15,396	5,170	258,074	(695,005)	27,533	18,012	(851,099)	289,935
Credited/(charged) to profit or loss	187,138	31,661	3,507	–	(29,237)	60,373	(737)	3,483	434,274	690,462
Credited/(charged) to other comprehensive income	–	50,480	–	(5,457)	–	–	–	–	–	45,023
Foreign currency translation	734	357	–	–	4,208	(11,674)	–	–	3,998	(2,377)
As at 31 December 2023	1,792,166	(9,942)	18,903	(287)	233,045	(646,306)	26,796	21,495	(412,827)	1,023,043

(Amounts in thousands of RMB, unless otherwise stated)

32 OTHER ASSETS

	31 December 2024	31 December 2023
Maintenance right assets	589,412	744,542
Deductible value-added tax	2,259,671	1,065,630
Prepaid expenses	2,178,034	1,565,812
Straightline lease asset (1)	1,403,718	1,478,488
Other receivables	323,438	228,851
Land use rights (2)	353,385	363,039
Lease premium assets	167,173	178,177
Other intangible assets	64,732	45,914
Interest receivable	808,845	148,165
Prepaid income tax	42,627	18,849
Deposits for lease of business place	21,439	23,262
Aircraft supplementary assets	8,551	8,425
	8,221,025	5,869,154
Less: Allowance for impairment losses		
– Straightline lease asset (1)	(211,880)	(614,169)
– Other receivables	(32,972)	(11,540)
– Interest receivable	(790)	(93)
– Aircraft supplementary assets	(5,927)	(2,479)
	(251,569)	(628,281)
	7,969,456	5,240,873

(1) Straightline lease asset appears the difference amount between operating lease income recognised on straight-line basis and the contractual receivables and the movement of the impairment of it is showing as follow:

	For the year ended 31 December	
	2024	2023
At the beginning of the year	614,169	613,897
Impairment losses during the year	(407,067)	(10,090)
Effect of foreign currency exchange differences	4,778	10,362
At the end of the year	211,880	614,169

(2) Land use rights of the Group represent the medium-term (50 years) leasehold land in the PRC.

33 BORROWINGS

	31 December 2024	31 December 2023
Secured bank borrowings (1)	62,150,411	47,762,763
Factoring financing (2)	3,879,942	7,873,794
Unsecured bank borrowings	243,783,710	240,238,888
	309,814,063	295,875,445

	31 December 2024	31 December 2023
Carrying amount repayable:		
Within one year	215,508,720	208,819,656
More than one year, but not exceeding two years	52,381,483	37,688,308
More than two years, but not exceeding five years	32,438,861	35,158,150
More than five years	9,484,999	14,209,331
	309,814,063	295,875,445

(Amounts in thousands of RMB, unless otherwise stated)

33 BORROWINGS (Continued)

(1) Secured bank borrowings

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

	31 December 2024	31 December 2023
Equipment held for operating lease businesses	39,172,287	43,088,677
Finance lease receivables	4,052,390	1,429,463
Accounts receivable	–	537,002
Bank deposits	32,987,577	15,990,342
	76,212,254	61,045,484

(2) The Group entered into finance lease receivables factoring arrangements and has recognised the cash received for the transfer as factoring financing. The balance of secured bank borrowings through factoring financing was approximately RMB3,879,942 thousand as at 31 December 2024 (31 December 2023: RMB7,873,794 thousand) (Note 43).

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

	31 December 2024	31 December 2023
Fixed-rate borrowings:		
Within one year	205,073,151	194,666,391
More than one year, but not exceeding five years	50,867,406	30,585,547
More than five years	–	485,334
	255,940,557	225,737,272

In addition, the Group has floating-rate borrowings which carry interest based on LPR, SOFR or Term SOFR.

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

	31 December 2024	31 December 2023
Effective interest rates:		
Fixed-rate borrowings (RMB)	1.90%-3.20%	2.40%-3.20%
Fixed-rate borrowings (USD)	2.05%-5.90%	2.05%-6.37%
Floating-rate borrowings (RMB)	1Y LPR/5Y LPR – 1.30%~-0.65%	1Y LPR/5Y LPR – 1.30%~-0.28%
Floating-rate borrowings (USD)	SOFR/1M TSOFR/ 3M TSOFR +0.05%-1.45%	SOFR/1M TSOFR/ 3M TSOFR +0.20%-1.45%

34 ACCRUED STAFF COSTS

	31 December 2024	31 December 2023
Salaries, bonuses and allowances	215,490	226,460
Social welfare and others	59,076	56,035
	274,566	282,495

35 BONDS PAYABLE

	31 December 2024	31 December 2023
Guaranteed unsecured bonds (1)	16,094,151	27,271,681
Unguaranteed unsecured bonds	10,978,761	4,915,549
	27,072,912	32,187,230

(Amounts in thousands of RMB, unless otherwise stated)

35 BONDS PAYABLE (Continued)

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

			As at 31 December 2024			
			Maturity (Year)	Face value	Guaranteed unsecured bonds [(1)]	Unguaranteed unsecured bonds
Issuer	Currency	Fixed coupon rate				
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	5,031,880	–	5,031,880
	RMB	2.05% to 2.20%	2027	6,000,000	–	6,000,000
CDBL Funding 2[(2)]	RMB	3.50%	2026	700,000	700,000	–
	USD	2.00% to 3.125%	2025 to 2027	10,423,180	10,423,180	–
CDBL Funding 1 [(2)]	USD	2.87% to 4.25%	2027	2,875,360	2,875,360	–
Issuer	Currency	Floating rate				
CDBL Funding 2 [(2)]	USD	SOFR + Margin ranging from 0.90% to 1.00%	2025 to 2027	2,120,578	2,120,578	–
				27,150,998	16,119,118	11,031,880

			As at 31 December 2023			
			Maturity (Year)	Face value	Guaranteed unsecured bonds [(1)]	Unguaranteed unsecured bonds
Issuer	Currency	Fixed coupon rate				
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,957,890	–	4,957,890
CDBL Funding 2 [(2)]	RMB	3.35% to 3.50%	2024 to 2026	1,600,000	1,600,000	–
	HKD	1.40% to 4.85%	2024	2,809,282	2,809,282	–
	USD	1.375% to 5.77%	2024 to 2027	14,696,603	14,696,603	–
CDBL Funding 1 [(2)]	USD	2.87% to 4.25%	2024 to 2027	6,586,911	6,586,911	–
Issuer	Currency	Floating Rate				
CDBL Funding 2 [(2)]	USD	SOFR + Margin ranging from 0.85% to 1.00%	2024 to 2025	1,629,021	1,629,021	–
				32,279,707	27,321,817	4,957,890

(1) As at 31 December 2024 and 2023, the bonds were unconditionally and irrevocably guaranteed by CDB Leasing (International) Company Limited or CDB Aviation Lease Finance Designated Activity Company, with the benefit of a Keepwell and Asset Purchase Deed provided by the Company. CDB Leasing (International) Company Limited and CDB Aviation Lease Finance Designated Activity Company are subsidiaries of the Group.

(2) CDBL Funding 1 and CDBL Funding 2 are subsidiaries of the Group.

(Amounts in thousands of RMB, unless otherwise stated)

36 OTHER LIABILITIES

	31 December 2024	31 December 2023
Guaranteed deposits from lessees	6,426,346	6,906,406
Maintenance deposits from lessees	3,537,864	2,688,989
Accounts payable [(1)]	387,636	8,185,010
Interest payable	2,533,500	2,010,292
Notes payable [(2)]	783,809	1,513,847
Rent received in advance	2,004,059	1,697,520
Lease discount liabilities	416,394	375,527
Other payables	643,839	616,362
Deferred income	104,230	107,180
Lessor contributions	630,020	654,098
Straightline lease liabilities	242,287	213,974
Provisional value-added tax	2,856,325	1,834,107
Ship management fee payable	63,320	71,966
Dividends payable	701	63,268
Other taxes payable	63,554	54,949
Management consulting fees payable	16,583	14,628
Total	20,710,467	27,008,123

(1) Maturity analysis of the accounts payable as at the end of the reporting period, based on the payables due date, is as follows:

	31 December 2024	31 December 2023
Within one year	151,615	7,829,232
In the second year	110,148	105,847
In the third to fifth year, inclusive	125,873	249,931
Beyond five year	–	–
	387,636	8,185,010

(2) Notes payable is normally settled on one-year term.

37 SHARE CAPITAL

	31 December 2024	31 December 2023
Registered, issued and fully paid: par value RMB1.00 per share	12,642,380	12,642,380

38 CAPITAL RESERVE

	31 December 2024	31 December 2023
Capital reserve	2,418,689	2,418,689

The balance of capital reserve mainly represents share premium arising from the Company's initial public offering and other previous shares issuances in the current and prior years.

39 HEDGING AND FAIR VALUE RESERVE

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

	2024	2023
At the beginning of the year	389,237	696,592
Fair value changes on derivatives	(680,226)	(374,199)
Fair value gains on investments in debt instruments at FVTOCI	163,068	56,518
Disposal of investments in debt instruments at FVTOCI	(164,209)	(34,697)
Income tax effects	162,382	45,023
At the end of the year	(129,748)	389,237

(Amounts in thousands of RMB, unless otherwise stated)

40 GENERAL RESERVE

The general reserves comprise statutory reserve and reserve for general risk. The movements of general reserve of the Group are set out below:

	Year ended 31 December 2024		
	Opening	Additions	Closing
Statutory reserve [1]	1,790,173	305,735	2,095,908
Reserve for general risk [2]	6,079,098	–	6,079,098
	7,869,271	305,735	8,175,006

	Year ended 31 December 2023		
	Opening	Additions	Closing
Statutory reserve [1]	1,512,554	277,619	1,790,173
Reserve for general risk [2]	5,279,710	799,388	6,079,098
	6,792,264	1,077,007	7,869,271

[1] Pursuant to the Company Law of the PRC and the articles of association of the Company and the subsidiaries in the PRC, 10% of the net profit of the Company and the subsidiaries in the PRC, as determined under the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the relevant entities. The reserve appropriated can be used for expansion of business and capitalisation.

[2] Prior to 1 July 2012, pursuant to the Financial Rules for Financial Enterprises-Implementation Guide (Caijin[2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company and the subsidiaries in the PRC are required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from 1 July 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserve of Financial Enterprises (Caijin[2012] No. 20) issued by the MOF, the Company and the subsidiaries in the PRC are required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period. As at 31 December 2024, the Group's general risk reserve has exceeded 1.5% of its risk-weighted assets as at the reporting period end.
Pursuant to the Measures for the Management of Country Risk by Banking Financial Institutions (Jin Gui [2023] No. 12), the Group has met the minimum general reserve requirements set forth in the Administrative Measures for the Provision of Reserve of Financial Enterprises (Cai Jin [2012] No. 20). Consequently, no additional provisions for country risk reserves will be required.

41 RETAINED EARNINGS

The movements of retained earnings of the Group are set out below:

	2024	2023
At the beginning of the year	13,294,371	11,226,551
Profit for the year	4,502,988	4,150,149
Appropriation to general reserve	(305,735)	(1,077,007)
Dividends	(1,245,022)	(1,005,322)
At the end of the year	16,246,602	13,294,371

42 DIVIDENDS

The dividends declared in 2024 are approximately RMB1,245,022 thousand, RMB0.9848 per 10 ordinary shares (2023: RMB1,005,322 thousand, RMB0.7952 per 10 ordinary shares). A dividend in respect of the year ended 31 December 2024 of RMB0.8905 per 10 ordinary shares, amounting to a total dividend of approximately RMB1,125,804 thousand, is to be proposed at the annual general meeting. These financial statements do not reflect this dividend payable.

43 TRANSFERS OF FINANCIAL ASSETS

Repurchase agreements

As at 31 December 2024, the Group entered into repurchase agreements with certain counterparties to sell the Group's financial assets at fair value through other comprehensive income with carrying amounts of Nil (31 December 2023: 3,001,187 thousand) (Note 22).

Sales and repurchase agreements are transactions in which the Group sells financial assets at fair value through other comprehensive income and simultaneously agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of these debt instruments or certificates of deposit sold. These debt instruments or certificates of deposit are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group and the Company retain substantially all the risks and rewards of these debt instruments or certificates of deposit. The proceeds from selling such debt instruments or certificates of deposit are presented as financial assets sold under repurchase agreements. For all these arrangements, the counterparties have recourse to the transferred financial assets.

The following tables provide a summary of carrying amounts related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

	31 December 2024	31 December 2023
Carrying amount of transferred assets	–	3,001,187
Carrying amount of associated liabilities	–	(2,556,855)
Net position	–	444,332

(Amounts in thousands of RMB, unless otherwise stated)

43 TRANSFERS OF FINANCIAL ASSETS (Continued)

Factoring arrangements

The Group entered into finance lease receivables factoring arrangements (the "Arrangements") and transferred certain finance lease receivables to banks. Under the Arrangements, the banks have recourse right and the Group has the obligation to reimburse the banks for loss of rental if any lessees have late and default payment. As the Group has not transferred the significant risks relating to these transferred finance lease receivables, it continues to recognise in their full carrying amount and has recognised the cash received for the transfer as factoring financing. The carrying amount of the assets that the Group continued to recognise as at 31 December 2024 was approximately RMB3,953,646 thousand (31 December 2023: RMB7,417,365 thousand) (Note 24) and that of the associated liabilities as at 31 December 2024 was approximately RMB3,879,942 thousand (31 December 2023: RMB7,873,794 thousand) (Note 33).

44 CASH AND CASH EQUIVALENTS

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

	31 December 2024	31 December 2023
Cash and bank balances before impairment loss	43,712,967	69,497,069
Less:		
– Pledged and restricted bank deposits	32,987,581	16,036,606
– Mandatory reserve deposits with central bank	320,383	343,549
– Other [(1)]	500,000	4,260,120
	9,905,003	48,856,794

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

45 CONTINGENT LIABILITIES

As at 31 December 2024, the total target amount of pending litigations against with the Group as defendant was RMB296.53 million (31 December 2023: RMB284.33 million). The Group believes that it is not necessary to make provisions for the pending litigations as defendant mentioned above during the reporting period. The Group estimates that these pending litigations would not have any material impact on the business, financial position or performance of the Group.

46 CAPITAL COMMITMENTS

Capital expenditures contracted by the Group as at 31 December 2024 and 2023 but are not yet to be recognised on the consolidated statement of financial position are as follows:

	31 December 2024	31 December 2023
Acquisition of equipment held for operating lease	86,452,386	27,116,956

47 FINANCE LEASE COMMITMENTS

	31 December 2024	31 December 2023
Finance lease commitments	35,850,698	36,383,972

Finance lease commitments are in relation to finance lease contracts signed by the Group as lessor which were not yet effective as at 31 December 2024 and 2023.

48 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

48.1 Parent Company

As at 31 December 2024, 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	
	2024	2023
Bank balances	600,060	2,077,473
Operating leases receivable	1,529	1,128
Right-of-use assets	990	923
Bank borrowings	611,014	10,572,857
Lease liabilities	967	886
Interest payable	1,472	55,031
Other payable	6,254	7,465

(Amounts in thousands of RMB, unless otherwise stated)

48 RELATED PARTY TRANSACTIONS (Continued)

48.1 Parent Company (Continued)

The Group entered into the following transactions with China Development Bank:

	For the year ended 31 December	
	2024	2023
Interest income	79,736	30,648
Interest expenses	159,413	267,516
Operating lease income	94,154	88,543
Net investment losses	–	(23,725)
Management fee income	7,130	–
Fee and commission expenses	50,198	60,460
Other operating expense	1,030	1,039

48.2 Other related parties

48.2.1 China Development Bank Securities Co., Limited

The Group and China Development Bank Securities Co., Limited are both ultimately controlled by the China Development Bank.

The Group entered into the following transactions with China Development Bank Securities Co., Limited:

	For the year ended 31 December	
	2024	2023
Operating lease income	836	1,461
Interest expenses	27	–

48.2.2 China Development Bank Capital Co., Limited and its subsidiaries

The Group and China Development Bank Capital Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Capital Co., Limited and its subsidiaries:

	As at 31 December	
	2024	2023
Accounts receivable	3,649	3,649

The Group entered into the following transactions with China Development Bank Capital Co., Limited and its subsidiaries:

	For the year ended 31 December	
	2024	2023
Interest expenses	–	3,195

48.2.3 China Development Bank Fund Co., Limited and its subsidiaries

The Group and China Development Bank Fund Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Fund Co., Limited and its subsidiaries:

	As at 31 December	
	2024	2023
Finance lease receivables	101,169	608,520
Other liabilities	10,498	11,933

The Group entered into the following transactions with China Development Bank Fund Co., Limited and its subsidiaries:

	For the year ended 31 December	
	2024	2023
Finance lease income	23,124	38,014

48.2.4 Three Gorges Capital Holdings (HK) Co., Ltd

As at 31 December 2024, China Three Gorges Corporation ultimately owned 10.33% of the share capital of the Group, and placed a director on the Group's board, which had a significant impact on the Group.

The Group entered into the following transactions with China Three Gorges Corporation:

	For the year ended 31 December	
	2024	2023
Finance lease income	–	171

(Amounts in thousands of RMB, unless otherwise stated)

48 RELATED PARTY TRANSACTIONS (Continued)

48.3 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers.

The following table shows the key management personnel compensation payable by the Group in the years of 2024 and 2023.

	For the year ended 31 December	
	2024	2023
Basic salaries and allowances	11,217	10,760
Bonuses	3,397	9,482
Employer's contribution to pension schemes	1,484	1,343
	16,098	21,585

According to the regulations of the relevant authorities in the PRC, the key management personnel's final emoluments for the year ended 31 December 2024 have not been finalised. The Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group. The final emoluments will be disclosed in a separate announcement when determined.

48.4 Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: purchase, sale and leases of property and other assets; bank deposits and borrowings; purchase of bonds issued by other state-owned entities; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

49 SEGMENT REPORTING

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

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

- Aircraft leasing: mainly engaged in the acquisition, leasing, management and disposal of commercial aircraft;
- Regional development leasing: mainly engaged in the leasing of urban and transportation facilities and key industrial equipment developed in service region supported by national policies;
- Ship leasing: mainly engaged in the leasing of ships;
- Inclusive finance: mainly engaged in the leasing of vehicles other than aircraft and ships, and construction machinery; and
- Green energy and high-end equipment leasing: mainly engaged in the leasing of energy infrastructure and high-end equipment.

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

Expenses of the headquarters are allocated according to the proportion of each segment's net revenue (segment's revenue deducting depreciation expenses of equipment held for operating lease businesses). Assets and liabilities of the headquarters are allocated according to the proportion of each segment's assets related to leasing business.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the years ended 31 December 2024 and 2023.

(Amounts in thousands of RMB, unless otherwise stated)

49 SEGMENT REPORTING (Continued)

The operating and reportable segment information provided to the CODM during the years ended 31 December 2024 and 2023 is as follows:

	Aircraft leasing	Regional development leasing	Ship leasing	Inclusive finance	Green energy and high-end equipment leasing	Total
For the year ended 31 December 2024						
Segment revenue and results						
Finance lease income	13,427	4,323,796	1,365,236	1,855,094	3,288,522	10,846,075
Operating lease income	8,173,534	115,100	5,294,575	945,165	60,606	14,588,980
Segment revenue	8,186,961	4,438,896	6,659,811	2,800,259	3,349,128	25,435,055
Segment other income, gains and losses	1,060,124	460,009	1,094,608	161,207	352,104	3,128,052
Segment revenue and other income	9,247,085	4,898,905	7,754,419	2,961,466	3,701,232	28,563,107
Interest expense	(4,408,197)	(2,707,506)	(3,271,305)	(705,908)	(1,885,497)	(12,978,413)
Other expense	(4,603,527)	(384,580)	(2,685,022)	(1,115,397)	(793,403)	(9,581,929)
Segment expenses	(9,011,724)	(3,092,086)	(5,956,327)	(1,821,305)	(2,678,900)	(22,560,342)
(Loss)/profit before impairment losses and income tax	(196,219)	1,896,149	1,655,779	929,632	1,575,897	5,861,238
Profit before income tax	235,361	1,806,819	1,798,092	1,140,161	1,022,332	6,002,765
As at 31 December 2024						
Segment assets and liabilities						
Segment assets	120,078,363	87,567,711	64,739,803	33,959,947	97,177,097	403,522,921
Deferred tax assets						2,327,409
Group's total assets						405,850,330
Segment liabilities	114,718,908	77,007,885	57,567,457	29,831,050	85,416,287	364,541,587
Deferred tax liabilities						1,044,984
Group's total liabilities						365,586,571
Other segment information						
Depreciation of investment properties	–	(42,567)	–	–	–	(42,567)
Depreciation of property and equipment	(4,167,081)	(12,384)	(2,013,332)	(711,546)	(59,232)	(6,963,575)
Depreciation of right-of-use assets	(18,589)	(5,941)	(6,627)	(2,096)	(4,455)	(37,708)
Amortisation	(26,939)	(12,614)	(9,500)	(3,005)	(6,387)	(58,445)
Capital expenditure	10,981,288	23,774	6,178,695	4,244,163	389,309	21,817,229
Impairment reversal/(losses)	431,580	(89,330)	142,313	210,529	(553,565)	141,527

(Amounts in thousands of RMB, unless otherwise stated)

49 SEGMENT REPORTING (Continued)

The operating and reportable segment information provided to the CODM during the years ended 31 December 2024 and 2023 is as follows (continued):

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

The largest customer of the Group contributed 2.82% of the Group's revenue for the years ended 31 December 2024 (2023: 2.23%).

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue is substantially derived from its operation in the PRC for the years ended 31 December 2024 and 2023.

(Amounts in thousands of RMB, unless otherwise stated)

50 FINANCIAL INSTRUMENTS

Categories of financial instruments

	31 December 2024	31 December 2023
Financial assets		
Cash and bank balances	43,670,649	69,440,305
Financial assets at fair value through profit and loss	213,910	156,472
Derivative financial assets	437,938	675,904
Financial assets at fair value through other comprehensive income	–	3,001,187
Accounts receivable	624,734	1,335,131
Finance lease receivables	202,099,637	195,101,137
Other financial assets	2,311,798	1,252,964
	249,358,666	270,963,100

	31 December 2024	31 December 2023
Financial liabilities		
Borrowings	309,814,063	295,875,445
Due to banks and other financial institutions	5,185,420	12,509,021
Derivative financial liabilities	856,453	246,329
Financial assets sold under repurchase agreement	–	2,556,855
Bonds payable	27,072,912	32,187,230
Lease liabilities	160,754	192,262
Other financial liabilities	15,023,618	22,724,866
	358,113,220	366,292,008

51 FINANCIAL RISK MANAGEMENT

51.1 Overview of financial risk management

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and monitors the risks continuously. The major financial risks of the Group are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk. The Group's objective is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The major derivative financial instruments adopted by the Group are interest rate swaps, cross-currency swaps, currency forwards, and foreign exchange swaps. The objective of interest rate swaps is to hedge against the cash flow volatility risk caused by interest rate fluctuations of borrowings and bonds payable; the objectives for cross-currency swaps, currency forwards, and foreign exchange swaps are to hedge against the cash flow volatility risk caused by foreign exchange fluctuations affecting bonds payable, intra-group balances and borrowings.

The board of directors of the Company established the Group's risk management strategy. The senior management established related risk management policies and procedures, for credit risk, currency risk, interest rate risk, liquidity risk, and the use of derivative and non-derivative financial instruments, according to the risk management strategy approved by the board.

51.2 Credit risk

Credit risk for the Group represents the risk that the counterparty fails to meet its contractual obligations at the due date. Credit risk is considered as one of the most significant risks to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from leasing business and other financial assets, which include cash and bank balances, finance lease receivables, accounts receivable, debt instruments classified as at FVTOCI and other financial assets. In addition, the Group provides financial guarantees only for subsidiaries' liabilities. At 31 December 2024 and 2023, two subsidiaries have issued guarantees to certain financial institutions in respect of bonds payable granted to their subsidiaries (Note 35).

The Group establishes industry risk management framework and measurements where the Group will perform research by industry, implement credit evaluation, estimate the value of lease assets, monitor lessees' business status and evaluate the impact of change in technology on lease assets, to strengthen the credit risk control and management.

51 FINANCIAL RISK MANAGEMENT (Continued)

51.2 Credit risk (Continued)

51.2.1 Credit risk management

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with which the Group has credit transactions. In addition, the Group monitors the leases receivable regularly to mitigate the risk of significant exposures from non-performing assets.

The Group employs a range of policies and practices to mitigate credit risk of leasing business. The most typical one is the taking of collateral, margin deposits and guarantees by third parties. The Group provides guidelines on acceptable types of collateral, which mainly includes:

- Civil aircraft and engines
- Ships
- Machinery and equipment
- Highway toll rights
- Properties

The Group regularly evaluates the credit risk, improves the credit risk monitoring and early warning management system, strengthens risk analysis and control, coordinates the resolution of key non-performing and risky projects, conducts special risk checks on the stock business and improves the foresight, timeliness and prognosis of risk control.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

51.2.2 Expected credit loss

The Group formulates the credit losses of cash and bank balances, finance lease receivables, accounts receivable, FVTOCI and other financial assets.

For financial assets whose impairment losses are measured using ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition and applies a three-stage impairment model (refer to Note 2.19.4) to calculate their impairment allowance and recognise their ECL.

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below:

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, lifetime or 12-month 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.

For credit-impaired financial assets with individual amount that are relatively significant, the Group mainly evaluates future cash flows (including the recoverable value of the collateral held) in different circumstances on an individual basis. Expected credit losses are measured as the differences between the present value of estimated cash flows discounted at the original effective interest rate and the asset's gross carrying amount. Any adjustment is recognised in profit or loss as an impairment loss or reversal. The estimation of future cash flows is critical for credit-impaired financial assets for which expected credit losses are measured on an individual basis. Factors affecting this estimate include, among other things, the financial condition of individual customers, risk mitigation methods, industry trends, the future performance of individual customers and guarantors, and cash flows from the sale of collateral.

There have been no significant changes in estimation techniques or significant assumptions adopted in ECL calculation during the reporting period.

(Amounts in thousands of RMB, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.2 Credit risk (Continued)

51.2.2 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. 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:

- Whether internal credit rating of the lessee is default grade;
- Whether the lessee has overdue more than 60 days after the lease contract payment date;
- Whether the lessee has significant financial difficulties;
- Whether the lessee is likely to go bankrupt or other financial restructuring; and
- Whether the lessor gives the lessee concessions for economic or contractual reasons due to the lessee's financial difficulties, where such concessions are normally reluctant to be made by the lessor.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by any separately identifiable event.

Forward-looking information

The Group has performed historical data analysis and identified Gross Domestic Product (GDP), Consumer Price Index (CPI), Completed Investment in Fixed Assets, Baltic Dry Index (BDI), Global Revenue Passenger Kilometres (RPK), etc. associated with credit risk and expected credit losses for each portfolio. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables and PD. The impact of these economic variables on the PD varies according to different types of business. Forecasts of these economic variables are carried out at least quarterly by the Group to provide the best estimate view of the economy over the next year.

When calculating the weighted average ECL provision, the Group determines the optimistic, neutral and pessimistic scenarios and their weightings through a combination of macro-statistical analysis and expert judgement. As at 31 December 2024, the Group has taken into account different macro-economic scenarios, and made forward-looking forecasts of macro-economic indicators. Of which, the GDP growth rate used to estimate ECL is 4.77%.

The Group conducts sensitivity analysis on the weightings of multiple economic scenarios used in forward-looking measurement. As at 31 December 2024, when the weighting of optimistic scenario or pessimistic scenario increases by 10%, and the weighting of baseline scenario decreases by 10%, the respective decrease or increase in financial assets loss allowance will not exceed 5%.

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 2024		31 December 2023	
	Amount	%	Amount	%
Aircraft leasing	635,343	–	444,429	–
Regional development leasing	81,601,007	39	106,970,910	52
Ship leasing	18,311,914	9	13,663,855	7
Inclusive finance	24,243,348	11	26,901,935	13
Green energy and high-end equipment leasing	86,585,934	41	56,144,542	28
	211,377,546	100	204,125,671	100

(Amounts in thousands of RMB, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.2 Credit risk (Continued)

51.2.2 Expected credit loss (Continued)

Credit risk exposure of financial assets (Continued)

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 2024				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	43,712,967	–	–	–	43,712,967
FVTOCI	–	–	–	–	–
Accounts receivable	88,510	–	–	1,249,695	1,338,205
Finance lease receivables	178,745,681	28,644,239	3,987,626	–	211,377,546
Other financial assets	1,151,740	–	–	1,403,718	2,555,458

	31 December 2023				
	Stage 1	Stage 2	Stage 3	Simplified approach	Maximum credit risk exposure
Financial assets					
Cash and bank balances	69,497,069	–	–	–	69,497,069
FVTOCI	3,001,187	–	–	–	3,001,187
Accounts receivable	638,332	–	–	1,670,365	2,308,697
Finance lease receivables	167,388,757	35,087,543	1,649,371	–	204,125,671
Other financial assets	400,278	–	–	1,478,488	1,878,766

The Group manage its credit risk exposure based on the Measures for the Risk Classification of Financial Assets of Commercial Bank《商業銀行金融資產風險分類辦法》(the "Measures") issued by the CBIRC.

The Measures requires the Group to classify their financial assets into five categories: normal, special mention, substandard, doubtful and loss, five categories are defined as follows:

Internal credit rating	Description
Normal	Debtors are able to perform contracts and there is no objective evidence that the principal, interest, or income cannot be paid in full and on time
Special mention	Although there are some factors that may adversely affect the performance of contracts, debtors are currently able to pay
Substandard	Debtors are unable to pay the principal, interest or income in full, or financial assets are credit-impaired
Doubtful	Debtors are unable to pay the principal, interest, or income in full, and financial assets are significant credit-impaired
Loss	After exhaustion of all possible measures only a very small part of financial assets can be recovered or all financial assets are lost

The Group strictly follows the regulatory requirements in five-category financial assets classifications management and makes adjustments to these classifications as necessary according to customers' operational and financial position, together with other factors that may affect the repayment of financial assets.

(Amounts in thousands of RMB, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.2 Credit risk (Continued)

51.2.2 Expected credit loss (Continued)

Credit risk exposure of financial assets (Continued)

Finance lease receivables:

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Credit rating:				
Normal	178,745,681	19,281,726	–	198,027,407
Special mention	–	9,362,513	2,304,513	11,667,026
Substandard	–	–	215,350	215,350
Doubtful	–	–	916,219	916,219
Loss	–	–	551,544	551,544
Net amount	178,745,681	28,644,239	3,987,626	211,377,546
Less: allowance for impairment losses	(2,762,052)	(4,595,284)	(1,920,573)	(9,277,909)
Net carrying amount	175,983,629	24,048,955	2,067,053	202,099,637

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Credit rating:				
Normal	167,388,757	23,139,156	–	190,527,913
Special mention	–	11,948,387	–	11,948,387
Substandard	–	–	441,038	441,038
Doubtful	–	–	–	–
Loss	–	–	1,208,333	1,208,333
Net amount	167,388,757	35,087,543	1,649,371	204,125,671
Less: allowance for impairment losses	(2,341,362)	(5,280,490)	(1,402,682)	(9,024,534)
Net carrying amount	165,047,395	29,807,053	246,689	195,101,137

Advances for finance lease projects in accounts receivable:

As at 31 December 2024, the credit rating of advances for finance lease projects in accounts receivable is normal in stage 1, with a gross amount of Nil (31 December 2023: RMB546,331 thousand) and an allowance for impairment losses of Nil thousand (31 December 2023: RMB9,329 thousand).

As at 31 December 2024 and 2023, operating lease receivables impaired using the simplified approach are as follows:

	31 December 2024			31 December 2023		
	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance
Not overdue	10%	585,873	59,170	61%	1,420,887	868,828
Overdue within 1 month	–	1,645	–	1%	52,035	379
Overdue 1 to 2 months	–	10,702	–	–	3	–
Overdue 2 to 3 months	–	–	–	–	–	–
Overdue over 3 months	100%	651,475	651,404	47%	197,440	92,016
	57%	1,249,695	710,574	58%	1,670,365	961,223

(Amounts in thousands of RMB, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.3 Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse movements in market prices (including interest rates and exchange rates).

51.3.1 Market risks measurement techniques

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would mature in a certain period or need to be repriced, and then uses the exposure information to perform sensitivity analysis under changing market interest rate and exchange rate.

51.3.2 Currency risk

The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. Most aircraft and ships held under finance and operating leases that the Group has purchased are denominated in US dollars; and the corresponding finance lease receivables and operating lease receivables are denominated in US dollars; and the main sources of fund are from bank borrowings, bond issuance, and intra-group transactions denominated in US dollars. Other than aircraft and ship leasing, the Group's remaining leasing businesses are mostly denominated in RMB, which does not expose the Group to significant currency risk. The exchange rate risk exposure primarily arises from the profits of some of the Group's overseas SPVs, which are denominated in foreign currencies.

The Group's policy has been reviewed and, due to the increased volatility in USD, it was decided to hedge up to currency risk exposure that affects profit and loss. The Group utilises a rollover hedging strategy, such as currency forward and cross currency swaps (CCS), to offset or limit the exposure currency risk. For the years ended 31 December 2024 and 2023, the Group's hedge relationships between the hedging instruments, such as CCS, and the designated hedged items were highly effective. The hedge ratios for the Group's hedge relationships are 1:1.

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is RMB:

	USD (in RMB equivalent)	HKD (in RMB equivalent)	Others (in RMB equivalent)	Total (in RMB equivalent)
31 December 2024				
Cash and bank balances	5,067,020	23,059	2	5,090,081
Other financial assets	32,930,873	1,112	–	32,931,985
Total financial assets	37,997,893	24,171	2	38,022,066
Borrowings	10,609,000	–	–	10,609,000
Due to banks and other financial institutions	359,420	–	–	359,420
Bonds payable	4,994,747	–	–	4,994,747
Other financial liabilities	502,417	–	–	502,417
Total financial liabilities	16,465,584	–	–	16,465,584
Net exposure	21,532,309	24,171	2	21,556,482
Net off-balance sheet position	(3,830,985)	–	–	(3,830,985)

	USD (in RMB equivalent)	HKD (in RMB equivalent)	Others (in RMB equivalent)	Total (in RMB equivalent)
31 December 2023				
Cash and bank balances	9,619,477	22,388	2	9,641,867
Other financial assets	29,704,670	1,088	–	29,705,758
Total financial assets	39,324,147	23,476	2	39,347,625
Borrowings	27,942,385	–	–	27,942,385
Due to banks and other financial institutions	1,629,021	–	–	1,629,021
Financial assets sold under repurchase agreements	2,556,855	–	–	2,556,855
Derivative financial liabilities	2,612	–	–	2,612
Bonds payable	4,915,549	–	–	4,915,549
Other financial liabilities	343,780	–	–	343,780
Total financial liabilities	37,390,202	–	–	37,390,202
Net exposure	1,933,945	23,476	2	1,957,423
Net off-balance sheet position	(6,572,320)	–	–	(6,572,320)

(Amounts in thousands of RMB, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.3 Market risk (Continued)

51.3.2 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 (in RMB equivalent)	Others (in RMB equivalent)	Total (in RMB equivalent)
31 December 2024				
Cash and bank balances	21,916,671	3,548	14,881	21,935,100
Accounts receivable	–	–	–	–
Other financial assets	2,794,354	945,504	252	3,740,110
Total financial assets	24,711,025	949,052	15,133	25,675,210
Borrowings	26,781,266	–	–	26,781,266
Bonds payable	699,497	–	–	699,497
Lease liabilities	–	23,268	112,408	135,676
Other financial liabilities	40,143,564	940,964	252	41,084,780
Total financial liabilities	67,624,327	964,232	112,660	68,701,219
Net exposure	(42,913,302)	(15,180)	(97,527)	(43,026,009)

	RMB	HKD (in RMB equivalent)	Others (in RMB equivalent)	Total (in RMB equivalent)
31 December 2023				
Cash and bank balances	12,952,592	2,057	17,403	12,972,052
Accounts receivable	8,573	–	–	8,573
Other financial assets	2,815,489	3,759,011	263	6,574,763
Total financial assets	15,776,654	3,761,068	17,666	19,555,388
Borrowings	20,357,647	–	–	20,357,647
Bonds payable	1,598,633	2,808,619	–	4,407,252
Lease liabilities	–	38,071	118,324	156,395
Other financial liabilities	11,796,709	3,773,546	263	15,570,518
Total financial liabilities	33,752,989	6,620,236	118,587	40,491,812
Net exposure	(17,976,335)	(2,859,168)	(100,921)	(20,936,424)

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 2024	31 December 2023
Profit before tax:		
5% appreciation	21,370	13,850
5% depreciation	(21,370)	(13,850)
Equity:		
5% appreciation	811,675	733,258
5% depreciation	(811,675)	(733,258)

(Amounts in thousands of RMB, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.3 Market risk (Continued)

51.3.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing of market interest rates on its cash flow risks.

Interest margins may increase as a result of fluctuation in market interest rates, but may reduce or create losses in the event that unexpected movements arise. Therefore, the Group primarily manages the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities.

Most of the Group's operating lease businesses receive fixed rate rents, while certain bonds and bank borrowings carry interest at floating rates. The Group hedges the cash flow volatility risk as the result of the interest rate fluctuation through the interest rate swap contracts and cross currency swaps (CCS), as its cash flow hedges strategy. The Group switches the floating rates into fixed rate through interest rate swap contract to effectively match the future fixed rental income, and fix the interest spread.

The interest rate swaps are settled at maturity. The floating rate on the interest rate swaps is LIBOR (Ceased prior to 30 June 2023) or SOFR. The Group will settle the difference between the fixed and floating interest rate on a net basis. For the years ended 31 December 2024 and 2023, the Group's hedge relationships between interest rate swaps and CCS, and the designated hedged items were highly effective. The hedge ratios for the Group's hedge relationships are 1:1.

As at 31 December 2024 and 2023, the Group's assets and liabilities at carrying amounts, categorised by remaining maturity based on the earlier of contractual repricing and remaining maturity dates are as follows:

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2024						
Cash and bank balances	10,215,580	3,136,460	30,318,609	–	–	43,670,649
FVTPL	–	–	–	110,398	103,512	213,910
Derivative financial assets	–	–	–	–	437,938	437,938
Accounts receivable	–	–	–	–	624,734	624,734
Finance lease receivables	167,754,519	23,233,854	5,196,783	5,914,481	–	202,099,637
Other financial assets	–	–	–	–	2,311,798	2,311,798
Total financial assets	177,970,099	26,370,314	35,515,392	6,024,879	3,477,982	249,358,666
Borrowings	121,601,222	137,374,124	50,838,717	–	–	309,814,063
Due to banks and other financial institutions	5,185,420	–	–	–	–	5,185,420
Derivative financial liabilities	–	–	–	–	856,453	856,453
Bonds payable	7,131,888	–	14,923,616	5,017,408	–	27,072,912
Lease liabilities	11,530	23,027	49,181	77,016	–	160,754
Other financial liabilities	–	–	343,944	–	14,679,674	15,023,618
Total financial liabilities	133,930,060	137,397,151	66,155,458	5,094,424	15,536,127	358,113,220
Interest rate gap	44,040,039	(111,026,837)	(30,640,066)	930,455	(12,058,145)	(108,754,554)

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2023						
Cash and bank balances	49,183,719	3,110,304	17,146,282	–	–	69,440,305
FVTPL	–	49,218	–	–	107,254	156,472
Derivative financial assets	–	–	–	–	675,904	675,904
FVTOCI	–	–	3,001,187	–	–	3,001,187
Accounts receivable	537,002	–	–	–	798,129	1,335,131
Finance lease receivables	150,333,076	25,371,493	13,527,477	5,869,091	–	195,101,137
Other financial assets	–	–	–	–	1,252,964	1,252,964
Total financial assets	200,053,797	28,531,015	33,674,946	5,869,091	2,834,251	270,963,100
Borrowings	133,270,568	135,531,104	27,013,994	59,779	–	295,875,445
Due to banks and other financial institutions	12,154,886	354,135	–	–	–	12,509,021
Financial assets sold under repurchase agreements	2,556,855	–	–	–	–	2,556,855
Derivative financial liabilities	–	–	–	–	246,329	246,329
Bonds payable	8,883,706	4,625,388	13,762,587	4,915,549	–	32,187,230
Lease liabilities	3,523	30,426	70,770	87,543	–	192,262
Other financial liabilities	–	–	442,163	–	22,282,703	22,724,866
Total financial liabilities	156,869,538	140,541,053	41,289,514	5,062,871	22,529,032	366,292,008
Interest rate gap	43,184,259	(112,010,038)	(7,614,568)	806,220	(19,694,781)	(95,328,908)

(Amounts in thousands of RMB, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.3 Market risk (Continued)

51.3.3 Interest rate risk (Continued)

The following table illustrates the potential impact of a parallel upward or downward shift of 10 basis points in all financial instruments' yield rate on the Group's profit before tax and equity, based on the Group's positions of interest-generating assets, interest-bearing liabilities and interest rate swap contracts at the end of 31 December 2024 and 2023.

	31 December 2024	31 December 2023
Profit before tax:		
+ 10 basis points	(3,098)	(4,196)
– 10 basis points	3,098	4,196
Equity:		
+ 10 basis points	40,727	40,128
– 10 basis points	(40,727)	(40,128)

51.4 Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management target is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the financial demand of leasing business investment.

The major payment demand of the Group is the repayments of matured bank borrowings and withdraw request from lessees under finance leases.

51.4.1 Liquidity risk management policy

The Group implements the following procedures to manage the liquidity:

(a) proactive management of the maturity profile of the Group's assets and liabilities and maintaining appropriate liquidity provision for mitigating the liquidity risk; and

(b) obtaining diversified funding via multiple channels, thereby preserving sufficient funds to purchase assets and repay debt.

51.4.2 Cash flows for non-derivative financial assets and liabilities

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities by remaining contractual maturities as at 31 December 2024 and 2023. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

	31 December 2024						
	Indefinite/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Cash and bank balances	9,990,505	234,884	–	3,186,039	31,900,020	–	45,311,448
FVTPL	103,512	–	–	15,491	61,966	297,860	478,829
Accounts receivable	675,729	142,484	25,782	160,481	138,141	195,588	1,338,205
Finance lease receivables	1,380,198	5,714,377	9,714,105	41,413,971	131,147,161	66,097,145	255,466,957
Other financial assets	306,044	20,088	44,217	191,145	1,610,475	385,471	2,557,440
Total non-derivative financial assets	12,455,988	6,111,833	9,784,104	44,967,127	164,857,763	66,976,064	305,152,879
Borrowings	–	11,393,637	62,759,761	146,824,914	90,928,908	10,234,845	322,142,065
Due to banks and other financial institutions	–	2,860,493	2,332,677	–	–	–	5,193,170
Bonds payable	–	11,869	5,262,283	1,004,069	17,157,000	5,162,327	28,597,548
Lease liabilities	–	6,752	10,094	33,204	81,740	131,219	263,009
Other financial liabilities	–	815,998	1,299,518	8,315,292	3,018,241	1,641,568	15,090,617
Total non-derivative financial liabilities	–	15,088,749	71,664,333	156,177,479	111,185,889	17,169,959	371,286,409
Net position	12,455,988	(8,976,916)	(61,880,229)	(111,210,352)	53,671,874	49,806,105	(66,133,530)

(Amounts in thousands of RMB, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.4 Liquidity risk (Continued)

51.4.2 Cash flows for non-derivative financial assets and liabilities (Continued)

	31 December 2023						
	Indefinite/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Cash and bank balances	35,749,509	13,493,196	24,069	3,151,883	18,382,937	–	70,801,594
FVTPL	107,254	–	–	–	–	49,218	156,472
FVTOCI	–	–	–	34,331	3,138,887	–	3,173,218
Accounts receivable	256,705	227,821	783,253	665,175	271,518	104,225	2,308,697
Finance lease receivables	874,399	5,426,744	11,353,461	42,302,926	128,684,100	53,615,008	242,256,638
Other financial assets	196,494	25,069	41,379	165,779	742,139	707,906	1,878,766
Total non-derivative financial assets	37,184,361	19,172,830	12,202,162	46,320,094	151,219,581	54,476,357	320,575,385
Borrowings	–	22,315,750	40,899,875	149,330,937	79,704,037	17,611,182	309,861,781
Due to banks and other financial institutions	–	7,574,614	4,616,264	366,117	–	–	12,556,995
Financial assets sold under repurchase agreements	–	–	2,559,787	–	–	–	2,559,787
Bonds payable	–	1,806,322	6,849,851	5,116,332	19,505,299	–	33,277,804
Lease liabilities	–	2,767	6,346	32,662	84,339	106,635	232,749
Other financial liabilities	–	3,401,547	4,366,134	8,273,226	5,456,158	1,325,840	22,822,905
Total non-derivative financial liabilities	–	35,101,000	59,298,257	163,119,274	104,749,833	19,043,657	381,312,021
Net position	37,184,361	(15,928,170)	(47,096,095)	(116,799,180)	46,469,748	35,432,700	(60,736,636)

51.4.3 Cash flows analysis for derivative financial instruments

The following table illustrates the details of the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that are settled on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves as at 31 December 2024 and 2023 for exchange rate as well.

51.4.3.1 Derivatives settled on a gross basis

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2024						
Currency forward						
Total inflows	–	17,028,780	10,561,939	2,374,160	–	29,964,879
Total outflows	–	(17,212,231)	(10,774,941)	(2,407,390)	–	(30,394,562)
Total	–	(183,451)	(213,002)	(33,230)	–	(429,683)
Cross currency swaps						
Total inflows	66,169	157,518	704,944	26,965,109	–	27,893,740
Total outflows	(82,489)	(257,757)	(1,124,237)	(26,787,245)	–	(28,251,728)
Total	(16,320)	(100,239)	(419,293)	177,864	–	(357,988)
Foreign exchange swaps						
Total inflows	–	2,641,701	–	–	–	2,641,701
Total outflows	–	(2,653,532)	–	–	–	(2,653,532)
Total	–	(11,831)	–	–	–	(11,831)

(Amounts in thousands of RMB, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.4 Liquidity risk (Continued)

51.4.3 Cash flows analysis for derivative financial instruments (Continued)

51.4.3.1 Derivatives settled on a gross basis (Continued)

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2023						
Currency forward	–	–	–	–	–	–
Total inflows	–	–	3,576,817	–	–	3,576,817
Total outflows	–	–	(3,558,358)	–	–	(3,558,358)
Total	–	–	18,459	–	–	18,459
Cross currency swaps						
Total inflows	663,337	2,145,304	3,483,814	8,891,800	–	15,184,255
Total outflows	(666,117)	(2,198,655)	(3,598,838)	(8,600,676)	–	(15,064,286)
Total	(2,780)	(53,351)	(115,024)	291,124	–	119,969
Foreign exchange swaps						
Total inflows	1,368,144	1,398,256	–	–	–	2,766,400
Total outflows	(1,454,446)	(1,490,639)	–	–	–	(2,945,085)
Total	(86,302)	(92,383)	–	–	–	(178,685)

51.4.3.2 Derivatives settled on a net basis

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2024						
Interest rate swaps						
Total inflows/(outflows)	35,814	31,691	148,075	173,242	24,001	412,823

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2023						
Interest rate swaps						
Total inflows/(outflows)	61,929	77,063	202,166	150,134	(3,832)	487,460

52 CAPITAL MANAGEMENT

The Group's objectives of managing its capital, which adopts a broader concept than the equity as presented on the consolidated statement 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 NFRA or the CBIRC. The Group files the required information to the NFRA or the CBIRC quarterly. As at 31 December 2024, the capital adequacy ratio is 12.95%, which has been calculated in accordance with the Rules on Capital Management for Commercial Banks issued by the NFRA and came into effect on 1 January 2024 (31 December 2023: 12.47%, calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations).

(Amounts in thousands of RMB, unless otherwise stated)

53 FAIR VALUES OF THE FINANCIAL INSTRUMENTS

53.1 Determination of fair value and valuation techniques

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

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

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

- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves or third party bid prices on similar securities;
- for currency forwards, cross currency swaps and foreign exchange swap – third party bid prices on similar securities;
- for debt investments – the fair value of debt investments including RMB and USD bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. or third party bid prices on similar securities; and
- for other financial instruments – third party provided the valuation results.

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

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

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

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

	Group As at 31 December			
	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds payable	27,072,912	26,971,283	32,187,230	31,491,583

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

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

Some of the Group's financial assets and financial liabilities are measured at fair value as at 31 December 2024 and 2023. 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). For the years ended 31 December 2023 and 2024, there was no transfer among Level I, Level II and Level III for the Group's financial assets and liabilities measured at fair value.

		Fair value as at			
	Financial assets/ financial liabilities	31 December 2024	31 December 2023	Fair value hierarchy	Valuation technique(s) and key Input(s)
Currency forwards (Note 21)	Assets	–	18,095	Level 2	Third party bid prices on similar securities.
	Liabilities	426,958	–		
Interest rate swaps (Note 21)	Assets	385,502	478,968	Level 2	Discounted cash flow analysis using observable yield curves or third party bid prices on similar securities.
	Liabilities	2,417	7,572		
Cross Currency Swaps (Note 21)	Assets	52,436	178,841	Level 2	Third party bid prices on similar securities.
	Liabilities	415,242	60,394		
Foreign exchange swap (Note 21)	Assets	–	–	Level 2	Third party bid prices on similar securities.
	Liabilities	11,836	178,363		
FVTPL-listed equity investments (Note 20)	Assets	10,778	13,961	Level 1	Open market quotations
FVTPL-unlisted equity investments (Note 20)	Assets	92,734	93,293	Level 3	Market comparison approach. The valuation of the equity investment is based on comparing comparable listed companies in operating and financial indexes and then adjusted for non-liquidity.
FVTPL-debt investments (Note 20)	Assets	110,398	49,218	Level 2	Third party bid prices on similar securities.
FVTOCI – debt instrument (Note 22)	Assets	–	3,001,187	Level 2	The valuation of these bonds is based on the valuation results provided by China Central Depository & Clearing Co., Ltd.

(Amounts in thousands of RMB, unless otherwise stated)

53 FAIR VALUES OF THE FINANCIAL INSTRUMENTS (Continued)

53.3 Fair values of financial instruments that are measured at fair value on a recurring basis (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2024	2023
Financial assets at fair value through profit or loss:		
Carrying amount at the beginning of the year	93,293	117,860
Changes in fair value recognised in profit or loss	(4,144)	(24,567)
Additions	73,012	–
Disposals	(70,215)	–
Exchange differences	788	–
Carrying amount at the end of the year	92,734	93,293

54 EVENTS AFTER THE REPORTING PERIOD

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

55 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

56 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2024	2023
Assets		
Cash and bank balances	7,406,882	28,366,794
Financial assets at fair value through profit or loss	18,934	93,293
Derivative financial assets	5,633	17,659
Financial assets at fair value through other comprehensive income	–	3,001,187
Accounts receivable	106,310	103,370
Finance lease receivables	183,728,953	181,748,677
Amounts due from subsidiaries	71,129,964	43,186,232
Prepayments	13,310,226	9,491,548
Investments in subsidiaries	1,299,328	1,310,628
Investment properties	1,058,369	1,089,534
Property and equipment	1,442,591	968,506
Right-of-use assets	20,120	34,681
Deferred tax assets	4,061,899	3,674,941
Other assets	3,908,855	2,110,819
Total assets	287,498,064	275,197,869
Liabilities		
Borrowings	231,177,405	208,916,553
Due to banks and other financial institutions	5,185,420	12,509,021
Financial assets sold under repurchase agreements	–	2,556,855
Derivative financial liabilities	62,494	181,557
Accrued staff costs	194,853	190,786
Bonds payable	10,978,761	4,915,549
Tax payable	319,065	399,674
Lease liabilities	19,145	31,456
Other liabilities	11,634,432	19,271,008
Total liabilities	259,571,575	248,972,459
Equity		
Share capital	12,642,380	12,642,380
Capital reserve	2,418,689	2,418,689
Hedging and fair value reserve	–	854
General reserve	5,436,977	5,142,281
Retained earnings	7,428,443	6,021,206
Total equity	27,926,489	26,225,410
Total liabilities and equity	287,498,064	275,197,869

The balance sheet of the Company was approved by the board of directors on 28 March 2025 and was signed on its behalf.

MA Hong **JIN Tao**

(Amounts in thousands of RMB, unless otherwise stated)

56 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

	Capital reserve	Hedging and fair value reserve	General reserve	Retained earnings	Total reserve
At 1 January 2024	2,418,689	854	5,142,281	6,021,206	13,583,030
Profit for the year	–	–	–	2,946,955	2,946,955
Other comprehensive losses for the year	–	(854)	–	–	(854)
Dividends	–	–	–	(1,245,022)	(1,245,022)
Appropriation to general reserve	–	–	294,696	(294,696)	–
At 31 December 2024	2,418,689	–	5,436,977	7,428,443	15,284,109
At 1 January 2023	2,418,689	(15,511)	4,610,386	4,974,024	11,987,588
Profit for the year	–	–	–	2,584,400	2,584,400
Other comprehensive income for the year	–	16,365	–	–	16,365
Dividends	–	–	–	(1,005,323)	(1,005,323)
Appropriation to general reserve	–	–	531,895	(531,895)	–
At 31 December 2023	2,418,689	854	5,142,281	6,021,206	13,583,030

57 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised by the board of directors on 28 March 2025.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CDB AVIATION LEASE FINANCE DESIGNATED ACTIVITY COMPANY

Report on the audit of the financial statements

Opinion

We have audited the financial statements of CDB Aviation Lease Finance Designated Activity Company ('the Company') and its subsidiaries ('the Group') for the year ended 31 December 2023, which comprise the Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and notes to the financial statements, including the material accounting policy information set out in note 3. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards ('IFRS') as adopted by the European Union, and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2023 and of its profit for the year then ended;
- the Company financial statements give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CDB AVIATION LEASE FINANCE DESIGNATED ACTIVITY COMPANY (continued)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Company's ability to continue as a going concern.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' report and the Statement of directors' responsibilities. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2014

In our opinion, based solely on the work undertaken in the course of the audit, we report that:

- the information given in the directors' report is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company statement of financial position is in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CDB AVIATION LEASE FINANCE DESIGNATED ACTIVITY COMPANY (continued)

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures required by sections 305 to 312 of the Act, which relate to disclosures of directors' remuneration and transactions are not complied with by the Company. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework that give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Patrick O Driscoll

Patrick O'Driscoll
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Dublin

Date: 29 March 2024

CDB Aviation Lease Finance DAC and subsidiaries

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	31 December 2023 US$'000	31 December 2022 US$'000
ASSETS			
Non-current assets			
Aircraft	**14**	10,105,123	9,143,752
Finance lease assets	**27**	57,577	62,749
Property, plant and equipment	**16**	5,518	6,025
Intangible assets	**15**	131,946	148,280
Investments at fair value through Profit or Loss	**33**	8,920	7,200
Trade and other receivables	**21**	158,994	197,084
Pre-delivery payments	**24**	47,676	-
Derivative financial instruments	**11**	59,205	94,894
Right of use asset	**17**	19,717	18,220
Other assets	**22**	80,471	56,585
Total non-current assets		**10,675,147**	**9,734,789**
Current assets			
Trade and other receivables	**21**	61,700	69,148
Finance lease assets	**27**	5,171	5,115
Derivative financial instruments	**11**	7,439	18,271
Pre-delivery payments	**24**	79,869	46,700
Cash and cash equivalents	**18**	937,463	363,612
Other assets	**22**	32,935	36,681
Assets held-for-sale	**19**	-	52,347
Total current assets		**1,124,577**	**591,874**
TOTAL ASSETS		**11,799,724**	**10,326,663**
EQUITY AND LIABILITIES			
EQUITY			
Called up share capital	**25**	173,288	50,000
Share premium		64	64
Merger reserve	**26**	(193)	(193)
Hedging reserve	**37**	50,323	92,663
General reserve	**36**	176,852	154,734
Retained earnings	**36**	100,082	61,699
TOTAL EQUITY		**500,416**	**358,967**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	**13**	74,281	75,479
Notes issued	**32**	397,869	925,824
Loans and borrowings	**31**	5,284,639	3,911,339
Other creditors	**28**	548,379	427,707
Derivative financial instruments	**11**	1,001	-
Trade and other payables	**29**	47,907	53,444
Lease liability	**30**	20,286	17,352
Total non-current liabilities		**6,374,362**	**5,411,145**
Current liabilities			
Trade and other payables	**29**	336,769	233,421
Notes issued	**32**	529,304	998,605
Loans and borrowings	**31**	4,018,526	3,273,651
Other creditors	**28**	37,929	48,116
Lease liability	**30**	2,418	2,508
Liabilities held-for-sale	**19**	-	250
Total current liabilities		**4,924,946**	**4,556,551**
TOTAL LIABILITIES		**11,299,308**	**9,967,696**
TOTAL EQUITY AND LIABILITIES		**11,799,724**	**10,326,663**

The accompanying notes on pages 18 to 83 form an integral part of these financial statements.
On behalf of the board on 27 March 2024.

Jie Chen	Yu Chen
Director	Director

CDB Aviation Lease Finance DAC and subsidiaries

Company Statement of Financial Position

As at 31 December 2023

	Note	31 December 2023	31 December 2022
		US$'000	US$'000
ASSETS			
Non-current assets			
Investment in subsidiaries	**20**	25,071	25,071
Investments at fair value through Profit or Loss	**33**	8,920	7,200
Aircraft	**14**	33,827	36,896
Property, plant and equipment	**16**	5,494	5,904
Intangible assets	**15**	1,668	1,407
Pre-delivery payments	**24**	35,099	-
Derivative financial instruments	**11**	7,951	24,962
Other assets	**22**	19	2,413
Right of use asset	**17**	14,360	15,792
Total non-current assets		**132,409**	**119,645**
Current assets			
Trade and other receivables	**21**	597,173	354,987
Loans and receivables	**23**	8,606,711	8,036,742
Derivative financial instruments	**11**	7,439	17,469
Pre-delivery payments	**24**	38,575	21,943
Other assets	**22**	2,848	4,760
Cash and cash equivalents	**18**	924,344	337,726
Total current assets		**10,177,090**	**8,773,627**
TOTAL ASSETS		**10,309,499**	**8,893,272**
EQUITY AND LIABILITIES			
EQUITY			
Called up share capital	**25**	173,288	50,000
Share premium		64	64
Hedging reserve	**37**	5,476	30,771
Retained earnings	**36**	444,585	411,060
TOTAL EQUITY		**623,413**	**491,895**
LIABILITIES			
Non-current liabilities			
Trade and other payables	**29**	190	278
Loans and borrowings	**31**	4,769,525	2,101,176
Deferred tax liability	**13**	471	8,849
Other creditors	**28**	248	1,457
Derivative financial instruments	**11**	1,001	-
Lease liability	**30**	16,233	16,096
Total non-current liabilities		**4,787,668**	**2,127,856**
Current liabilities			
Trade and other payables	**29**	428,016	390,391
Other creditors	**28**	18,865	18,353
Loans and borrowings	**31**	4,450,645	5,863,976
Lease liability	**30**	892	801
Total current liabilities		**4,898,418**	**6,273,521**
TOTAL LIABILITIES		**9,686,086**	**8,401,377**
TOTAL EQUITY AND LIABILITIES		**10,309,499**	**8,893,272**

As permitted by section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its separate SCI in the Financial Statements and from filing it with the Registrar of Companies. The Company's profit after tax for the financial year is US$33.5m (2022: profit of US$104.9m). The accompanying notes on pages 18 to 83 form an integral part of these financial statements.
On behalf of the board on 27 March 2024.

Jie Chen
Director

Yu Chen
Director

	Note	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Lease revenue and other income	**4**	1,248,928	891,875
(Loss) / profit on sale of aircraft	**10**	(14,638)	65,194
Operating income		**1,234,290**	**957,069**
Operating expenses	**5**	(115,927)	(89,308)
Depreciation and amortisation	**14-17**	(463,008)	(443,960)
Impairment of aircraft assets	**14**	(131,053)	(418,207)
Expected credit losses	**34**	(27,259)	9,489
Expenses		**(737,247)**	**(941,986)**
Net operating income		**497,043**	**15,083**
Interest income calculated using effective interest method	**7**	19,216	7,333
Other interest and similar income	**7, 33**	76,762	1,372
Finance expense	**8**	(528,484)	(290,694)
Fair value movement on investments	**33**	639	-
Fair value movement on derivative financial instruments	**11**	866	22,590
Net finance expense		**(431,001)**	**(259,399)**
Profit/(loss) before tax		**66,042**	**(244,316)**
Taxation (charge) / benefit	**12**	(5,541)	13,309
Profit/(loss) for the financial year		**60,501**	**(231,007)**
Other Comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Net (losses) / gains on cashflow hedge derivatives	**9**	(42,340)	145,842
Total comprehensive income / (loss) for the financial year		**18,161**	**(85,165)**

All the results of the Group derive from continuing operations.

The accompanying notes on pages 18 to 83 form an integral part of these financial statements.

CDB Aviation Lease Finance DAC and subsidiaries
Consolidated Statement of Cash Flows
For the year ended 31 December 2023

	Note	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Cash flows from operating activities	**35**	1,396,441	899,761
Taxation received		253	-
Taxation paid		(249)	(501)
Net cash inflow from operating activities		**1,396,445**	**899,260**
Cash flows from investing activities			
Restricted cash	**18**	5,468	776
Purchase of aircraft	**14**	(1,564,041)	(1,813,666)
Sale of aircraft	**14**	113,134	496,695
Purchase of property, plant and equipment	**16**	(102)	(95)
Purchase of intangible assets	**15**	(654)	(971)
Pre-delivery costs paid	**24**	(127,545)	(46,700)
Interest received	**7**	18,103	5,839
Finance lease assets capital receipts	**27**	5,952	7,705
Net cash (outflow) from investing activities		**(1,549,685)**	**(1,350,417)**
Cash flow from financing activities			
Loans received	**31**	6,251,889	5,635,000
Loans repaid	**31**	(4,130,165)	(3,858,339)
Shares issued	**25**	123,288	-
Notes repaid	**32**	(1,000,000)	(1,120,000)
Interest paid		(499,369)	(262,768)
Arrangement fees paid	**31**	(10,063)	(6,806)
Lease liability payments	**30**	(3,021)	(3,298)
Net cash inflow from financing activities	**35**	**732,559**	**383,789**
Net increase/(decrease)		**579,319**	**(67,368)**
Unrestricted cash at beginning of year	**18**	**354,421**	**421,789**
Unrestricted cash at end of year	**18**	**933,740**	**354,421**

The accompanying notes on pages 18 to 83 form an integral part of these financial statements.

CDB Aviation Lease Finance DAC and subsidiaries

Company Statement of Cash Flows

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Cash flows from operating activities	**35**	(286,241)	**(1,039,293)**
Taxation paid		(25)	(26)
Net cash outflow from operating activities		**(286,266)**	**(1,039,319)**
Cash flows from investing activities			
Restricted cash	**18**	(226)	-
Purchase of property, plant and equipment	**16**	(91)	(87)
Purchase of intangible assets	**15**	(654)	(970)
Pre-delivery costs (paid) / reimbursed	**24**	(73,674)	48,362
Interest received		18,063	5,881
Net cash (outflow) / inflow from investing activities		**(56,582)**	**53,186**
Cash flow from financing activities			
Loans received	**31**	6,251,889	5,635,000
Loans repaid	**31**	(4,991,765)	(4,481,000)
Shares issued	**25**	123,288	-
Interest paid		(442,891)	(222,470)
Arrangement fees paid	**31**	(10,063)	(6,806)
Lease liability payments	**30**	(1,218)	(1,572)
Net cash inflow from financing activities	**35**	**929,240**	**923,152**
Net increase/(decrease)		**586,392**	**(62,981)**
Unrestricted cash at beginning of year	**18**	**337,726**	**400,707**
Unrestricted cash at end of year	**18**	**924,118**	**337,726**

The accompanying notes on pages 18 to 83 form an integral part of these financial statements.

CDB Aviation Lease Finance DAC and subsidiaries

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

Year ended 31 December 2023	**Note**	**Total equity**	**Hedging reserve**	**Merger reserve**	**Share capital/ premium**	**General reserve**	**Retained earnings**
		US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Balance at 1 January 2023		**358,967**	**92,663**	**(193)**	**50,064**	**154,734**	**61,699**
Other comprehensive income - hedging reserve, net of tax	**37**	(42,340)	(42,340)	-	-	-	-
Profit for the financial year	**36**	60,501	-	-	-	-	60,501
Transfer to general reserve	**36**	-	-	-	-	22,118	(22,118)
Issuance of shares	**25**	123,288	-	-	123,288		-
Balance at 31 December 2023		**500,416**	**50,323**	**(193)**	**173,352**	**176,852**	**100,082**

Year ended 31 December 2022	**Note**	**Total equity**	**Hedging reserve**	**Merger reserve**	**Share capital/ premium**	**General reserve**	**Retained earnings**
		US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Balance at 1 January 2022		**444,132**	**(53,179)**	**(193)**	**50,064**	**145,427**	**302,013**
Other comprehensive income - hedging reserve, net of tax	**37**	145,842	145,842	-	-	-	-
Loss for the financial year	**36**	(231,007)	-	-	-	-	(231,007)
Transfer to general reserve	**36**	-	-	-	-	9,307	(9,307)
Balance at 31 December 2022		**358,967**	**92,663**	**(193)**	**50,064**	**154,734**	**61,699**

The accompanying notes on pages 18 to 83 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2023

Year ended 31 December 2023	**Note**	**Total equity US$'000**	**Hedging reserve US$'000**	**Share capital/ premium US$'000**	**Retained earnings US$'000**
Balance at 1 January 2023		**491,895**	**30,771**	**50,064**	**411,060**
Profit for the financial year	**36**	33,525	**-**	**-**	33,525
Other comprehensive gain /(loss) - hedging reserve, net of tax	**37**	(25,295)	(25,295)	**-**	**-**
Issuance of shares	**25**	123,288	-	123,288	**-**
Balance at 31 December 2023		**623,413**	**5,476**	**173,352**	**444,585**

Year ended 31 December 2022	**Note**	**Total equity US$'000**	**Hedging reserve US$'000**	**Share capital/ premium US$'000**	**Retained earnings US$'000**
Balance at 1 January 2022		**331,743**	**(24,501)**	**50,064**	**306,180**
Profit for the financial year	**36**	104,880	-	-	104,880
Other comprehensive gain /(loss) - hedging reserve, net of tax	**37**	55,272	55,272	-	-
Balance at 31 December 2022		**491,895**	**30,771**	**50,064**	**411,060**

The accompanying notes on pages 18 to 83 form an integral part of these financial statements.

Notes

Forming part of the financial statements

1 Corporate information

CDB Aviation Lease Finance Designated Activity Company is a single member private company limited by shares. The Company is domiciled in Ireland with a registration number of 472612 and its registered office is 1GQ, George's Quay, Dublin 2, Ireland.

The financial statements comprise the results of the Company and its subsidiaries (together the "Group") and have been prepared on the going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014. The principal activity of the Group is the purchase, sale, financing, leasing and subleasing of aircraft.

2 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group (see (ii)).

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The consolidated financial statement have been prepared using uniform accounting policies for transactions and other events in similar circumstances.

2 Basis of consolidation *(continued)*

(iii) Loss of control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity investment.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3 Basis of preparation and material accounting policy information

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU (together "IFRS") and have been prepared in accordance with the Companies Act 2014.

Functional and presentation currency

The financial statements are presented in US Dollars ("US$") which is the Group and Company's functional and presentation currency. The Directors of the Company believe that US$ most faithfully represents the economic effects of the underlying transactions, events and conditions.

Accounting policies

The accounting policies set out below have been applied consistently in dealing with items which are considered material in relation to the Group and Company financial statements which permits a Company that publishes its Group and Company financial statements together to take advantage of the exemption in section 304(2) of the Companies act 2014, from presenting to its members its Company income statement and related notes that form part of the approved company financial statements.

New standards and required amendments adopted in the year ended 31 December 2023

The following amendments were adopted by the Group for the first time in the current financial reporting period:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates - Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

3 Basis of preparation and material accounting policy information (continued)

New standards and required amendments adopted in the year ended 31 December 2023 *(continued)*

The adoption of these amendments did not have any material impact on the Company's financial position or performance:

International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

In May 2023, the amendments to IAS 12 have been introduced in response to the Organization for Economic Cooperation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) Pillar Two rules and include:

A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and,
Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

New standards and interpretations not yet effective that have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2024, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early; instead it will apply them from their effective dates as determined by their dates of EU endorsement. The Group is still reviewing the impact of the upcoming standards to determine their impact.

3 Basis of preparation and material accounting policy information *(continued)*

New standards and interpretations not yet effective that have not been early adopted

Description	Effective date
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1 January 2024*
Lack of exchangeability – Amendments to IAS 21	1 January 2025*
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	Indefinitely postponed by IASB

* IASB effective dates

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. In particular, the judgements and assumptions involved in the Group and Company's accounting policies which have the most significant effect on the amounts recognised in the Financial Statements are as follows:

Aircraft
The Group and Company have key assumptions around the valuation, residual value and useful economic life of the aircraft. Residual values of aircraft for the Group and Company does not exceed 15% of the original cost of the aircraft. Aircraft are depreciated on a straight line basis over 25 years for new generation aircraft (2022: 25 years) and 20 years for the older generation fleet (2022: 20 years). Buyer furnish equipment (BFE) on new generation widebody aircraft is depreciated over the life of the lease (2022: Life of the lease) to a residual value of nil (2022: nil).

For freighter aircraft, Residual values of aircraft for the Group and Company are determined based on 15% of the original cost of the aircraft. Aircraft are depreciated on a straight line basis over 30 years. There were five freighter aircraft in 2023 (2022: four).

For the purpose of recognition and measurement of an impairment loss, if it is determined that a test for impairment is required, each aircraft is tested individually by comparing its carrying amount to the higher of its value in use and fair value less costs to sell. See note 14 for further analysis of impairment within the Group and Company.

3 Basis of preparation and material accounting policy information *(continued)*

Significant accounting judgements, estimates and assumptions *(continued)*

Aircraft (continued)
Value in use is determined as the total discounted cash flows expected to be generated by an aircraft in the future. The estimated cash flows are discounted to their present value by using a pre-tax discount rate of 6.80% (2022: 6.30%) that reflects current market assumptions of the time value of money and the risks specific to the asset in question. Fair value less costs to sell are determined by the Group based on the most relevant of observable market information, forecast cash flows or appraised values. In cases where the carrying value of the aircraft exceeded the higher of value in use and fair value less costs to sell, an impairment charge was recognised.

Provision for expected credit losses
The impairment provisions for accounts receivable, finance lease receivables and loan and receivables under IFRS 9 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period. See note 34 for further analysis.

Deferred Tax
Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the assets can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. See note 13 for analysis on deferred tax.

Lease classification
Leases under which the Group retains substantially all the risks and rewards of ownership associated with the relevant asset are classified as operating leases. Leases and conditional sale agreements where the Group has transferred substantially all risks and rewards incidental to ownership of the aircraft assets to the lessees are classified as finance leases.

Investment in subsidiaries
Investments in subsidiary undertakings are stated in the Company Statement of Financial Position at cost, less any provision for impairment. Investments in subsidiary undertakings are tested annually for impairment where an indicator of impairment exists. The subsidiaries are reviewed for impairment if there are indications that the carrying value may not be recoverable. The Company examines the recoverable amounts of the investments based on the higher of the fair value less cost to sell and value in use. Any resultant loss is recognised in the statement of comprehensive income and profit or loss account.

Restricted cash
Restricted cash includes cash held by the Group and Company which is ring-fenced or used as security for specific financing arrangements and to which the Group and Company does not have unfettered access.

3 Basis of preparation and material accounting policy information *(continued)*

Lease accounting

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). 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. 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.

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 also include the exercise price of a purchase option reasonably certain to be exercised by the Group. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 an expense on a straight-line basis over the lease term.

Foreign currency transactions

Foreign currency transactions are translated to the Group and Company's functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rates prevailing at the statement of financial position date. Non-monetary assets are stated at cost based on the exchange rate prevailing at the date of acquisition of the asset. Foreign currency differences are recognised in the Consolidated statement of comprehensive income.

Aircraft and engines

Aircraft on operating leases are stated at cost, less accumulated depreciation and any impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset, including any cost attributable to bringing the asset to a working condition for intended use. Borrowing costs related to the acquisition of qualifying assets are included as part of the cost of the asset.

Depreciation is calculated on a straight line basis over the asset's useful life. Aircraft are depreciated on a straight line basis over 25 years for new generation aircraft (2022: 25 years) and 20 years for the older generation fleet (2022: 20 years).

3 Basis of preparation and material accounting policy information *(continued)*

Aircraft and engines (continued)

Buyer furnish equipment (BFE) on new generation widebody aircraft is depreciated over the life of the lease (2022: over life of the lease) to a residual value of nil (2022: nil). Residual values do not exceed 15% of the original cost and management reviews and may adjust the residual value and useful lives annually. Residual values are determined based on the estimated values at the end of the useful lives of the aircraft assets, which are supported by estimates received from independent appraisers. In accordance with IAS 16 “Property, plant and equipment”, the Group’s aircraft are reviewed for impairment whenever events or changes in circumstance indicate that the carrying value may not be recoverable. An impairment review involves consideration as to whether the carrying value of an aircraft is not recoverable and, in these circumstances, a loss is recognised as a write down of the carrying value to the higher of its value in use and fair value less costs to sell.

Value in use is calculated as the present value of the future cash flows to be derived from the operation of the asset. Future cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. Fair value less costs to sell is calculated based on current market values which are supported by values received from independent appraisers. For freighter aircraft, residual values of aircraft for the Group and Company are determined based on 15% of the original cost of the aircraft. Aircraft are depreciated on a straight line basis over 30 years. There are five freighter aircraft in 2023 (2022: four). If recoverable amounts are lower than carrying values, assets are reduced to their recoverable amounts with the resultant impairment charges being recorded in the statement of comprehensive income. Where a prior impairment loss has decreased or reversed, the carrying amount of the asset may be increased and the impairment loss reversed in the statement of comprehensive income to the extent that the asset is not carried at a higher value than if no impairment loss had been recognised in prior years.

Held-for-sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that their value will be recovered primarily through sale rather than through continuing use. In the case of aircraft, such an event is considered to have occurred when a sale agreement in respect of the underlying aircraft has been signed and a probable sale will occur within 12 months from year end date. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. The Group and the Company recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to financial assets or deferred tax assets, which continue to be measured in accordance with IAS 12 and IFRS 9. Impairment losses on initial classification as held-for-sale or any subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, the aircraft is no longer amortised or depreciated. If non-current assets, or disposal groups comprising assets and liabilities, previously classified as held-for sale, no longer meet the held-for-sale criteria, they are transferred back to aircraft and engines and other related classifications and amortisation or depreciation for the period while the assets were classified as held-for-sale is recognised.

3 Basis of preparation and material accounting policy information *(continued)*

Property, plant and equipment and intangible assets (software)
Property, plant and equipment and intangible assets (software), are stated at cost, including expenditure that is directly attributable to the acquisition of the items, less accumulated depreciation and any accumulated impairment losses. Any gain or loss on disposal of an item of property, plant and equipment and intangible assets (software) is recognised in the statement of profit or loss. Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to write off the cost of assets to their residual values over their estimated useful lives, and is recognised in the statement of profit or loss. For costs associated with the construction and modification of company office space, these are capitalised and depreciated over the life of the lease. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Property, plant and equipment and intangible assets (software) are depreciated on a straight line basis over the following useful lives:

- Fixtures and fittings	5 years
- Computer hardware	3 years
- Leasehold improvements	Over life of office lease
- Intangible assets (software)	5 years

Lessee maintenance
Under certain operating leases, the lessee is required to make payments for heavy maintenance, overhaul or replacement of certain high-value components of the aircraft. These maintenance payments are generally based on hours, or cycles of utilisation, or on calendar time, depending upon the component, and are required to be made monthly in arrears or at the end of the lease term. The Group records such supplemental amounts as maintenance reserves in other creditors. Amounts not refunded during the lease term are recorded as lease revenue at lease termination. Certain operating leases require the Group to pay a portion of the lessee's costs for heavy maintenance, overhaul or replacement of certain high-value components. Such contractually obligated payments are recorded as lessor contribution liabilities and as lease incentive assets which are amortised on a straight-line basis over the lease term as a reduction of lease revenue.

Lease premium/deficits
In a sale and lease back transaction, if the purchase price paid for an aircraft is materially above or below current market value for that aircraft in exchange for materially above or below market lease rentals, a lease premium/deficit is recognised. The difference between the fair value of the aircraft and the price paid is recognised as a lease premium asset or lease deficit liability. Lease premiums and deficits are amortised on a straight-line basis over the lease term and recorded as a component of revenue.

3 Basis of preparation and material accounting policy information *(continued)*

Lease incentive accounting
A lessor contribution liability is established at the commencement of the lease representing the best estimate of the contractually obligated contribution. In addition, a lease incentive asset is recognised for this amount plus other amounts paid by the Group required to get the asset to a position where it can be delivered to the lessee. This is amortised over the life of the associated lease as a charge against lease revenue. Lessor contributions represent contractual obligations on the part of the Group and Company to contribute to the lessee's cost of the next planned major maintenance events, expected to occur during the lease.

Finance lease assets
Leases and conditional sale agreements where the Group has transferred substantially all risks and rewards incidental to ownership of the aircraft assets to the lessees are classified as finance leases for accounting purposes and are colloquially referred to throughout these financial statements as finance leases. The aircraft asset is derecognised and the present value of the receivable is recognised in the statement of financial position. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Each payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the consolidated statement of profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable. Initial direct costs incurred by the Group in negotiating and arranging the finance lease are added to finance lease receivables.

Lease intangible assets/liabilities
Lease intangible assets/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. It is necessary to recognise off-market leases separate to the aircraft, as the economic benefits or outflows that will flow to the acquiring lessor will be realised through future rentals or through a sale of the asset. Lease intangible assets and liabilities are amortised on a straight-line basis over the remaining lease term and recorded as a component of depreciation and amortisation.

Maintenance intangible assets/liabilities
Maintenance intangible 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. Maintenance intangible liabilities represent the obligation to pay a lessee for the difference between the lease end contractual maintenance condition of the aircraft and the actual maintenance condition at the acquisition date. The amortisation of the maintenance intangibles is triggered by maintenance events. Following a qualifying maintenance event, the relevant portion of the cost relating to the event is capitalised to aircraft cost and is then depreciated over the remaining useful economic life of the asset. On lease termination, any remaining maintenance intangible asset/liability is offset against maintenance reserve cash balances or end of lease compensation.

3 Basis of preparation and material accounting policy information *(continued)*

Pre-delivery payments
Payments made to vendors in respect of future aircraft deliveries, qualifying interest and related expenditure are capitalised and included within aircraft pre-delivery payments in the statement of financial position. On acquisition of the aircraft the related pre-delivery payments are transferred to aircraft costs.

Security deposits
Under certain operating leases, the lessee is required to provide security deposits for aircraft. The Group and Company records such amounts as security deposits in other creditors. Amounts not refunded to the lessee are recorded as other revenue at lease termination.

Financial assets
Financial assets are classified at initial recognition, and subsequently measured at, amortised cost, fair value through Other Comprehensive Income (OCI) and or value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group and the Company has the following financial assets: loans and receivables, trade and other receivables (excluding corporation tax receivable, VAT receivable and straight line lease asset), other assets (receivable from Original Equipment Manufacturer (OEM)), derivative financial instruments, investments at fair value through profit or loss, finance lease assets and cash and cash equivalents. The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers substantially all the risks and rewards of ownership. The impairment provisions for accounts receivable, loans and receivables and finance lease receivables under IFRS 9 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period. See note 34 for further analysis.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery and subject to internal approval policies. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3 Basis of preparation and material accounting policy information *(continued)*

Financial assets *(continued)*

Subsequent to initial recognition, financial assets are measured as described below:

(i) Loans and receivables
Loans and receivables are financial assets with fixed payments that are not quoted in an active market and are repayable on demand. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any expected credit loss. The Group and Company apply the IFRS 9 simplified approach to measuring expected credit losses (''ECLs'') which uses a lifetime expected loss allowance for all loans and receivables.

(ii) Investments at fair value through Profit or Loss
Financial assets at fair value through profit or loss are recognised initially on the trade date at which the Group and the Company becomes a party to the contractual provisions of the instrument and measured initially at fair value with transaction cost recognised in the consolidated statement of comprehensive income, if any. Subsequent to initial recognition, all financial assets at fair value through profit or loss are carried in the consolidated and company statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

This category includes debt instruments and listed equity investments which the Group and Company had not irrevocably elected to classify at fair value through OCI.

Interest income is recognised on debt instruments based on contractual obligations.

Dividends on listed equity investments are recognised as other income in the Consolidated Statement of Comprehensive Income when the right of payment has been established.

(iii) Trade and other receivables
Trade and other receivables are carried at original invoice amount less any impairment under IFRS 9. The Group and Company apply the IFRS 9 simplified approach to measuring expected credit losses (''ECLs'') which uses a lifetime expected loss allowance for all trade receivables and has established a provision matrix that is based on the Group and Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of expected credit loss. The amount of the impairment is based on assumptions about risk of default and expected loss rates calculated. The carrying amount of the asset is reduced with the impairment booked, which is recognised in the Consolidated Statement of Comprehensive Income within Expected Credit Losses. When a lease receivable is uncollectable, it is provided for with an impairment booked. Subsequent recoveries of amounts previously provided for, or impairments no longer required, are credited against expected credit loss in the Consolidated Statement of Comprehensive Income.

3 Basis of preparation and material accounting policy information *(continued)*

Financial assets *(continued)*

(iv) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedge items, as well as its risk management objective and strategy for undertaking hedge transactions. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in fair values of hedged items.

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
- Hedges of a net investment in a foreign operation

Changes in the fair value of derivatives that are not designated and do not qualify as cash flow hedges are recorded within Consolidated Statement of Comprehensive Income as fair value movement on derivative financial instruments.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in the statement of comprehensive income as unrealised gain/loss and in the hedging reserve in equity. The amount accumulated in equity is reclassified to profit and loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised, or the designation is revoked, the hedge accounting is discontinued prospectively.

(v) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than investing or other purposes. Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3 Basis of preparation and material accounting policy information *(continued)*

Financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group has the following financial liabilities: notes issued, loans and borrowings, derivative financial instruments, other creditors, lease liability and trade and other payables (excluding prepaid lease income, corporate tax payable and lease deficit liability).

Notes issued, loans and borrowings, other creditors and trade and other payables are initially measured at fair value and are subsequently carried at amortised cost using the effective interest method. The amortised cost of the loans and borrowings and notes issued is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount. Where the expected cash flows cannot be reliably estimated, contractual cash flows are used at each reporting date.

Arrangement fees that arise on loans and borrowings and notes issued are initially netted against loans and borrowings in the statement of financial position and are amortised to the statement of comprehensive income over the term of the related loan on a effective interest rate basis. Financial liabilities are initially recognised at fair value, less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Long term incentive plan
Selected employees of the Group are eligible to participate in certain cash based, long term incentive plans. Amounts are payable to the participants based on the achievement of certain key performance targets at the end of a pre-determined period. The amount is accrued and recognised in profit or loss in the period in which the participants render their services to the Group to the end of the pre-determined period. Any under or over provision will be recognised in profit or loss. Payment of accrued amounts will be made after each pre-determined period.

Revenue - operating leases
Leases under which the Group retains substantially all the risks and rewards of ownership associated with the relevant asset are classified as operating leases. Under an operating lease, the Group retains the benefit, and bears the risk of re-leasing and the residual value of the aircraft upon expiry or early termination of the lease.

3 Basis of preparation and material accounting policy information *(continued)*

Revenue - operating leases *(continued)*
The Group leases aircraft principally under operating leases and recognises rental income on a straightline basis over the life of the lease as it is earned. The Group accounts for lease rental income under lease agreements that include step rent clauses on a straight-line basis. The Group's lease contracts require payment in advance. Rentals received, but unearned under these lease agreements, are recorded as prepaid lease income on the statement of financial position in trade and other payables. Variable lease rental is recognised in arrears.

Finance income and expense
Finance income comprises interest income on loans, interest income on finance leases and income on bank deposits. Interest income is recognised as it accrues in the statement of comprehensive income. Finance expense comprises interest expense on loans, notes issued, interest rate swap expense, loan commitment and arrangement fees and lease liability. Finance expense is recognised in the statement of comprehensive income on an effective interest rate basis.

Taxation
Tax on the profit or loss for the year comprises current and deferred taxes. Current tax is recognised in the statement of comprehensive income based upon rates enacted or substantively enacted at the statement of financial position date and including any adjustments to taxes payable in respect of previous years. Deferred tax is recognised, without discounting, in respect of all temporary differences between the treatment of items for tax and accounting purposes which have arisen, but not reversed, at the statement of financial position date. Deferred taxes are recognised based upon the rates expected to be in force when the temporary differences reverse.

Deferred tax assets and liabilities are recognised separately but are presented in the statement of financial position at net amounts. 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. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3 Basis of preparation and material accounting policy information *(continued)*

Fair value measurement *(continued)*
The Group measures certain financial instruments and non-financial assets and liabilities at fair value at each financial statement date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or Liabilities
- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:
- Investments at fair value through profit or loss (Note 33)
- Financial instruments and associated risks (Note 34)

4 Lease revenue and other income

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Aircraft rental income	839,756	816,632
Maintenance reserve compensation income	186,456	92,635
Amortisation of lease incentive asset	(20,515)	(35,474)
Amortisation of lease deficit	5,303	5,303
Service fee income	10,667	11,070
Other revenue*	227,261	1,709
Total	**1,248,928**	**891,875**

At 31 December 2023 the Group had contracted to receive the following minimum cash lease rentals under non-cancellable aircraft operating leases:

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Due within one year	904,349	845,273
Due between one and two years	875,665	822,701
Due between two and three years	795,584	772,732
Due between three and four years	748,542	675,980
Due between four and five years	716,920	637,914
Due after five years	3,071,335	3,030,480
Total	**7,112,395**	**6,785,080**

The distribution of the aircraft rental income, maintenance reserve compensation income and amortisation of lease incentive asset and lease deficit by geographical region is as follows:

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Americas	216,999	214,177
Asia Pacific (APAC)	442,752	320,256
Europe, Middle East and Africa (EMEA)	351,249	344,663
	1,011,000	**879,096**

*Other revenue relates to settlements received from customers and third parties, refunds from OEMs and other ad hoc items. During the year ended 31 December 2023, the Group received proceeds of US$214.4m in relation to five aircraft previously on lease to Russian airlines and transferred the ownership of these aircraft to a third party pursuant to settlement agreements.

5 Operating expenses	**Year ended 31 December 2023 US$'000**	**Year ended 31 December 2022 US$'000**
Staff costs	31,759	29,594
Legal and professional fees	21,001	19,840
Repossession costs	28,622	2,495
Transition costs	11,785	10,759
Other costs	22,760	26,620
Total	**115,927**	**89,308**

Increase in repossession cost during the year ended 31 December 2023 relates to accruals recognized in relation to repossessions of certain aircraft.

6 Statutory and other information	**Year ended 31 December 2023 US$'000**	**Year ended 31 December 2022 US$'000**
Directors' emoluments	4,172	6,762
Depreciation and amortisation	463,008	443,960

The average number of persons, including executive directors, employed by the Company during the year was eighty-three (2022: eighty-two) of which seventeen staff members were dedicated to commercial & strategy functions (2022: sixteen), thirty-six to operational (2022: thirty-two) and the remainder to finance, compliance and other support functions.

The average number of persons, including executive directors, employed by the Group during the year was one hundred and thirty-one (2022: one hundred and thirty-two) of which thirty staff members were dedicated to commercial & strategy functions (2022: twenty-seven) fifty-five to operational (2022: fifty-four) and the remainder to finance, compliance and other support functions.

The above Director emolument figures are disclosed in order to comply with company law requirements. Hong Ma represents the shareholder and therefore receives no remuneration directly from the Group.

6 Statutory and other information (continued)

Salaries and emoluments

	Group Year ended 31 December 2023 US$'000	**Company Year ended 31 December 2023 US$'000**	**Group Year ended 31 December 2022 US$'000**	**Company Year ended 31 December 2022 US$'000**
Salaries	26,000	21,205	20,815	16,711
Pay related social insurance	2,310	2,310	2,300	2,300
Pension and other	3,449	2,451	6,479	5,481
Total	**31,759**	**25,966**	**29,594**	**24,492**

Auditor's remuneration: The fees below are disclosed inclusive of out of pocket expenses but exclusive of VAT:

	Group Year ended 31 December 2023 US$'000	**Company Year ended 31 December 2023 US$'000**	**Group Year ended 31 December 2022 US$'000**	**Company Year ended 31 December 2022 US$'000**
Audit fees	1,233	621	861	518
Other assurance services	11	11	134	82
Tax compliance and advisory services	160	123	21	21
Total	**1,404**	**755**	**1,016**	**621**

7 **Interest income calculated using effective interest method**	**Year ended 31 December 2023 US$'000**	**Year ended 31 December 2022 US$'000**
Finance lease income	836	875
Interest income on cash balances	18,103	5,839
Other income	277	524
Amortisation of long-term receivable discount	-	95
Total	**19,216**	**7,333**

Other interest and similar income	**Year ended 31 December 2023 US$'000**	**Year ended 31 December 2022 US$'000**
Interest rate swap benefit	75,681	-
Interest income on investment in debt securities	1,081	-
Foreign exchange gain	-	1,372
Total	**76,762**	**1,372**

8 **Finance expense**	**Year ended 31 December 2023 US$'000**	**Year ended 31 December 2022 US$'000**
Loan interest expense	465,334	173,813
Interest on guaranteed unsecured notes issued	45,733	88,087
Interest rate swap expense	-	9,057
Commitment fees	4,258	6,961
Amortisation of arrangement fees	9,258	11,823
Interest expense on lease liabilities	918	953
Foreign exchange loss	2,983	-
Total	**528,484**	**290,694**

9 **Net (losses) / gains on cashflow hedges derivatives**	**Group Year ended 31 December 2023 US$'000**	**Company Year ended 31 December 2023 US$'000**	**Group Year ended 31 December 2022 US$'000**	**Company Year ended 31 December 2022 US$'000**
Items that are, or may be, reclassified to profit or loss:				
Unrealised (loss)/profit arising on cash flow hedging instruments	(48,389)	(28,909)	166,677	63,168
Deferred tax movement on cash flow hedging instruments	6,049	3,614	(20,835)	(7,896)
Total	**(42,340)**	**(25,295)**	**145,842**	**55,272**

10 Profit on sale of aircraft

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
(Loss)/profit on sale of aircraft	(14,638)	65,194
Total	**(14,638)**	**65,194**

During the year ended 31 December 2023 the Group sold six aircraft (2022: nine).

11 Derivative financial instruments

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Current interest rate swaps	59,205	7,951	94,894	24,962
Non-current interest rate swaps	6,438	6,438	18,271	17,469
Total	**65,643**	**14,389**	**113,165**	**42,431**
Split as follows:				
Assets				
Current interest rate swaps	59,205	7,951	94,894	24,962
Non-current interest rate swaps	7,439	7,439	18,271	17,469
Total	**66,644**	**15,390**	**113,165**	**42,431**
Liabilities				
Current interest rate swaps	-	-	-	-
Non-current interest rate swaps	1,001	1,001	-	-
Total	**1,001**	**1,001**	-	-

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Movement during the year:				
Unrealised gain on derivatives through the statement of comprehensive income	866	866	22,590	22,590
Net gain on derivatives	**866**	**866**	**22,590**	**22,590**

11 Derivative financial instruments *(continued)*

The Group hedged the interest rate exposure arising from its floating rate loans and borrowings by entering into interest rate swap agreements with various counterparties.

The Group has elected to adopt hedge accounting under IAS 39 "Financial Instruments: Recognition and measurement" meaning all fair value movements on the effective interest rate swaps are taken through equity (*Hedging Reserve* – see note 37) except for nine swaps where the fair value movement is realized through profit and loss as the swaps are designated as ineffective. The interest rate swap details of the Group are outlined below. The Group has entered into seven new interest rate swap agreements during the year ended 31 December 2023 (2022: nil).

The Group uses a hypothetical derivative method for effectiveness assessment. The hypothetical derivative method involves establishing a notional derivative that would be the ideal hedging instrument for the hedged exposure. The Group performs on-going prospective and retrospective hedge effectiveness testing using regression analysis method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk as represented by a hypothetical derivative. The sources of hedge ineffectiveness arise from differences in timing of cash flows of hedged items and hedging instruments and differences on interest rate curves applied to discount the hedged items and hedging instruments. The Group's financial liabilities designated as hedged items are its floating rate loans and borrowings with changes in the fair value of the hedged item in the year used for effectiveness assessment amounting to US$48k decrease (2022: US$167k increase).

During the year the Group and the Company amended/restated their facility agreements to transition from the use of LIBOR to SOFR given the cessation of LIBOR. The majority of the Group and the Company's derivative financial instruments are now related to SOFR and the effect of the transition has not been material.

Group 31 December 2023

Type of contract*	**Currency**	**Notional US$'000**	**Year of maturity**	**Payments made by Group**	**Payments received by Group**	**Assets US$'000**
Cross currency swaps (1)	USD	99,794	2024	12 M USD SOFR + Margin	FIXED	2,505
Interest rate swaps (6)	USD	595,000	2024	FIXED	3M USD SOFR+Margin	4,934
Interest rate swaps (21)	USD	687,590	2025	FIXED	3M USD SOFR+Margin	13,310
Interest rate swaps (19)	USD	672,792	2026	FIXED	3M USD SOFR+Margin	44,516
Interest rate swaps (2)	USD	42,555	2028	FIXED	3M USD SOFR+Margin	1,379
Interest rate swaps (3)	USD	204,474	2029	FIXED	3M USD SOFR+Margin	(1,001)
						65,643

*Number in brackets represents number of swaps

11 Derivative financial instruments *(continued)*

Group 31 December 2022

Type of contract*	Currency	Notional US$'000	Year of maturity	Payments made by Group	Payments received by Group	Assets US$'000
Interest rate swaps (1)	USD	28,700	2023	FIXED	6M USD LIBOR+Margin	802
Interest rate swaps (8)	USD	206,458	2026 - 2028	FIXED	3M USD LIBOR+Margin	7,264
Interest rate swaps (19)	USD	531,684	2025	FIXED	3M USD LIBOR+Margin	15,758
Interest rate swaps (3)	USD	300,000	2023	FIXED	3M USD LIBOR+Margin	5,935
Interest rate swaps (5)	USD	545,000	2024	FIXED	3M USD LIBOR+Margin	17,697
Interest rate swaps (4)	USD	250,000	2023	FIXED	3M USD LIBOR+Margin	11,534
Interest rate swaps (13)	USD	579,075	2026	FIXED	3M USD LIBOR+Margin	54,175
						113,165

*Number in brackets represents number of swaps

12 Taxation

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Current tax charge	690	1,327
Deferred tax charge / (benefit)	4,851	(14,636)
Total tax charge / (benefit)	**5,541**	**(13,309)**

12 Taxation *(continued)*

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Reconciliation of effective tax rate:		
Profit/(loss) before tax	66,042	(244,316)
Tax charge/(benefit) at 12.5%	8,255	(30,540)
Effect of:		
Expenses not deductible for tax purpose	87	214
Prior year (over) / under provision	(174)	105
Income taxable at a different rate	(65)	-
(Reversal) / impairment of deferred tax asset*	(3,321)	15,879
Different tax rates of group entities operating in jurisdictions other than Ireland	90	237
Withholding Income Tax	669	796
Total tax charge / (benefit)	**5,541**	**(13,309)**

* The impairment of deferred tax asset in year ended 31 December 2022 relates to temporary differences written-off in respect of aircraft remaining in Russia after the termination of leasing with Russian airlines following the imposition of sanctions by the European Union. Following the receipt of proceeds in relation to a number of these aircraft during the year ended 31 December 2023, this led to a reversal of impairment of deferred tax asset.

13 Deferred tax asset/(liability)

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Opening balance	(75,479)	(8,849)	(69,280)	(723)
(Charge)/credit to statement of comprehensive income	(4,851)	4,764	14,636	(230)
Credit/(charge) to hedging reserve	6,049	3,614	(20,835)	(7,896)
Closing balance	**(74,281)**	**(471)**	**(75,479)**	**(8,849)**

The deferred tax asset and liability is primarily attributable to:

- tax losses; and
- temporary differences arising on assets; and
- temporary differences caused by the hedging reserve arising on the derivative financial instruments.

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Tax losses	366,988	4,049	288,116	-
Temporary differences on assets	(434,984)	(4,438)	(351,080)	(4,931)
Temporary differences on derivatives	(7,189)	(782)	(13,238)	(4,396)
Other	904	700	723	478
Closing balance	**(74,281)**	**(471)**	**(75,479)**	**(8,849)**

13 Deferred tax asset/(liability) *(continued)*

While there is an overall net deferred tax liability on a consolidated basis, the net deferred tax position on entity-by-entity basis can be summarised as follows:

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Entities with net Deferred tax asset	24,933	-	35,466	-
Entities with net Deferred tax liability	(99,214)	(471)	(110,945)	(8,849)
Net deferred tax liability	**(74,281)**	**(471)**	**(75,479)**	**(8,849)**

Pillar II Tax Disclosure

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Ireland and will come into effect from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the Group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15% minimum rate. All entities within the Group are subject to a general tax rate is in excess of 15% with the exception of entities located in Ireland.

The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Although the head-line tax rate in respect of trading entities in Ireland is below 15%, the Group might not be exposed to paying Pillar Two income taxes in relation to Ireland. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with paragraph 86 of IAS 12.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there might still be Pillar Two tax implications. The Group is currently engaged with tax specialists to assist it with applying the legislation.

14 Aircraft	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Cost				
Balance at beginning of year	11,632,190	88,087	10,247,738	88,087
Additions	1,620,220	-	1,934,682	-
Disposals	(403,912)	-	(457,233)	-
Transfer from / (to) assets held-for-sale	55,034	-	(55,034)	-
Transfer to finance lease	-	-	(37,963)	-
Balance at end of year	**12,903,532**	**88,087**	**11,632,190**	**88,087**
Depreciation				
Balance at beginning of year	(1,859,571)	(41,011)	(1,462,768)	(37,942)
Depreciation charge	(455,529)	(3,069)	(435,464)	(3,069)
Disposals	50,575	-	20,981	-
Transfer to finance lease	-	-	14,993	-
Transfer (from) / to assets held-for-sale	(2,687)	-	2,687	-
Balance at end of year	**(2,267,212)**	**(44,080)**	**(1,859,571)**	**(41,011)**
Impairment				
Balance at beginning of year	(628,867)	(10,180)	(221,020)	(10,180)
Impairment charge	(131,053)	-	(417,857)	-
Disposals	228,723	-	10,010	-
Balance at end of year	**(531,197)**	**(10,180)**	**(628,867)**	**(10,180)**
Net book value at year end	**10,105,123**	**33,827**	**9,143,752**	**36,896**

During the year ended 31 December 2023, the Group added thirty aircraft (2022: thirty-five) to its fleet and added one aircraft which transferred from held for sale (2022:nil), for a total purchase price of US$1,609m, which includes capitalised costs on existing assets owned prior to the year ended 31 December 2023 (2023: US$1,907m) and amounts capitalised from maintenance events of US$11m (2022: US$28m). No aircraft was reclassified from operating lease to finance lease (2022: one). No aircraft was classified as held-for-sale at year end (2022: one). One aircraft was transferred from held-for-sale back to the fleet. For the year ended 31 December 2023 the Group sold six aircraft (2022: nine) and transferred no assets to consignment (2022: nil). While on consignment, no Engines were sold (2022: two).

As of 31 December 2023, there are four aircraft remaining in Russia after the termination of leasing with Russian airlines following the imposition of sanctions by the European Union (2022: nine). Despite reasonable efforts being made in this regard, it was not possible for the Group to repossess these aircraft. As a result of their loss, the Group has filed claims under its relevant insurances and is pursuing those claims for the agreed values of the aircraft as defined in the relevant policies. During the year ended 31 December 2023, the Group received proceeds of US$214.4m in relation to five other aircraft previously leased to Russian airlines and transferred the ownership of these aircraft to a third party pursuant to settlement agreements (see note 4).

14 Aircraft *(continued)*

For the year ended 31 December 2023, in accordance with IAS 36 Impairment of Assets, aircraft were tested for indicators of impairment. To aid in this assessment, the Group sought valuations from independent aircraft appraisal firms. These appraisers make assumptions and estimates with respect to the future valuations of aircraft. For the purpose of recognition and measurement of an impairment loss, if it is determined that a test for impairment is required, each aircraft is tested individually by comparing its carrying amount to the higher of its value in use and fair value less costs to sell. Value in use is determined as the total discounted cash flows expected to be generated by an aircraft in the future. The estimated cash flows are discounted to their present value by using a pre-tax discount rate of 6.80% (2022: 6.30%) that reflects current market assumptions of the time value of money and the risks specific to the asset in question. Fair value less costs to sell are determined by the Group based on the most relevant of observable market information, forecast cash flows or appraised values. In cases where the carrying value of the aircraft exceeded the higher of value in use and fair value less costs to sell, an impairment charge was recognised.

As a result of the review, an impairment charge of US$131.1m (2022: US$418.2m) was recognised on thirty-one aircraft (2022: thirty-seven aircraft and one inventory asset). This impairment was a result of a combination of low end of lease residual values and current market values. Directors are satisfied that the net book value of the aircraft is not further impaired below the balance recorded at 31 December 2023.

The carrying cost of aircraft which are pledged as collateral for secured borrowings is US$3,907m (2022: US$2,582m).

15 Intangible assets

Maintenance intangible

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Balance at beginning of year	119,566	-	153,104	-
Disposals	(3,155)	-	(5,260)	-
Transferred to aircraft cost	(11,290)	-	(28,278)	-
Balance at end of year	**105,121**	**-**	**119,566**	**-**

Lease intangible

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Cost				
Balance at beginning of year	53,004	-	52,085	-
Additions	1,811	-	919	-
Disposals	(1,045)	-	-	-
Balance at end of year	**53,770**	**-**	**53,004**	**-**
Amortisation				
Balance at beginning of year	(25,698)	-	(20,753)	-
Charge for the year	(3,960)	-	(4,945)	-
Disposals	1,044	-	-	-
Balance at end of year	**(28,614)**	**-**	**(25,698)**	**-**
Net book value at year end	**25,156**	**-**	**27,306**	**-**

15 Intangible assets *(continued)*

Software	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Cost				
Balance at beginning of year	2,599	2,483	1,628	1,513
Additions	654	654	971	970
Balance at end of year	**3,253**	**3,137**	**2,599**	**2,483**
Amortisation				
Balance at beginning of year	(1,191)	(1,076)	(852)	(746)
Charge for the year	(393)	(393)	(339)	(330)
Balance at end of year	**(1,584)**	**(1,469)**	**(1,191)**	**(1,076)**
Net book value at year end	**1,669**	**1,668**	**1,408**	**1,407**
Total intangible assets	**131,946**	**1,668**	**148,280**	**1,407**

The Directors are satisfied that the net book value of the intangible assets (software) is not impaired.

16 Property, plant and equipment

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Cost				
Balance at beginning of year	10,704	8,376	10,609	8,289
Additions	102	91	95	87
Balance at end of year	**10,806**	**8,467**	**10,704**	**8,376**
Depreciation				
Balance at beginning of year	(4,679)	(2,472)	(3,969)	(1,952)
Charge for the year	(609)	(501)	(710)	(520)
Balance at end of year	**(5,288)**	**(2,973)**	**(4,679)**	**(2,472)**
Net book value at year end	**5,518**	**5,494**	**6,025**	**5,904**

The Directors are satisfied that the net book value of the property, plant and equipment is not impaired.

17 Right of use asset

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Cost				
Balance at beginning of year	28,865	19,980	28,865	19,980
Additions	4,846	-	-	-
Remeasurement of asset	(7,846)	(392)	-	-
Balance at end of year	**25,865**	**19,588**	**28,865**	**19,980**
Depreciation				
Balance at beginning of year	(10,645)	(4,188)	(8,143)	(3,141)
Charge for the year	(2,517)	(1,040)	(2,502)	(1,047)
Remeasurement of asset	7,014	-	-	-
Balance at end of year	**(6,148)**	**(5,228)**	**(10,645)**	**(4,188)**
Net book value at year end	**19,717**	**14,360**	**18,220**	**15,792**

17 Right of use asset *(continued)*

The Group and Company lease five printers over two offices. These qualify as low value assets and under IFRS 16, creating a right of use asset and liability is not required. The monthly expense for the rental of these assets is US$83.00 (2023: US$83.00). The Group also act as lessee to apartments, but the rentals are settled by employees. These qualify as short term leases and under IFRS 16 therefore creating a right of use asset and liability is not required. The average rental for these assets is US$2k per month (2022: US$2k).

The Group and Company act as lessee to three and one office buildings, respectively (2022: three and one), where a right of use asset was calculated based on the discounted future lease payments. During the year ended 31 December 2023 the Group signed a new lease for one office, adding US$4,846k to the asset. The Group and Company received a rent-free period for another office leading to remeasurement of the asset by US$832k and US$392k, respectively. No impairment was required on these assets at year ended 31 December 2023 (2022: Nil).

18 Cash and cash equivalents

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Current accounts - restricted	3,723	226	9,191	-
Current accounts - unrestricted	934,565	924,943	354,421	337,726
Expected credit loss	(825)	(825)	-	-
	937,463	**924,344**	**363,612**	**337,726**

In the current year cash is restricted in ten bank accounts (2022: ten) due to charges related to third party loans received. The Group and Company has assessed cash and cash equivalents and concluded that there is expected credit loss provision required for Cash and cash equivalents of US$825k (2022: nil).

19 Assets held-for-sale

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Held for sale assets	-	-	52,347	-
Total	**-**	**-**	**52,347**	**-**

At 31 December 2023, there was no aircraft classified as held-for-sale (2022: one). No deposit is classified as liabilities held for sale (2022: US$ 250k). During the year ended 31 December 2023 one aircraft was transferred from held-for-sale back to the fleet, see note 14 for details.

20 Investment in subsidiaries

	Company 31 December 2023 US$'000	Company 31 December 2022 US$'000
Subsidiary undertakings	25,071	25,071

The Company holds all of the shares of one hundred and forty-four Irish incorporated entities, one entity incorporated in Cayman Islands, two entities in Hong Kong, one entity in the United States of America and one entity incorporated in Malta. The entities incorporated in Ireland are:

- AeroPower Leasing Co., Limited
- APONE Aviation Leasing Co., Limited
- APTREE Aviation Trading 1 Co., Limited
- APTREE Aviation Trading 2 Co., Limited
- CDB Aviation Funding 2017 Limited
- CDB Aviation Funding 2018 Limited (formerly GY Aviation Lease 1809 Co., Limited)
- CDB Aviation Funding 2021 Limited
- Compass Aviation Leasing Co., Limited
- GY Aviation Lease 0901 Co., Designated Activity Company
- GY Aviation Lease 0905 Co., Limited
- GY Aviation Lease 102 Co., Limited
- GY Aviation Lease 104 Co., Limited
- GY Aviation Lease 1207 Co., Limited
- GY Aviation Lease 1305 Co., Limited
- GY Aviation Lease 1501 Co., Limited
- GY Aviation Lease 1504 Co., Limited
- GY Aviation Lease 1505 Co., Limited
- GY Aviation Lease 1602 Co., Limited
- GY Aviation Lease 1603 Co., Limited
- GY Aviation Lease 1707 Co., Limited
- GY Aviation Lease 1708 Co., Limited
- GY Aviation Lease 1711 Co., Limited
- GY Aviation Lease 1712 Co., Limited
- GY Aviation Lease 1713 Co., Limited
- GY Aviation Lease 1714 Co., Limited
- GY Aviation Lease 1715 Co., Limited
- GY Aviation Lease 1716 Co., Limited
- GY Aviation Lease 1717 Co., Limited
- GY Aviation Lease 1718 Co., Limited
- GY Aviation Lease 1719 Co., Limited
- GY Aviation Lease 1720 Co., Limited
- GY Aviation Lease 1723 Co., Limited
- GY Aviation Lease 1724 Co., Limited
- GY Aviation Lease 1725 Co., Limited
- GY Aviation Lease 1726 Co., Limited
- GY Aviation Lease 1727 Co., Limited

20 Investment in subsidiaries (continued)

- GY Aviation Lease 1733 Co., Limited
- GY Aviation Lease 1734 Co., Limited
- GY Aviation Lease 1735 Co., Limited
- GY Aviation Lease 1736 Co., Limited
- GY Aviation Lease 1738 Co., Limited
- GY Aviation Lease 1739 Co., Limited
- GY Aviation Lease 1742 Co., Limited
- GY Aviation Lease 1805 Co., Limited
- GY Aviation Lease 1806 Co., Limited
- GY Aviation Lease 1807 Co., Limited
- GY Aviation Lease 1808 Co., Limited
- GY Aviation Lease 1811 Co., Limited
- GY Aviation Lease 1813 Co., Limited
- GY Aviation Lease 1814 Co., Limited
- GY Aviation Lease 1815 Co., Limited
- GY Aviation Lease 1816 Co., Limited
- GY Aviation Lease 1817 Co., Limited
- GY Aviation Lease 1819 Co., Limited
- GY Aviation Lease 1821 Co., Limited
- GY Aviation Lease 1822 Co., Limited
- GY Aviation Lease 1823 Co., Limited
- GY Aviation Lease 1824 Co., Limited
- GY Aviation Lease 1825 Co., Limited
- GY Aviation Lease 1826 Co., Limited
- GY Aviation Lease 1827 Co., Limited
- GY Aviation Lease 1828 Co., Limited
- GY Aviation Lease 1829 Co., Limited
- GY Aviation Lease 1831 Co., Limited
- GY Aviation Lease 1832 Co., Limited
- GY Aviation Lease 1834 Co., Limited
- GY Aviation Lease 1835 Co., Limited
- GY Aviation Lease 1836 Co., Limited
- GY Aviation Lease 1837 Co., Limited
- GY Aviation Lease 1838 Co., Limited
- GY Aviation Lease 1839 Co., Limited
- GY Aviation Lease 1840 Co., Limited
- GY Aviation Lease 1841 Co., Limited
- GY Aviation Lease 1842 Co., Limited
- GY Aviation Lease 1843 Co., Limited
- CDB Aviation US Owner Limited (formerly GY Aviation Lease 1844 Co., Limited)
- GY Aviation Lease 1845 Co., Limited
- GY Aviation Lease 1847 Co., Limited
- CDB Aviation Owner Limited (formerly GY Aviation Lease 1848 Co., Limited)
- GY Aviation Lease 1849 Co., Limited
- GY Aviation Lease 1850 Co., Limited

20 Investment in subsidiaries *(continued)*

- GY Aviation Lease 1851 Co., Limited
- GY Aviation Lease 1852 Co., Limited
- GY Aviation Lease 1853 Co., Limited
- GY Aviation Lease 1854 Co., Limited
- GY Aviation Lease 1855 Co., Limited
- GY Aviation Lease 1856 Co., Limited
- GY Aviation Lease 1857 Co., Limited
- GY Aviation Lease 1901 Co., Limited
- GY Aviation Lease 1904 Co., Limited
- GY Aviation Lease 1910 Co., Limited
- GY Aviation Lease 1911 Co., Limited
- GY Aviation Lease 1912 Co., Limited
- GY Aviation Lease 1913 Co., Limited
- GY Aviation Lease 1914 Co., Limited
- GY Aviation Lease 1915 Co., Limited
- GY Aviation Lease 1916 Co., Limited
- GY Aviation Lease 1917 Co., Limited
- GY Aviation Lease 1918 Co., Limited
- GY Aviation Lease 1919 Co., Limited
- GY Aviation Lease 1920 Co., Limited
- GY Aviation Lease 2101 Co., Limited
- GY Aviation Lease 2102 Co., Limited
- GY Aviation Lease 2103 Co., Limited
- GY Aviation Lease 2104 Co., Limited
- GY Aviation Lease 2105 Co., Limited
- GY Aviation Lease 2106 Co., Limited
- GY Aviation Lease 2107 Co., Limited (Formally CDB Aviation EXIM Funding 2021 Limited)
- GY Aviation Lease 2201 Co., Limited*
- GY Aviation Lease 2202 Co., Limited*
- GY Aviation Lease 2203 Co., Limited*
- GY Aviation Lease 2204 Co., Limited*
- GY Aviation Lease 2205 Co., Limited*
- GY Aviation Lease 2206 Co., Limited*
- GY Aviation Lease 2207 Co., Limited*
- GY Aviation Lease 2208 Co., Limited*
- GY Aviation Lease 2209 Co., Limited*
- GY Aviation Lease 2210 Co., Limited
- GY Aviation Lease 1503 Co., Limited
- GY Aviation Lease 1701 Co., Limited
- GY Aviation Lease 1702 Co., Limited
- GY Aviation Lease 1721 Co., Limited
- GY Aviation Lease 1818 Co., Limited

20 Investment in subsidiaries *(continued)*

- GY Aviation Lease 1830 Co., Limited
- GY Aviation Lease 1902 Co., Limited
- GY Aviation Lease 1905 Co., Limited
- GY Aviation Lease 1906 Co., Limited
- GY Aviation Lease 1908 Co., Limited
- GY Aviation Lease 1502 Co., Limited
- GY Aviation Lease 0906 Co., Limited
- GY Aviation Lease 1846 Co., Limited
- GY Aviation Lease 2301 Co., Limited**
- GY Aviation Lease 2302 Co., Limited**
- GY Aviation Lease 2303 Co., Limited**
- GY Aviation Lease 2304 Co., Limited**

which have their registered office at 1 GQ, Georges Quay, Dublin 2.

- GY Aviation Lease 1728 Co., Limited
- GY Aviation Lease 1729 Co., Limited
- GY Aviation Lease 1730 Co., Limited
- GY Aviation Lease 1731 Co., Limited
- GY Aviation Lease 1732 Co., Limited
- GY Aviation Lease 1801 Co., Limited
- GY Aviation Lease 1802 Co., Limited
- GY Aviation Lease 1803 Co., Limited
- GY Aviation Lease 1804 Co., Limited

which has their registered office at Fourth Floor, 3 George’s Dock, IFSC, Dublin 1.

* - incorporated during the year ended 31 December 2022.
** - incorporated during the year ended 31 December 2023.

The entity incorporated in Cayman Islands is CDBL Funding 1 which has its registered office at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The entities incorporated in Hong Kong are CDB Aviation Hong Kong Limited and GY Aviation Lease (Hong Kong) 1 Limited which have their registered office at Flat/Rm 2004-9, 20/F., Three Pacific Place, 1 Queen’s Road East, Wan Chai, Hong Kong.

The entity incorporated in the United States of America is CDB Aviation Americas LLC which has its registered office at 3411 Silverside Road, Rodney Building, #104, New Castle County, Wilmington, Delaware 19810.

The Company holds 1,199 issued Ordinary “A” shares of GY Aviation Lease (Malta) Co. Limited, an entity incorporated in Malta, which has its registered office at Palazzo Pietro Stiges, 103 Strait Street, Valletta VLT 1436.

20 Investment in subsidiaries *(continued)*

GY Aviation Lease 0901 Designated Activity Company holds all the shares of eleven Irish incorporated entities and one entity incorporated in France.

The entities incorporated in Ireland are:
- GY Aviation Lease 0902 Co., Limited
- GY Aviation Lease 0903 Co., Limited
- GY Aviation Lease 103 Co., Limited
- GY Aviation Lease 1201 Co., Limited
- GY Aviation Lease 1202 Co., Limited
- GY Aviation Lease 1203 Co., Limited
- GY Aviation Lease 1204 Co., Limited
- GY Aviation Lease 1205 Co., Limited
- GY Aviation Lease 1302 Co., Limited
- GY Aviation Lease 1303 Co., Limited
- GY Aviation Lease 1306 Co., Limited

which have their registered office at 1GQ, George's Quay, Dublin 2.

The entity incorporated in France is GY Aviation Lease (France) SARL which has its registered offices at 14 Boulevard De La Madeleine, 75008 Paris, France.

CDB Aviation Funding 2018 Limited holds all of the shares of sixteen Irish incorporated entities:
- APTREE Aviation Trading 3 Co., Limited
- GY Aviation Lease 101 Co., Limited
- GY Aviation Lease 1301 Co., Limited
- GY Aviation Lease 1304 Co., Limited
- GY Aviation Lease 1601 Co., Limited
- GY Aviation Lease 1705 Co., Limited
- GY Aviation Lease 1706 Co., Limited
- GY Aviation Lease 1709 Co., Limited
- GY Aviation Lease 1710 Co., Limited
- GY Aviation Lease 1737 Co., Limited
- GY Aviation Lease 1740 Co., Limited
- GY Aviation Lease 1741 Co., Limited
- GY Aviation Lease 1810 Co., Limited
- GY Aviation Lease 1812 Co., Limited
- GY Aviation Lease 1820 Co., Limited

which have their registered office at 1GQ, George's Quay, Dublin 2

- GY Aviation Lease 1722 Co., Limited

which has its registered office at 4th Floor, 3 George's Dock, IFSC, Dublin 1

20 Investment in subsidiaries *(continued)*

CDB Aviation Funding 2021 Limited holds all of the shares of five Irish incorporated entities:

- APTREE Aviation Trading 4 Co., Limited
- GY Aviation Lease 1833 Co., Limited
- GY Aviation Lease 1903 Co., Limited
- GY Aviation Lease 1907 Co., Limited
- GY Aviation Lease 1909 Co., Limited

which have their registered office at 1GQ, George's Quay, Dublin 2

The Company also has a beneficial interest in Amber Circle Funding Limited, incorporated in the Cayman Islands, although the shares issued are held in trust.

The principal activity of all the companies in the Group is the purchase, sale, financing, leasing and subleasing of aircraft to international airlines, with the exception of GY Aviation Lease (Malta) Co., Limited, CDBL Funding 1, CDB Aviation Funding 2017 Limited, CDB Aviation Funding 2018 Limited, CDB Aviation Hong Kong Limited and CDB Aviation Americas LLC. The principal activities of these companies is the provision of finance to fellow subsidiaries of the Group with the exception of CDB Aviation Hong Kong Limited and CDB Aviation Americas LLC which provide management services to fellow subsidiaries of the Group.

21 Trade and other receivables

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Lease income receivable	86,533	462	116,943	760
Other debtors	2,394	2,390	1,260	1,243
Corporation Tax receivable	10	-	111	22
VAT receivable	691	686	742	742
Service fee income due from related parties	9,571	3,780	9,859	2,884
Straightline lease asset	121,495	-	137,317	-
Intercompany interest receivable	-	214,335	-	219,362
Intergroup receivable	-	375,520	-	129,974
Total	**220,694**	**597,173**	**266,232**	**354,987**

During 2022 and 2023 the Group granted rental deferrals to certain customers due to the impact of COVID-19. The total amount of deferred lease income receivable was US$85m at 31 December 2023 (2022: US$101m) and an expected credit loss allowance of US$25m (2022: US$34m) has been recognised related to these amounts.

Maturity analysis	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Due within one year	61,700	597,173	69,148	354,987
Due between one and five years	122,620	-	118,280	-
Due after five years	36,374	-	78,804	-
Total	**220,694**	**597,173**	**266,232**	**354,987**

22 Other assets

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Receivable from OEM	-	-	8,000	4,000
Lease incentive assets	108,681	-	78,112	-
Deposits on property and aircraft	3,284	2,419	3,378	2,413
Supplementary assets	840	-	1,574	-
Other prepayments	601	448	2,202	760
Total	**113,406**	**2,867**	**93,266**	**7,173**

22 Other assets *(continued)*

Maturity analysis	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**	**Group 31 December 2022 US$'000**	**Company 31 December 2022 US$'000**
Due within one year	32,935	2,848	36,681	4,760
Due between one and five years	62,846	-	38,081	-
Due after five years	17,625	19	18,504	2,413
Total	**113,406**	**2,867**	**93,266**	**7,173**

23 Loans and receivables

	Group 31 December 2023 US$'000	**Company 31 December 2023 US$'000**	**Group 31 December 2022 US$'000**	**Company 31 December 2022 US$'000**
Intercompany loans to subsidiaries	**-**	8,606,711	**-**	8,036,742
Total	**-**	**8,606,711**	**-**	**8,036,742**

The Company provides loans to fellow CDB Group companies and to its subsidiaries. The loans are repayable on demand with a fixed interest rate of between 3.4% and 4.7% in 2023 and 3.4% and 4.5%in 2022.

24 Pre-delivery payments

	Group 31 December 2023 US$'000	**Company 31 December 2023 US$'000**	**Group 31 December 2022 US$'000**	**Company 31 December 2022 US$'000**
Prepayment of aircraft	127,545	73,674	46,700	21,943
Total	**127,545**	**73,674**	**46,700**	**21,943**

Predelivery payments mainly pertains to amounts paid for sale and leaseback assets that have not delivered.

Maturity analysis:	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**	**Group 31 December 2022 US$'000**	**Company 31 December 2022 US$'000**
Due within one year	79,869	38,575	46,700	21,943
Due between one and five years	47,676	35,099	-	-
Due after five years	-	-	-	-
Total	**127,545**	**73,674**	**46,700**	**21,943**

25 Share capital

Group and Company

	31 December 2023	31 December 2022
Authorised	**US$**	**US$**
173,287,671 ordinary shares of US$1 each	173,287,671	50,000,000
Issued, called up and fully paid	**US$**	**US$**
Shares issued	173,287,671	50,000,000

During the year ended 31 December 2023 the Company received an equity injection from its parent and authorised and issued 123,287,671 ordinary shares of USD 1 par value each (2022: nil).

26 Merger reserve

	Group 31 December 2023 US$'000	Group 31 December 2022 US$'000
Merger reserve	(193)	(193)

The merger reserve is the result of the acquisition of APONE Aviation Leasing Co., Limited and its subsidiaries and Aero Power Leasing Co., Limited and its subsidiaries (together the "APONE Group") on 19 June 2012 by the Company. Prior to the acquisition the APONE Group was owned by the Group's ultimate parent.

27 Finance lease assets

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Finance lease receivable	62,748	-	67,864	-
Total	**62,748**	**-**	**67,864**	**-**

Movements during the year:	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Balance at beginning of year	67,864	-	49,345	-
Reclassification from aircraft	-	-	25,349	-
Movement in Finance lease balance	-	-	(359)	-
Finance lease capital receipts	(5,116)	-	(6,471)	-
Balance at end of year	**62,748**	**-**	**67,864**	**-**

27 Finance lease assets *(continued)*

Amounts receivable under finance leases
The present value of the aggregate repayments under finance leases is as follows:

Maturity analysis	Minimum lease payments 2023 US$'000	Unearned Interest 2023 US$'000	Expected credit loss 2023 US$'000	Present Value 2023 US$'000
Due within one year	5,952	781	-	5,171
Due between one and five years	23,808	2,530	-	21,278
Due after five years	37,052	753	-	36,299
Total	**66,812**	**4,064**	**-**	**62,748**

	Minimum lease payments 2022 US$'000	Unearned Interest 2022 US$'000	Expected credit loss 2022 US$'000	Present Value 2022 US$'000
Due within one year	5,952	837	-	5,115
Due between one and five years	23,808	2,768	-	21,040
Due after five years	43,004	1,295	-	41,709
Total	**72,764**	**4,900**	**-**	**67,864**

As at 31 December 2023, the Group had three aircraft accounted for as finance leases (2022: three) albeit one of these aircraft represents a financing pursuant to a conditional sale agreement (2022: one).

28 Other creditors	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Maintenance reserves	379,656	-	325,657	-
Security deposits	110,426	15,546	102,219	17,642
Lessor contribution	92,351	-	44,288	-
Long term incentive plans	3,875	3,567	3,659	2,168
Total	**586,308**	**19,113**	**475,823**	**19,810**

Maturity analysis	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Due within one year	37,929	18,865	48,116	18,353
Due between one and five years	212,227	248	177,106	1,457
Due after five years	336,152	-	250,601	-
Total	**586,308**	**19,113**	**475,823**	**19,810**

29 Trade and other payables

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Third party loan interest payable	34,620	33,420	16,484	15,165
Loan interest payable to CDB	16,306	-	14,488	1,267
Note interest payable	4,230	-	8,228	-
Prepaid lease income	70,361	339	61,435	390
Other payables	85,612	17,081	46,509	13,395
Intercompany payables	120,251	377,366	81,073	360,452
Corporation tax payable	276	-	325	-
Lease deficit liability	53,020	-	58,323	-
Total	**384,676**	**428,206**	**286,865**	**390,669**

Maturity analysis	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Due within one year	336,769	428,016	233,421	390,391
Due between one and five years	21,401	190	21,635	278
Due after five years	26,506	-	31,809	-
Total	**384,676**	**428,206**	**286,865**	**390,669**

30 Lease liability

Movements during the year	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Balance at beginning of year	19,860	16,897	23,840	19,317
Additions	4,846	-	-	-
Charge for the year	918	784	953	779
Payments	(3,021)	(1,218)	(3,298)	(1,572)
Disposal of original lease	(954)	(392)	-	-
Foreign currency exchange (gain)/loss	1,055	1,054	(1,635)	(1,627)
Balance at year end	**22,704**	**17,125**	**19,860**	**16,897**

30 Lease liability *(continued)*

During the year ended 31 December 2023 the Group signed a new lease for one office, adding US$4,846k to the liability. The Group and Company received a rent-free period for another office leading to disposal of the liability of US$954k and US$392k, respectively.

The present value of the aggregate repayments of lease liability is as follows:

Group	**Minimum lease payments 2023 US$'000**	**Interest 2023 US$'000**	**Principal 2023 US$'000**
Due within one year	3,403	985	2,418
Due between one and five years	10,768	2,841	7,927
Due after five years	15,055	2,696	12,359
Total	**29,226**	**6,522**	**22,704**

Company	**Minimum lease payments 2023 US$'000**	**Interest 2023 US$'000**	**Principal 2023 US$'000**
Due within one year	1,644	752	892
Due between one and five years	6,576	2,581	3,995
Due after five years	14,932	2,694	12,238
Total	**23,152**	**6,027**	**17,125**

Group	**Minimum lease payments 2022 US$'000**	**Interest 2022 US$'000**	**Principal 2022 US$'000**
Due within one year	3,352	844	2,508
Due between one and five years	7,235	2,713	4,522
Due after five years	15,910	3,080	12,830
Total	**26,497**	**6,637**	**19,860**

Company	**Minimum lease payments 2022 US$'000**	**Interest 2022 US$'000**	**Principal 2022 US$'000**
Due within one year	1,545	744	801
Due between one and five years	6,181	2,591	3,590
Due after five years	15,580	3,074	12,506
Total	**23,306**	**6,409**	**16,897**

31 Loans and borrowings

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Loans and borrowings – due to CDBL Funding 1	-	927,168	-	1,924,430
Loans and borrowings – due to GY Malta	-	2,100,000	-	2,150,000
Loans and borrowings – secured loans	2,692,175	1,682,012	1,789,447	645,180
Loans and borrowings – unsecured loans	6,610,990	4,510,990	5,395,543	3,245,542
Total	**9,303,165**	**9,220,170**	**7,184,990**	**7,965,152**

Movements during the year	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Balance at beginning of year	7,184,990	7,965,152	5,408,954	6,808,749
Loans received	6,251,889	6,251,889	5,635,000	5,635,000
Loans repaid	(4,130,165)	(4,991,765)	(3,858,339)	(4,481,000)
Arrangement fees paid	(10,063)	(10,063)	(6,806)	(6,806)
Amortisation of arrangement fees	6,514	4,957	6,181	9,209
Balance at year end	**9,303,165**	**9,220,170**	**7,184,990**	**7,965,152**

Maturity analysis	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Due within one year	4,018,526	4,450,645	3,273,651	5,863,976
Due between one and five years	4,362,775	3,847,665	3,177,191	1,676,582
Due after five years	921,864	921,860	734,148	424,594
Total	**9,303,165**	**9,220,170**	**7,184,990**	**7,965,152**

The secured loans were provided to the Group by various financial institutions and are secured by the relevant aircraft assets of the Group. For certain secured loans the Group has entered into put option agreements between relevant subsidiaries (each a "Borrower") of the Group and China Development Bank Financial Leasing Co., Limited ("CDB Leasing") which enables the Borrower, upon payment by CDB Leasing of the remaining balance of the loan, to transfer the ownership of the underlying assets and related liabilities to CDB Leasing in the case of certain triggering events occurring as stipulated in the put option agreements. The loan balance, excluding capitalised loan fees, secured on assets is US$2,706m (2022: US$1,801m). The carrying cost of aircraft pledged as collateral is US$3,907m (2022: US$2,582m). Included in the loans balance are unsecured loans of US$2,100m (2022: US$2,479m) received from the ultimate parent.

31 Loans and borrowings *(continued)*

The Company received loans from its subsidiaries, CDBL Funding 1 and GY Malta (see note 32 for further details of the note issuances which were provided to the Company as intercompany loans).

The Group has arranged during 2023 committed and uncommitted revolving credit facilities and other short-term facilities totalling US$1,245m (2022: US$2,876m). The undrawn committed facilities were US$990m (2022: US$1,350m) as at 31 December 2023. As of 31 December 2023, the Group and Company had covenants on seventy-seven aircraft (2022: forty-nine aircraft) under secured facilities and on fourteen unsecured financings Covenant requirements (2022: nineteen) vary but may include provision of financial statements, debt service coverage ratio ("DSCR") testing, aircraft appraisal valuations and monitoring to ensure compliance of no continuing default. As at 31 December 2023, the Group is in compliance with the covenant requirements of its loans and borrowings.

The Group's secured loans as at 31 December 2023 were US$2,692m (2022: US$1,789m) bear interest at 3 month SOFR, plus margins ranging from 0.76% to 1.25% or at fixed rate ranging from 2.2% to 4.9% (2022: 3 month LIBOR/SOFR, plus margins ranging from 0.60% to 1.25% or at fixed rate ranging from 2.2% to 5.0%).

The Group's unsecured loans as at 31 December 2023 were $6,611m (2022: US$5,396m) and bear interest at 1 or 3 month SOFR, plus margins ranging from 0.20% to 1.05 or at fixed rate ranging from 2.1% to 5.5% (2022: 1 or 3 month LIBOR/SOFR, plus margins ranging from 0.25% to 1.10% or at fixed rate ranging from 1.07% to 5.5%).

32 Notes issued

	Group 31 December 2023 US$'000	**Company 31 December 2023 US$'000**	**Group 31 December 2022 US$'000**	**Company 31 December 2022 US$'000**
Guaranteed unsecured notes issued – due 2023	-	-	998,605	-
Guaranteed unsecured notes issued – due 2024	529,304	-	528,476	-
Guaranteed unsecured notes issued – due 2027	397,869	-	397,348	-
Total	**927,173**	**-**	**1,924,429**	**-**

32 Notes issued *(continued)*

Movements during the year:	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**	**Group 31 December 2022 US$'000**	**Company 31 December 2022 US$'000**
Balance at the start of the year	1,924,429	-	3,038,788	-
Notes issued	-	-	-	-
Notes repaid	(1,000,000)	-	(1,120,000)	-
Amortisation of arrangement costs and discount	2,744	-	5,641	-
Total	**927,173**	**-**	**1,924,429**	**-**

Maturity analysis:	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**	**Group 31 December 2022 US$'000**	**Company 31 December 2022 US$'000**
Due within one year	529,304	-	998,605	-
Due between one and five years	397,869	-	925,824	-
Due after five years	-	-	-	-
Total	**927,173**	**-**	**1,924,429**	**-**

Terms and debt repayment schedule

	Currency	**Nominal interest rate**	**Year of maturity**	**31 December 2023 Face value US$'000**	**31 December 2023 Carrying value US$'000**	**31 December 2022 Face value US$'000**	**31 December 2022 Carrying value US$'000**
Guaranteed unsecured notes issued	USD	1.50%	2023	-	-	500,000	499,147
Guaranteed unsecured notes issued	USD	2.87%	2024	130,000	129,918	130,000	129,820
Guaranteed unsecured notes issued	USD	4.25%	2024	400,000	399,386	400,000	398,657
Guaranteed unsecured notes issued	USD	3.00%	2023	-	-	500,000	499,458
Guaranteed unsecured notes issued	USD	3.50%	2027	400,000	397,869	400,000	397,347
Total				**930,000**	**927,173**	**1,930,000**	**1,924,429**

On 4 December 2012, the Group issued US$1bn Fixed Rate Notes due 2022. The Notes were issued by Amber Circle Funding Limited. The interest rates are fixed for the term of the Notes. These Notes are guaranteed by China Development Bank Hong Kong Branch and were listed on the Hong Kong Stock Exchange. This was repaid in 2022.

32 Notes issued *(continued)*

On 2 December 2014, the Group issued US$250m Fixed Rate Notes due 2019 and US$400m Fixed Rate Notes due 2024. The Notes were issued by CDBL Funding 1, a wholly owned subsidiary of the Company, with the Company as Guarantor and with a keepwell and asset purchase deed from CDB Financial Leasing Co. Ltd. The Notes are listed on the Hong Kong Stock Exchange. During December 2019 the US$250m Fixed Rate Notes due 2019 were repaid. The credit rating of CDB Financial Leasing Co. Ltd as at 31 December 2023 based on Moody's was A1.

On 24 October 2017, the Group issued US$400m Fixed Rate Notes due 2023 and US$400m Fixed Rate Notes due 2027. The Notes were issued by CDBL Funding 1, a wholly owned subsidiary of the Company, under a newly established US$3.0bn MTN programme with the Company as Guarantor and with a keepwell and asset purchase deed from CDB Financial Leasing Co. Ltd. The interest rates are fixed for the term of the Notes. The Notes are listed on the Hong Kong Stock Exchange. Fixed Rate Notes due 2023 were repaid during the year ended 31 December 2023.

On 9 March 2018, the Group issued US$100m Fixed Rate Notes due 2023. The Notes were issued by CDBL Funding 1, a wholly owned subsidiary of the Company, under the US$3.0bn MTN programme with the Company as Gurantor and with a keepwell and asset purchase deed from CDB Financial Leasing Co. Ltd. The interest rates are fixed for the term of the Notes. The Notes are listed on the Hong Kong Stock Exchange. This was repaid in 2023.

On 15 November 2019, the Group issued US$130m Fixed Rate Notes due 2024. The Notes were issued by CDBL Funding 1, a wholly owned subsidiary of the Company, under the US$3.0bn MTN programme with the Company as Guarantor and with a keepwell and asset purchase deed from CDB Financial Leasing Co. Ltd. The interest rates are fixed for the term of the Notes. The Notes were cleared at the Hong Kong Central Moneymarkets Unit.

On 4 November 2020, the Group issued US$500m Fixed Rate Notes due 2023. The Notes were issued by CDBL Funding 1, a wholly owned subsidiary of the Company, under the US$3.0bn MTN programme with the Company as Guarantor and with a keepwell and asset purchase deed from CDB Financial Leasing Co. Ltd. The interest rates are fixed for the term of the Notes. The Notes are listed on the Hong Kong Stock Exchange. This was repaid in 2023.

On 16 July 2021, the Group issued US$120m Fixed Rate Notes due 2022. The Notes were issued by CDBL Funding 1, a wholly owned subsidiary of the Company, under the US$3.0bn MTN programme with the Company as Guarantor and with a keepwell and asset purchase deed from CDB Financial Leasing Co. Ltd. The interest rates are fixed for the term of the Notes. The Notes were listed on the Hong Kong Stock Exchange. This was repaid in 2022.

33 Investments at fair value through profit or loss

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Investment in equity instruments	1,971	1,971	1,364	1,364
Investment in debt instruments	6,949	6,949	5,836	5,836
Total	**8,920**	**8,920**	**7,200**	**7,200**

During the year ended 31 December 2022, as part of the settlement of claims by airlines, the Group and the Company received ordinary shares in airlines. As of 31 December 2023, the Group and the Company's investment in equity instruments in airlines had a fair value of US$ 1.97m (2022: US$1.36m) based on recently observed market prices. An unrealised gain on investments in equity securities of US$607k was recorded for the year ended 31 December 2023 (2022: Nil).

During the year ended 31 December 2022, as part of the settlement of claims by airlines, the Group and the Company received debt instruments issued by airlines, which have been classified as trading debt securities. As of 31 December 2023, the Group and the Company's investment in debt instruments in airlines had a fair value of US$ 6.95m (2022: US$5.84m) based on market bid prices on similar securities (refer to note 34). An unrealised gain on investments in debt securities of US$32k was recorded for the year ended 31 December 2023 (2022: Nil). An interest income on investment in debt securities of $1,081k was recorded for the year ended 31 December 2023 (2022: Nil), see note 7 for details. Interest income is capitalised at 7.25% of the carrying amount on a quarterly basis.

34 Financial instruments and associated risks

The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework.

Financial control processes incorporate the regular and continuing analysis of trading operations and performance and the monitoring of capital adequacy and asset valuations.

This note seeks to further describe the key business and financial instrument risks faced by the Group and the policies and procedures used to mitigate these risks.

The Group's financial instruments comprise trade and other receivables, loans and receivables, investments at fair value through profit or loss, finance lease assets, cash and cash equivalents, loans and borrowings, notes issued, derivative financial instruments, lease liability and trade and other payables.

The Group's activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Group is exposed are credit risk, market risk (the most significant market risk being interest rate risk and currency risk) and liquidity risk. The nature and extent of the financial instruments outstanding at the statement of financial position date and the financial control policies employed by the Group are discussed below.

34 Financial instruments and associated risks *(continued)*

Capital management

The Group and Company is a member of a group with regulatory disciplines over the use of its capital. Although the Group and Company itself is not regulated it aims to maintain capital resources commensurate with the nature, scale and risk profile of its business. It regards its capital as the total equity as shown on the Statement of Financial Position.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the cash and cash equivalents, derivative financial instruments, trade and other receivables, Investments at fair value through Profit and Loss, finance lease assets and loans and receivables. In relation to cash and cash equivalents and derivative financial instruments the Group monitors the rating (Moody's) of the relevant counterparties. The long term credit rating of the relevant banks with whom the Group holds cash and cash equivalents are in a range from A1 to Baa3. The percentage of Group cash reserves held with banks with a credit rating of Baa3 or above is 100% (2022: 100%). The long term credit rating of the relevant banks with whom the Group has entered into derivatives but holds no cash and cash equivalents are as follows:

	Credit Rating 31 December 2023	Credit Rating 31 December 2022
Barclays Bank plc	Baa1	Baa2
Morgan Stanley & Co International plc	A1	A1
Societe Generale SA	A1	A1
Westpac Banking Corporation	Aa3	Aa3
ING Bank NV	A1	A1
Goldman Sachs Group	A1	A2
Mizuho Financial Group	A1	A1
Credit Agricole	Aa3	Aa3
BNP Paribas	Aa3	Aa3

The Group leases aircraft to airline customers globally, with broad geographic spread. The airline industry is cyclical by nature and exposed to fluctuations in macro-economic factors and competitive pressures. A key determinant of the Group's success is its ability to pre-empt and react to such changes in the underlying competitive environment. There is a risk that should a lessee experience financial difficulties this could result in default, or the early termination, of the operating lease with the Group. The Directors mitigate this risk by operating an active risk management function which includes appropriate risk diversification standards and risk mitigation techniques, including the collection of security deposits and maintenance reserves as appropriate. The carrying amount of financial assets represents the maximum credit exposure. The amounts presented are gross of allowance for ECL. The maximum exposure to credit risk at the reporting date is:

34 Financial instruments and associated risks *(continued)*

Credit risk *(continued)*

	Group 31 December 2023 US$'000	**Company 31 December 2023 US$'000**	**Group 31 December 2022 US$'000**	**Company 31 December 2022 US$'000**
Cash and cash equivalents	938,288	925,169	363,612	337,726
Derivative financial instruments	66,644	15,390	113,165	42,431
Investments in debt instruments	6,949	6,949	5,836	5,836
Receivable from OEM	-	-	8,000	4,000
Loans and receivables	-	8,606,711	-	8,036,742
Finance lease assets	62,748	-	67,864	-
Trade and other receivables*	338,562	596,487	313,815	355,533
Total assets bearing credit risk	**1,413,191**	**10,150,706**	**872,292**	**8,782,268**

* Includes Straightline lease asset

Trade and other receivables are carried at original invoice amount less any impairment under IFRS 9. The expected credit loss provisions for accounts receivable and finance lease receivables under IFRS 9 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions and the Russia/Ukraine conflict has had on the airline industry, as well as forward looking estimates at the end of each reporting period.

Default is assessed based on objective evidence of impairment. Under IFRS 9 there is a rebuttable presumption of default once a 90 day past due threshold is passed; however, management assess default on each case and investigate reasonable and supportable information that demonstrates that a more lagging default criterion is more appropriate. The Group's credit analysis also includes consideration of industry level risks which includes the political risk which includes the impact of Russia/Ukraine conflict. The Group and Company has assessed Cash and cash equivalents, Loans and receivables and Derivative financial instruments and concluded that there is expected credit loss provision required for Cash and cash equivalents of US$825k. Impact of IFRS 9 to Trade and other receivables is as follows:

34 Financial instruments and associated risks *(continued)*

Trade and other receivables	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Balance at beginning of year	266,232	354,987	249,090	384,022
Movement in receivables balance	(19,104)	241,561	7,653	(28,530)
Expected credit loss (increase)/decrease under IFRS 9	(26,434)	625	9,489	(505)
Balance at end of year	**220,694**	**597,173**	**266,232**	**354,987**

During the year the following movement on the expected credit loss was recognised:

Expected credit loss	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Balance at beginning of year	(173,351)	(626)	(193,577)	(121)
Expected credit loss	(27,259)	(201)	9,489	(505)
Write off expected credit loss	-	-	10,737	-
Balance at end of year	**(200,610)**	**(827)**	**(173,351)**	**(626)**

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has hedged the interest rate risk of the majority of its floating rate loans and the guaranteed unsecured notes issued at a floating rate of interest by entering into swap agreements with various counterparties.

Interest rate risk table

Group 31 December 2023	Fixed US$'000	Floating US$'000	Non interest bearing US$'000	Total US$'000
Assets	71,668	937,463	96,527	1,105,658
Liabilities	(4,441,418)	(4,884,451)	(1,774,500)	(11,100,369)
Derivative financial instruments	2,367,848	(2,302,205)	-	65,643
Cumulative interest rate risk	**(2,001,902)**	**(6,249,193)**	**(1,677,973)**	**(9,929,068)**

Group 31 December 2022	Fixed US$'000	Floating US$'000	Non interest bearing US$'000	Total US$'000
Assets	67,864	363,612	392,233	824,709
Liabilities	(4,978,737)	(4,150,543)	(643,179)	(9,772,459)
Derivative financial instruments	2,554,082	(2,440,917)	-	113,165
Cumulative interest rate risk	**(2,356,791)**	**(6,227,848)**	**(250,946)**	**(8,834,585)**

34 Financial instruments and associated risks *(continued)*

Interest rate risk table *(continued)*

Company **31 December 2023**	**Fixed** **US$'000**	**Floating** **US$'000**	**Non interest bearing** **US$'000**	**Total** **US$'000**
Assets	8,615,631	924,344	594,516	10,134,491
Liabilities	(3,793,767)	(5,443,528)	(446,980)	(9,684,275)
Derivative financial instruments	1,303,795	(1,289,406)	-	14,389
Cumulative interest rate risk	**6,125,659**	**(5,808,590)**	**147,536**	**464,605**

Interest rate risk table

Company **31 December 2022**	**Fixed** **US$'000**	**Floating** **US$'000**	**Non interest bearing** **US$'000**	**Total** **US$'000**
Assets	8,036,742	337,726	394,431	8,768,899
Liabilities	(5,180,705)	(2,800,543)	(410,890)	(8,392,138)
Derivative financial instruments	1,343,889	(1,301,458)	-	42,431
Cumulative interest rate risk	**4,199,926**	**(3,764,275)**	**(16,459)**	**419,192**

Sensitivity analysis

A change upwards of 100 basis points (bp) in interest rates and a change downwards of 50 basis points (bp) in interest rates at the reporting date would have increased/(decreased) profit or loss before tax and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

Group	**Profit or loss**		**Equity**	
31 December 2023	**100 bp increase** **US$'000**	**50 bp decrease** **US$'000**	**100 bp increase** **US$'000**	**50 bp decrease** **US$'000**
Impact on result	(50,180)	25,090	(43,907)	21,954

Group	**Profit or loss**		**Equity**	
31 December 2022	**100 bp increase** **US$'000**	**50 bp decrease** **US$'000**	**100 bp increase** **US$'000**	**50 bp decrease** **US$'000**
Impact on result	(28,850)	13,207	(25,243)	11,556

34 Financial instruments and associated risks *(continued)*

Interest rate risk *(continued)*

Company	Profit or loss		Equity	
	100 bp increase	**50 bp decrease**	**100 bp increase**	**50 bp decrease**
31 December 2023	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Impact on result	(34,735)	17,367	(30,393)	15,196

Company	Profit or loss		Equity	
	100 bp increase	**50 bp decrease**	**100 bp increase**	**50 bp decrease**
31 December 2022	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Impact on result	(22,750)	10,188	(19,906)	8,914

Currency risk

The principal assets and liabilities of the Group are denominated in US$ which is the functional currency of the Group. The Group and Company is exposed to currency risk on foreign currency loans drawn during the year ended 31 December 2023 which are fully hedged with cross currency swaps in place. The Group and Company is also exposed to currency risk on the Dublin and Hong Kong office leases and employee costs which are denominated in Euros and Hong Kong dollars.

Sensitivity analysis

A change upwards of 10% in the relevant foreign exchange rate (EUR) and a change downwards of 10% in the relevant foreign exchange rate (EUR) at the reporting date would have (decreased)/increased profit or loss before tax and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

Group and Company	Profit or loss		Equity	
	10% increase	**10% decrease**	**10% increase**	**10% decrease**
31 December 2023	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Impact on result	(298)	298	(261)	261

Group and Company	Profit or loss		Equity	
	10% increase	**10% decrease**	**10% increase**	**10% decrease**
31 December 2022	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Impact on result	(137)	137	(120)	120

34 Financial instruments and associated risks *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group might not have sufficient financial resources to meet its obligations as they fall due, or might have to do so at an excessive cost. The Group has funded a significant part of its operations with debt financing, comprising secured and unsecured bank loans and unsecured bonds. The ability of the Group to continue to operate is dependent upon its ability to meet its payment obligations under the respective loan agreements.

The Group has principal repayments due under these loans which fall due during the next 12-month period and has also committed to acquire and lease further aircraft. The Group intends to finance these obligations using a combination of operating cash flows, including proceeds from the sale of aircraft, and new capital raising. The Group's parent intends to provide support to these financing activities as required. Please refer to note 31 for undrawn credit lines available. The following are the contractual maturities of the Group's financial liabilities including undiscounted interest payments and excluding the impact of netting arrangements. The interest rates on the gross contractual cashflows are based on the floating interest rates at 31 December 2023.

Group – 2023	**Carrying amount US$'000**	**Gross contractual cash flows US$'000**	**Less than one year US$'000**	**One to five years US$'000**	**More than five years US$'000**
Guaranteed unsecured notes issued	927,173	1,003,904	564,035	439,869	-
Loans and borrowings	9,303,165	10,235,787	4,435,288	4,817,304	983,195
Trade and other payables	261,019	261,019	260,829	190	-
Other creditors	586,308	586,308	37,929	212,227	336,152
Lease liability	22,704	29,226	3,403	10,768	15,055
Total	**11,100,369**	**12,116,244**	**5,301,484**	**5,480,358**	**1,334,402**

Company - 2023	**Carrying amount US$'000**	**Gross contractual cash flows US$'000**	**Less than one year US$'000**	**One to five years US$'000**	**More than five years US$'000**
Loans and borrowings	9,220,170	10,008,147	4,804,536	4,220,421	983,190
Trade and other payables	427,867	427,867	427,677	190	-
Other creditors	19,113	19,113	18,865	248	-
Lease liability	17,125	23,152	1,644	6,576	14,932
Total	**9,684,275**	**10,478,279**	**5,252,722**	**4,227,435**	**998,122**

Group - 2022	**Carrying amount US$'000**	**Gross contractual cash flows US$'000**	**Less than one year US$'000**	**One to five years US$'000**	**More than five years US$'000**
Guaranteed unsecured notes issued	1,924,429	2,050,891	1,048,336	1,002,555	-
Loans and borrowings	7,184,990	7,839,529	3,580,266	3,479,780	779,483
Trade and other payables	167,357	167,357	167,357	-	-
Other creditors	475,823	475,823	48,116	177,106	250,601
Lease liability	19,860	26,497	3,352	7,235	15,910
Total	**9,772,459**	**10,560,097**	**4,847,427**	**4,666,676**	**1,045,994**

34 Financial instruments and associated risks *(continued)*

Company - 2022	**Carrying amount US$'000**	**Gross contractual cash flows US$'000**	**Less than one year US$'000**	**One to five years US$'000**	**More than five years US$'000**
Loans and borrowings	7,965,152	8,305,634	6,022,070	1,823,974	459,590
Trade and other payables	390,279	390,279	390,001	278	-
Other creditors	19,810	19,810	18,353	1,457	-
Lease liability	16,897	23,306	1,545	6,181	15,580
Total	**8,392,138**	**8,739,029**	**6,431,969**	**1,831,890**	**475,170**

Fair value of financial assets and financial liabilities

The carrying value and fair value of the Group's financial assets and financial liabilities by class and category were as follows:

Group	**Carrying value 31 December 2023 US$'000**	**Fair value 31 December 2023 US$'000**
Assets:		
Investments at fair value through Profit and Loss	8,920	8,920
Derivative financial instruments	66,644	66,644
Total	**75,564**	**75,564**
Liabilities:		
Guaranteed unsecured notes issued	927,173	923,146
Loans and borrowings	9,303,165	9,511,078
Derivative financial instruments	1,001	1,001
Total	**10,231,339**	**10,435,225**

34 Financial instruments and associated risks *(continued)*

Fair value of financial assets and financial liabilities *(continued)*

Group	**Carrying value 31 December 2022**	**Fair value 31 December 2022**
Assets:	**US$'000**	**US$'000**
Investments at fair value through Profit and Loss	7,200	7,200
Derivative financial instruments	113,165	113,165
Total	**120,365**	**120,365**
Liabilities:		
Guaranteed unsecured notes issued	1,924,429	1,903,134
Loans and borrowings	7,184,990	7,343,236
Total	**9,109,419**	**9,246,370**

For cash and cash equivalents, trade and other receivables, trade and other payables, finance lease receivables and other creditors, their fair values approximate their carrying amount due to either their short-term maturity or because the interest rate charged closely approximates market interest rates or that the financial instruments have been discounted to their fair value at a current pre-tax interest rate.

The determination of fair value for financial instruments not traded in active markets relies on alternative valuation methodologies. These methods prioritize the utilisation of observable market data wherever feasible, minimising reliance of entity-specific estimates. Instruments are categorised as level 2 if all key inputs necessary for fair valuation are observable. The Group employees a valuation approach centred around discounted cash flows, utilising prevailing market rates adjusted for credit risk.

34 Financial instruments and associated risks *(continued)*

Fair value of financial assets and financial liabilities *(continued)*

The carrying value and fair value of the Company's financial assets and financial liabilities by class and category were as follows:

Company	Carrying value 31 December 2023	Fair value 31 December 2023
Assets:	**US$'000**	**US$'000**
Investments at fair value through Profit and Loss	8,920	8,920
Derivative financial instruments	15,390	15,390
Total	**24,310**	**24,310**
Liabilities:		
Loans and borrowings	9,220,170	9,381,985
Derivative financial instruments	1,001	1,001
Total	**9,221,171**	**9,382,986**

Company	Carrying value 31 December 2022	Fair value 31 December 2022
Assets:	**US$'000**	**US$'000**
Investments at fair value through Profit and Loss	7,200	7,200
Derivative financial instruments	42,431	42,431
Total	**49,631**	**49,631**
Liabilities:		
Loans and borrowings	7,965,152	8,067,794
Total	**7,965,152**	**8,067,794**

The fair values of the derivative financial instruments represent amounts payable to or receivable from the swap counterparties should the swaps be terminated at the year end date. The calculation of the value of the swaps is a function of time and movement in interest rates and credit spreads.

34 Financial instruments and associated risks *(continued)*

Fair value of financial assets and financial liabilities *(continued)*

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

At 31 December 2023

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Assets				
Interest rate swaps	-	66,644	-	-
Equity Investments at fair value through Profit and Loss	1,971	-	-	-
Debt Investments at fair value through Profit and Loss	6,949	-	-	-
Total Assets	**8,920**	**66,644**	-	-
Liabilities				
Interest rate swaps	-	1,001	-	-
Total Liabilities	-	**1,001**	-	-

At 31 December 2023

Company	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Assets				
Interest rate swaps	-	15,390	-	-
Equity Investments at fair value through Profit and Loss	1,971	-	-	-
Debt Investments at fair value through Profit and Loss	6,949	-	-	-
Total Assets	**8,920**	**15,390**	-	-
Liabilities				
Interest rate swaps		1,001		
Total Liabilities	-	**1,001**	-	-

34 Financial instruments and associated risks *(continued)*

Fair value of financial assets and financial liabilities *(continued)*
At 31 December 2022

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Assets				
Interest rate swaps	-	113,165	-	-
Equity Investments at fair value through Profit and Loss	-	1,364	-	-
Debt Investments at fair value through Profit and Loss	-	5,836	-	-
Total Assets	**-**	**120,365**	**-**	**-**
Liabilities				
Interest rate swaps	-	-	-	-
Total Liabilities	-	-	-	-

At 31 December 2022

Company	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Assets				
Interest rate swaps	-	63,654	-	-
Equity Investments at fair value through Profit and Loss	-	1,364	-	-
Debt Investments at fair value through Profit and Loss	-	5,836	-	-
Total Assets	**-**	**70,854**	**-**	**-**
Liabilities				
Interest rate swaps	-	-	-	-
Total Liabilities	-	-	-	-

34 Financial instruments and associated risks *(continued)*

Fair value of financial assets and financial liabilities *(continued)*

The Group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. The levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair values are estimated as follows:

Interest rate swaps fall within Level 2 - discounted cash flow analysis using observable market inputs.

Debt and Equity Investments at fair value through Profit and Loss fall within Level 1. These were initially classified as Level 2, but they were transferred to Level 1 during 2023. This transfer occurred because an active market for identical assets emerged, allowing quoted prices to be derived. Therefore, the assets now meet the criteria for Level 1 classification, which signifies the highest degree of observability in terms of fair value measurement.

35 **Reconciliation to the statement of cashflows** *(a) Reconciliation of cashflows from Operating activities*	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**	**Group 31 December 2022 US$'000**	**Company 31 December 2022 US$'000**
Profit/(loss) before tax	66,042	28,809	(244,316)	105,136
Amortisation of arrangement fee	6,514	4,957	6,181	9,209
Amortisation of note arrangement costs	2,744	-	5,641	-
Amortisation on lease incentive asset and lease deficit	15,212	-	30,171	-
Depreciation and amortisation	463,008	5,003	443,960	4,966
Impairment of aircraft assets	131,053	-	418,207	-
Expected credit losses on trade and other receivables	26,434	(625)	(9,489)	505
Gain on reclassification to finance lease	-		(2,379)	-
Profit on sale of aircraft	14,638	-	(65,194)	(22,590)
Fair value movement on derivatives	(866)	(866)	(22,590)	-
Fair value movement on investment on debt and equity securities	(639)	(639)		
Increase/decrease in maintenance reserves	53,999	-	84,962	-
Interest expense	516,243	460,663	278,872	234,511
Interest income	(95,978)	(488,154)	(7,333)	(321,259)
Effect of changes in foreign exchange rate	2,983	3,711	(1,372)	2,019
Decrease/(increase) in debtors	54,282	(316,273)	(52,270)	(1,082,781)
Increase in creditors	140,772	17,173	36,710	30,991
Cash flows from operating activities	**1,396,441**	**(286,241)**	**899,761**	**(1,039,293)**

b) Reconciliation of cashflows from Financing activities

Cash inflow (outflow) from financing activities	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**	**Group 31 December 2022 US$'000**	**Company 31 December 2022 US$'000**
Loans received	6,251,889	6,251,889	5,635,000	5,635,000
Loans repaid	(4,130,165)	(4,991,765)	(3,858,339)	(4,481,000)
Notes repaid	(1,000,000)	-	(1,120,000)	-
Interest paid	(423,687)	(442,891)	(262,768)	(222,470)
Arrangement fees paid	(10,063)	(10,063)	(6,806)	(6,806)
Lease liability payments	(3,021)	(1,218)	(3,298)	(1,572)
Total changes from financing cashflows	**684,953**	**805,952**	**383,789**	**923,152**

35 Reconciliation to the statement of cashflows *(continued)*

b) Reconciliation of cashflows from Financing activities (continued)

Non-cash related financing liabilities	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Accrued interest for the year	440,562	460,663	278,872	234,511
Amortisation of arrangement fee	6,514	4,957	6,181	9,209
Amortisation of note arrangement cost	2,744	-	5,641	-
Lease remeasurement	3,892	(392)	-	-
Effect of changes in foreign exchange rate	1,055	1,054	(1,635)	(1,627)
Total non-cash related other changes	**454,767**	**466,282**	**289,059**	**242,093**
Balance of financing liabilities at the beginning of the year	**9,168,479**	**7,998,481**	**8,495,631**	**6,833,236**
Balance of financing liabilities at the end of the year	**10,308,199**	**9,270,715**	**9,168,479**	**7,998,481**

Financing liabilities includes Loans and borrowings, Notes issued, Accrued interest, and Lease liability.

36 Retained earnings

	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000	Group 31 December 2022 US$'000	Company 31 December 2022 US$'000
Retained earnings at beginning of year	61,699	411,060	302,013	306,180
Profit/(loss) for the financial year	60,501	33,525	(231,007)	104,880
Transfer to General Reserve*	(22,118)	-	(9,307)	-
Retained earnings at end of year	**100,082**	**444,585**	**61,699**	**411,060**

*A General Reserve was created, representing 1.5% of Risky Assets (calculated as total assets excluding cash with related parties and intercompany balances). These reserves cannot be used to support a dividend, but can offset retained losses. The balance is US$176,852k for 2023 (2022: US$154,734k).

37 Hedging reserve	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**	**Group 31 December 2022 US$'000**	**Company 31 December 2022 US$'000**
Balance at beginning of year	92,663	30,771	(53,179)	(24,501)
Movements in unrealised (loss) / profit arising from cash flow hedging instrument	(48,389)	(28,909)	166,677	63,168
Deferred tax movement arising from unrealized loss / (gain) on hedging instrument	6,049	3,614	(20,835)	(7,896)
Closing balance	**50,323**	**5,476**	**92,663**	**30,771**

38 Group membership and control

The Company is a wholly owned subsidiary company of China Development Bank Financial Leasing Co., Limited ("CDB Leasing"), a company registered in China. The financial results of CDB Aviation Lease Finance Designated Activity Company are included in the consolidated financial statements of CDB Leasing and in the consolidated financial statements of its ultimate parent, China Development Bank ("CDB"). The consolidated financial statements of CDB Leasing are available to the public and may be obtained from CDB Leasing, CDB Financial Center, No. 2003, Fuzhong Third Road, Futian District, Shenzhen, People's Republic of China (Post code: 518038) and from www.cdb-leasing.com. The consolidated financial statements of CDB are also available to the public and may be obtained from CDB, No. 18 Fuxingmennei Street, Xicheng District, Beijing 100031, China, and from www.cdb.com.cn.

Notes
Forming part of the financial statements

39 Related party transactions

The Group has received loans and entered into interest rate swap agreements with its ultimate parent, China Development Bank ("CDB").

The Company has provided short term intercompany loans to its subsidiaries and has received short term intercompany loans from its subsidiaries. The Company and Group have provided loans to fellow subsidiaries of CDB. Service fee income was recognised from all entities which the group act as servicer.

Statement of comprehensive income	**Group Year ended 31 December 2023 US$'000**	**Company Year ended 31 December 2023 US$'000**	**Group Year ended 31 December 2022 US$'000**	**Company Year ended 31 December 2022 US$'000**
Income:				
Service fee income	10,667	56,692	11,070	56,269
Interest income on loans from CDB Aviation Group companies (see note 7)	-	348,948	-	315,378
Interest rate swap income from CDB AH	859	-	-	-
Expense:				
Loan interest expense to CDB Leasing Group	123,836	170,110	51,667	143,375
Interest rate swap expense from CDB AH	-	11,374	286	1,654
Handling fee expense	-	120	-	-

Statement of financial position	**Group Year ended 31 December 2023 US$'000**	**Company Year ended 31 December 2023 US$'000**	**Group Year ended 31 December 2022 US$'000**	**Company Year ended 31 December 2022 US$'000**
Assets:				
Cash and cash equivalents (note 18)	26	8	31	13
Service fee income receivable (note 21)	9,571	3,780	9,859	2,884
Intercompany receivable (see note 21)	-	375,520	-	129,974
Intercompany loans (see note 23)	-	8,606,711	-	8,036,742
Loan to CDB Aviation Group companies (see note 23)	-	-	-	-
Interest receivable from CDB Aviation Group companies (see note 21)	-	214,335	-	219,362

Notes
Forming part of the financial statements (continued)

39 Related party transactions *(continued)*

Statement of financial position	**Group Year ended 31 December 2023**	**Company Year ended 31 December 2023**	**Group Year ended 31 December 2022**	**Company Year ended 31 December 2022**
Liabilities:	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Funds owed to CDBL Funding 1 (see note 31)	-	(927,168)	-	(1,924,430)
Funds owed to GY Malta (see note 31)	-	(2,100,000)	-	(2,150,000)
Loans and borrowings from CDB Leasing Group	(2,100,000)	-	(2,478,700)	(300,000)
Loan interest payable to CDB Leasing Group (see note 29)	(16,306)	-	(14,488)	(1,267)
Intercompany payable to Group (see note 29)	(120,251)	(377,366)	(81,073)	(360,452)

During the year, the Group acquired two aircraft from a related party for a total purchase price of US$47.5m (2022: Nil) and sold one aircraft to a related party for a sale price of US$52.9m. (2022: Nil).

Transactions with key management personnel
There were no transactions and there are no outstanding balances relating to key management personnel and/or entities over which they have control or significant influence.

Remuneration of key management personnel
The remuneration of the key management personnel of the Group, which includes directors, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

	Group Year ended 31 December 2023	**Group Year ended 31 December 2022**
	US$'000	**US$'000**
Salaries and other short-term employee benefits	6,348	4,147
Post-employment benefits	-	1,846
Other long-term benefits	477	1,681
Total	**6,825**	**7,674**

The Directors of the Group include Alan Geraghty who is a director of Wilmington Trust SP Services (Dublin) Limited ("Wilmington") during the year. During the year the Group paid for services to the value of US$263k (2022: US$306k) from Wilmington. Out of the total fees paid to Wilmington, it is estimated that US$125k (2022: US$115k) relates to making available of individuals to act as directors of the Group. These services were provided under normal commercial terms.

39 Related party transactions *(continued)*

This is in accordance with the provision of Sections 305A of the Companies Act 2014 (as amended), that the considerations paid, is paid to the Administrator for making available the services of directors of the Group. The terms of the corporate service agreement provide for a single fee for the provision of corporate services (including the making available of individuals to act as directors of the Group). As a result, the allocation of fees for directorship is a subjective calculation. There was nil outstanding at year end (2022: nil). Alan Geraghty does not (and will not), in his personal capacity or any other capacity, receive any fee for acting or having acted as director of the Group.

40 Commitments and contingencies

The Group intends to further develop the business during 2024. As at 31 December 2023 the Group, jointly with its sole shareholder, China Development Bank Financial Leasing Co., Limited, is committed to purchase a further thirty five Boeing aircraft and forty four Airbus aircraft. These aircraft are scheduled to deliver between 2024 and 2027. The Group also has contractual commitments to acquire a further five aircraft under sale and leaseback and three aircraft under portfolio acquisition transactions. The aggregate of these commitments, including pre-delivery payments, at manufacturer list prices for purchases from Boeing, Airbus and under sale and leaseback and at estimated purchase prices for portfolio acquisition transactions is US$10,441m.

The Group will continue to pursue opportunistic transactions to buy and sell aircraft to manage the composition of its portfolio. It also plans to raise additional capital in 2024, with support from its parent company, to finance both the new aircraft additions and to refinance maturing debt.

41 Outsourced services

During part of the year certain administrative/administration tasks were outsourced to Wilmington Trust SP Services (Dublin) Limited under a Service Agreement. The Company has outsourced company secretarial functions to Matsack Trust Limited and MHC Corporate Services Limited under a Service Agreement. An annual fee is paid to Wilmington Trust SP Services (Dublin) Limited and Matsack Trust Limited in order to carry out these functions.

42 Company statement of comprehensive income

The Company has availed of the exemption under Section 304 of the Companies Act 2014 from the requirement to present a separate Company statement of comprehensive income. Of the consolidated profit for the financial year, a profit after tax of US$34m (2022: US$105m) is dealt with in the statement of comprehensive income of the Company.

43 Subsequent events

No significant event affecting the Company have occurred since 31 December 2023 which require adjustment to or disclosure in the financial statements.

44 Approval of financial statements

The Directors approved these financial statements on 27 March 2024.

Appendix A CDB Aviation Lease Finance DAC

Company Statement of Comprehensive Income

Does not form part of the statutory financial statements

	Note	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Turnover - operating income	1	75,692	69,158
Operating income		**75,692**	**69,158**
Operating expenses	2	(62,007)	(57,441)
Depreciation		(5,003)	(4,966)
Impairment		(201)	(505)
Expenses		**(67,211)**	**(62,912)**
Net operating income/(expense)		**8,481**	**6,246**
Finance income	3	488,154	321,259
Finance expense	4	(469,331)	(244,959)
Fair value movement on investments		639	-
Fair value movement on derivative financial instruments		866	22,590
Net finance income		**20,328**	**98,890**
Profit before tax		**28,809**	**105,136**
Taxation credit/(charge)	5	4,716	(256)
Profit for the financial year		**33,525**	**104,880**

Notes

1 Turnover-operating income	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Aircraft rental income	2,772	2,772
Other revenue	4,326	1,153
Service fee income	68,594	65,233
Management fee income	-	-
Total	**75,692**	**69,158**

2 Operating expenses	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Intercompany service fee	12,023	8,963
Office rent	351	235
Entertainment	178	155
Travel expense	1,914	1,632
Employee costs	24,900	24,492
Recruitment costs	5	334
Third party agency expenses	10,028	11,874
Consulting expense	1,655	616
Legal expense	7,096	3,156
Other expenses	3,857	5,984
Total	**62,007**	**57,441**

3 Finance income	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Interest income	18,063	5,881
Distribution from CDB Group companies	66,841	-
Interest income on loans to CDB Group companies	350,987	315,378
Interest income on investment in debt securities	1,081	-
Interest rate swap income	51,182	-
Total	**488,154**	**321,259**

4 Finance expense

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Loan interest expense	443,042	227,025
Interest rate swap expense	12,735	5,687
Loan arrangement/commitment fees	9,059	10,229
Interest expense on lease liabilities	784	779
Foreign exchange gain	3,711	1,239
Total	**469,331**	**244,959**

5 Taxation

	Year ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Irish corporation tax charge	48	26
Deferred tax charge/(credit)	(4,764)	230
Total tax charge/(credit)	**(4,716)**	**256**
Reconciliation of effective tax rate:		
Profit before tax	28,809	105,136
Tax charge/(credit) at 12.5%	3,601	13,142
Effect of:		
Non deductable expense	108	148
Prior year (over) / under provision	(219)	44
Income taxable at a different rate	(8,231)	-
Group relief (claimed)/surrendered	-	(13,103)
Withholding Income Tax	25	25
Total tax charge/(credit)	**(4,716)**	**256**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CDB AVIATION LEASE FINANCE DESIGNATED ACTIVITY COMPANY

Report on the audit of the financial statements

Opinion

We have audited the financial statements of CDB Aviation Lease Finance Designated Activity Company ('the Company') and its subsidiaries ('the Group') for the year ended 31 December 2024, which comprise the Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and notes to the financial statements, including the material accounting policy information set out in note 3. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2024 and of its profit for the year then ended;
- the Company financial statements give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2024;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CDB AVIATION LEASE FINANCE DESIGNATED ACTIVITY COMPANY (continued)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Company's ability to continue as a going concern.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' report and the Statement of directors' responsibilities. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2014

In our opinion, based solely on the work undertaken in the course of the audit, we report that:

- the information given in the directors' report is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company statement of financial position is in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CDB AVIATION LEASE FINANCE DESIGNATED ACTIVITY COMPANY (continued)

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures required by sections 305 to 312 of the Act, which relate to disclosures of directors' remuneration and transactions are not complied with by the Company. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework that give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: https://iaasa.ie/wp-content/uploads/docs/media/IAASA/Documents/audit-standards/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Patrick O'Driscoll

Patrick O'Driscoll
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Dublin

Date: 27 March 2025

CDB Aviation Lease Finance DAC and subsidiaries

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	31 December 2024 US$'000	31 December 2023 US$'000
ASSETS			
Non-current assets			
Aircraft	14	10,842,473	10,105,123
Finance lease assets	27	73,622	57,577
Property, plant and equipment	16	5,289	5,518
Intangible assets	15	105,249	131,946
Investments at fair value through Profit or Loss	33	27,124	8,920
Trade and other receivables	21	181,249	158,994
Pre-delivery payments	24	-	47,676
Derivative financial instruments	11	48,766	59,205
Right of use asset	17	17,121	19,717
Other assets	22	78,545	80,471
Total non-current assets		**11,379,438**	**10,675,147**
Current assets			
Trade and other receivables	21	56,296	61,700
Finance lease assets	27	14,763	5,171
Derivative financial instruments	11	4,466	7,439
Pre-delivery payments	24	113,091	79,869
Cash and cash equivalents	18	379,884	937,463
Other assets	22	39,673	32,935
Assets held-for-sale	19	6,100	-
Total current assets		**614,273**	**1,124,577**
TOTAL ASSETS		**11,993,711**	**11,799,724**
EQUITY AND LIABILITIES			
EQUITY			
Called up share capital	25	173,288	173,288
Share premium		64	64
Merger reserve	26	(193)	(193)
Hedging reserve	37	42,561	50,323
General reserve	36	176,852	176,852
Retained earnings	36	108,752	100,082
TOTAL EQUITY		**501,324**	**500,416**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	13	70,450	74,281
Notes issued	32	398,420	397,869
Loans and borrowings	31	5,579,944	5,284,639
Intangible liabilities	15	10,208	-
Other creditors	28	560,961	548,379
Derivative financial instruments	11	5,826	1,001
Trade and other payables	29	62,360	47,907
Lease liability	30	17,133	20,286
Total non-current liabilities		**6,705,302**	**6,374,362**
Current liabilities			
Trade and other payables	29	353,844	336,769
Notes issued	32	-	529,304
Loans and borrowings	31	4,263,107	4,018,526
Other creditors	28	166,957	37,929
Lease liability	30	2,567	2,418
Liabilities held-for-sale	19	610	-
Total current liabilities		**4,787,085**	**4,924,946**
TOTAL LIABILITIES		**11,492,387**	**11,299,308**
TOTAL EQUITY AND LIABILITIES		**11,993,711**	**11,799,724**

The accompanying notes on pages 18 to 83 form an integral part of these financial statements.

On behalf of the board on 27 March 2025.

Jie Chen
Director

Yu Chen
Director

CDB Aviation Lease Finance DAC and subsidiaries

Company Statement of Financial Position

As at 31 December 2024

	Note	31 December 2024 US$'000	31 December 2023 US$'000
ASSETS			
Non-current assets			
Investment in subsidiaries	20	25,071	25,071
Investments at fair value through Profit or Loss	33	27,124	8,920
Aircraft	14	30,758	33,827
Property, plant and equipment	16	5,181	5,494
Intangible assets	15	1,588	1,668
Deferred tax asset	13	5,325	-
Pre-delivery payments	24	-	35,099
Derivative financial instruments	11	25,014	7,951
Other assets	22	22	19
Right of use asset	17	13,340	14,360
Total non-current assets		**133,423**	**132,409**
Current assets			
Trade and other receivables	21	681,767	597,173
Loans and receivables	23	9,218,081	8,606,711
Derivative financial instruments	11	339	7,439
Pre-delivery payments	24	2,774	38,575
Other assets	22	3,100	2,848
Cash and cash equivalents	18	345,386	924,344
Total current assets		**10,251,447**	**10,177,090**
TOTAL ASSETS		**10,384,870**	**10,309,499**
EQUITY AND LIABILITIES			
EQUITY			
Called up share capital	25	173,288	173,288
Share premium		64	64
Hedging reserve	37	18,485	5,476
Retained earnings	36	380,127	444,585
TOTAL EQUITY		**571,964**	**623,413**
LIABILITIES			
Non-current liabilities			
Trade and other payables	29	150	190
Loans and borrowings	31	5,558,671	4,769,525
Deferred tax liability	13	-	471
Other creditors	28	684	248
Derivative financial instruments	11	5,826	1,001
Lease liability	30	14,739	16,233
Total non-current liabilities		**5,580,070**	**4,787,668**
Current liabilities			
Trade and other payables	29	490,471	428,016
Other creditors	28	6,594	18,865
Loans and borrowings	31	3,734,873	4,450,645
Lease liability	30	898	892
Total current liabilities		**4,232,836**	**4,898,418**
TOTAL LIABILITIES		**9,812,906**	**9,686,086**
TOTAL EQUITY AND LIABILITIES		**10,384,870**	**10,309,499**

As permitted by section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its separate SCI in the Financial Statements and from filing it with the Registrar of Companies. The Company's loss after tax for the financial year is US$64.5m (2023: profit of US$33.5m). The accompanying notes on pages 18 to 83 form an integral part of these financial statements.

On behalf of the board on 27 March 2025.

Jie Chen
Director

Yu Chen
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Lease revenue and other income	**4**	1,048,795	1,248,928
Profit / (loss) on sale of aircraft	**10**	11,276	(14,638)
Operating income		**1,060,071**	**1,234,290**
Operating expenses	**5**	(111,813)	(115,927)
Depreciation and amortisation	**14-17**	(497,343)	(463,008)
Impairment of aircraft assets	**14**	(23,367)	(131,053)
Reversal / (charge) of expected credit losses	**34**	79,703	(27,259)
Expenses		**(552,820)**	**(737,247)**
Net operating income		**507,251**	**497,043**
Interest income calculated using effective interest method	**7**	20,470	19,216
Other interest and similar income	**7, 33**	54,109	76,762
Finance expense	**8**	(573,394)	(528,484)
Fair value movement on investments	**33**	1,918	639
Fair value movement on derivative financial instruments	**11**	(3,279)	866
Net finance and other expenses		**(500,176)**	**(431,001)**
Profit before tax		**7,075**	**66,042**
Taxation benefit / (charge)	**12**	1,595	(5,541)
Profit for the financial year		**8,670**	**60,501**
Other Comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Net losses on cashflow hedge derivatives	**9**	(7,762)	(42,340)
Total comprehensive income for the financial year		**908**	**18,161**

All the results of the Group derive from continuing operations.

The accompanying notes on pages 18 to 83 form an integral part of these financial statements.

CDB Aviation Lease Finance DAC and subsidiaries
Consolidated Statement of Cash Flows
For the year ended 31 December 2024

	Note	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Cash flows from operating activities	**35**	1,223,555	1,396,441
Taxation received		1	253
Taxation paid		(631)	(249)
Net cash inflow from operating activities		**1,222,925**	**1,396,445**
Cash flows from investing activities			
Restricted cash	**18**	2,119	5,468
Purchase of aircraft	**14**	(1,389,724)	(1,564,041)
Sale of aircraft	**14**	207,730	113,134
Purchase of property, plant and equipment	**16**	(286)	(102)
Purchase of intangible assets	**15**	(421)	(654)
Pre-delivery costs paid	**24**	(65,415)	(127,545)
Interest received	**7**	18,224	18,103
Finance lease assets capital receipts	**27**	14,063	5,952
Net cash (outflow) from investing activities		**(1,213,710)**	**(1,549,685)**
Cash flow from financing activities			
Loans received	**31**	8,276,086	6,251,889
Loans repaid	**31**	(7,728,008)	(4,130,165)
Shares issued	**25**	-	123,288
Notes repaid	**32**	(530,000)	(1,000,000)
Interest paid		(569,998)	(499,369)
Arrangement fees paid	**31**	(9,371)	(10,063)
Lease liability payments	**30**	(3,384)	(3,021)
Net cash inflow from financing activities	**35**	**(564,675)**	**732,559**
Net increase/(decrease)		**(555,460)**	**579,319**
Unrestricted cash at beginning of year	**18**	**933,740**	**354,421**
Unrestricted cash at end of year	**18**	**378,280**	**933,740**

The accompanying notes on pages 18 to 83 form an integral part of these financial statements.

CDB Aviation Lease Finance DAC and subsidiaries

Company Statement of Cash Flows

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Cash flows from operating activities	**35**	(159,226)	(286,241)
Taxation received		1	-
Taxation paid		(24)	(25)
Net cash inflow/(outflow) from operating activities		**(159,249)**	**(286,266)**
Cash flows from investing activities			
Restricted cash	**18**	226	(226)
Purchase of property, plant and equipment	**16**	(169)	(91)
Purchase of intangible assets	**15**	(418)	(654)
Pre-delivery costs (paid) / reimbursed	**24**	(2,774)	(73,674)
Interest received		18,143	18,063
Net cash inflow /(outflow) from investing activities		**15,008**	**(56,582)**
Cash flow from financing activities			
Loans received	**31**	8,242,085	6,251,889
Loans repaid	**31**	(8,159,078)	(4,991,765)
Shares issued	**25**	-	123,288
Interest paid		(505,819)	(442,891)
Arrangement fees paid	**31**	(10,055)	(10,063)
Lease liability payments	**30**	(1,624)	(1,218)
Net cash (outflow)/inflow from financing activities	**35**	**(434,491)**	**929,240**
Net (decrease)/increase		**(578,732)**	**586,392**
Unrestricted cash at beginning of year	**18**	**924,118**	**337,726**
Unrestricted cash at end of year	**18**	**345,386**	**924,118**

The accompanying notes on pages 18 to 83 form an integral part of these financial statements.

CDB Aviation Lease Finance DAC and subsidiaries

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

Year ended 31 December 2024	Note	Total equity	Hedging reserve	Merger reserve	Share capital/ premium*	General reserve	Retained earnings
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2024		**500,416**	**50,323**	**(193)**	**173,352**	**176,852**	**100,082**
Other comprehensive income - hedging reserve, net of tax	**37**	(7,762)	(7,762)	-	-	-	-
Profit for the financial year	**36**	8,670	-	-	-	-	8,670
Balance at 31 December 2024		**501,324**	**42,561**	**(193)**	**173,352**	**176,852**	**108,752**

Year ended 31 December 2023	Note	Total equity	Hedging reserve	Merger reserve	Share capital/ premium*	General reserve	Retained earnings
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2023		**358,967**	**92,663**	**(193)**	**50,064**	**154,734**	**61,699**
Other comprehensive income - hedging reserve, net of tax	**37**	(42,340)	(42,340)	-	-	-	-
Profit for the financial year	**36**	60,501	-	-	-	-	60,501
Transfer to general reserve	**36**	-	-	-	-	22,118	(22,118)
Issuance of shares	**25**	123,288	-	-	123,288	-	-
Balance at 31 December 2023		**500,416**	**50,323**	**(193)**	**173,352**	**176,852**	**100,082**

* Share capital/Premium included a Share premium balance of US$64k. (2023:US$64k)

The accompanying notes on pages 18 to 83 form an integral part of these financial statements.

CDB Aviation Lease Finance DAC and subsidiaries

Company Statement of Changes in Equity
For the year ended 31 December 2024

Year ended 31 December 2024	**Note**	**Total equity**	**Hedging reserve**	**Share capital/ premium***	**Retained earnings**
		US$'000	**US$'000**	**US$'000**	**US$'000**
Balance at 1 January 2024		**623,413**	**5,476**	**173,352**	**444,585**
Profit for the financial year	**36**	(64,458)	-	-	(64,458)
Other comprehensive gain - hedging reserve, net of tax	**37**	13,009	13,009	-	-
Balance at 31 December 2024		**571,964**	**18,485**	**173,352**	**380,127**

Year ended 31 December 2023	**Note**	**Total equity**	**Hedging reserve**	**Share capital/ premium***	**Retained earnings**
		US$'000	**US$'000**	**US$'000**	**US$'000**
Balance at 1 January 2023		**491,895**	**30,771**	**50,064**	**411,060**
Profit for the financial year	**36**	33,525	-	-	33,525
Other comprehensive loss - hedging reserve, net of tax	**37**	(25,295)	(25,295)	-	-
Issuance of shares	**25**	123,288	-	123,288	-
Balance at 31 December 2023		**623,413**	**5,476**	**173,352**	**444,585**

* Share capital/Premium included a Share premium balance of US$64k. (2023:US$64k)

The accompanying notes on pages 18 to 83 form an integral part of these financial statements.

Notes
Forming part of the financial statements

1 Corporate information

CDB Aviation Lease Finance Designated Activity Company is a single member private company limited by shares. The Company is domiciled in Ireland with a registration number of 472612 and its registered office is 1GQ, George's Quay, Dublin 2, Ireland.

The financial statements comprise the results of the Company and its subsidiaries (together the "Group") and have been prepared on the going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014. The principal activity of the Group is the purchase, sale, financing, leasing and subleasing of aircraft.

2 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group (see (ii)).

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The consolidated financial statement have been prepared using uniform accounting policies for transactions and other events in similar circumstances.

2 Basis of consolidation *(continued)*

(iii) Loss of control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity investment.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3 Basis of preparation and material accounting policy information

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU (together "IFRS") and have been prepared in accordance with the Companies Act 2014.

Functional and presentation currency

The financial statements are presented in US Dollars ("US$") which is the Group and Company's functional and presentation currency. The Directors of the Company believe that US$ most faithfully represents the economic effects of the underlying transactions, events and conditions.

Accounting policies

The accounting policies set out below have been applied consistently in dealing with items which are considered material in relation to the Group and Company financial statements which permits a Company that publishes its Group and Company financial statements together to take advantage of the exemption in section 304(2) of the Companies act 2014, from presenting to its members its Company income statement and related notes that form part of the approved company financial statements.

New standards and required amendments adopted in the year ended 31 December 2024

The following amendments were adopted by the Group for the first time in the current financial reporting period:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The adoption of these amendments did not have any material impact on the Group's financial position or performance.

3 Basis of preparation and material accounting policy information (continued)

New standards and interpretations not yet effective that have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2025, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early; instead it will apply them from their effective dates as determined by their dates of EU endorsement. The Group is still reviewing the impact of the upcoming standards to determine their impact.

Description	**Effective date**
Lack of exchangeability – Amendments to IAS 21	1 January 2025
Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	1 January 2026*
Annual Improvements to IFRS Accounting Standards—Volume 11	1 January 2026*
Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7	1 January 2026*
IFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027*
IFRS 19 - Subsidiaries without Public Accountability: Disclosures	1 January 2027*
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	Indefinitely postponed by IASB

* IASB effective dates

3 Basis of preparation and material accounting policy information *(continued)*

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. In particular, the judgements and assumptions involved in the Group and Company's accounting policies which have the most significant effect on the amounts recognised in the Financial Statements are as follows:

Estimates
Aircraft
The Group and Company have key assumptions around the valuation, residual value and useful economic life of the aircraft. Residual values of aircraft for the Group and Company does not exceed 15% of the original cost of the aircraft (2023: 15%). Aircraft are depreciated on a straight line basis over 25 years for new generation aircraft (2023: 25 years) and 20 years for the older generation fleet (2023: 20 years). Buyer furnished equipment (BFE) on new generation widebody aircraft is depreciated over the life of the lease (2023: Life of the lease) to a residual value of nil (2023: nil).

For freighter aircraft, Residual values of aircraft for the Group and Company are determined based on 15% of the original cost of the aircraft (2023: 15%). Freighter aircraft are depreciated on a straight line basis over 30 years (2023: 30 years). There were five freighter aircraft in 2024 (2023: five).

For the purpose of recognition and measurement of an impairment loss, if it is determined that a test for impairment is required, each aircraft is tested individually by comparing its carrying amount to the higher of its value in use and fair value less costs to sell. See note 14 for further analysis of impairment within the Group and Company.

3 Basis of preparation and material accounting policy information *(continued)*

Significant accounting judgements, estimates and assumptions *(continued)*

Aircraft (continued)
Value in use is determined as the total discounted cash flows expected to be generated by an aircraft in the future. The estimated cash flows are discounted to their present value by using a pre-tax discount rate of 5.96% (2023: 6.80%) that reflects current market assumptions of the time value of money and the risks specific to the asset in question. Fair value less costs to sell are determined by the Group based on the most relevant of observable market information, forecast cash flows or appraised values. In cases where the carrying value of the aircraft exceeded the higher of value in use and fair value less costs to sell, an impairment charge was recognised.

Provision for expected credit losses
The impairment provisions for accounts receivable, finance lease receivables and loan and receivables under IFRS 9 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period. See note 34 for further analysis.

Judgements
Deferred Tax
Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the assets can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. See note 13 for analysis on deferred tax.

Lease classification
Leases under which the Group retains substantially all the risks and rewards of ownership associated with the relevant asset are classified as operating leases. Leases and conditional sale agreements where the Group has transferred substantially all risks and rewards incidental to ownership of the aircraft assets to the lessees are classified as finance leases.

Investment in subsidiaries
Investments in subsidiary undertakings are stated in the Company Statement of Financial Position at cost, less any provision for impairment. Investments in subsidiary undertakings are tested annually for impairment where an indicator of impairment exists. The subsidiaries are reviewed for impairment if there are indications that the carrying value may not be recoverable. The Company examines the recoverable amounts of the investments based on the higher of the fair value less cost to sell and value in use. Any resultant loss is recognised in the statement of comprehensive income and profit or loss account.

Restricted cash
Restricted cash includes cash held by the Group and Company which is ring-fenced or used as security for specific financing arrangements and to which the Group and Company does not have unfettered access.

3 Basis of preparation and material accounting policy information *(continued)*

Lease accounting
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). 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. 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.

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 also include the exercise price of a purchase option reasonably certain to be exercised by the Group. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 an expense on a straight-line basis over the lease term.

Foreign currency transactions
Foreign currency transactions are translated to the Group and Company's functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rates prevailing at the statement of financial position date. Non-monetary assets are stated at cost based on the exchange rate prevailing at the date of acquisition of the asset. Foreign currency differences are recognised in the Consolidated statement of comprehensive income.

Aircraft and engines
Aircraft on operating leases are stated at cost, less accumulated depreciation and any impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset, including any cost attributable to bringing the asset to a working condition for intended use. Borrowing costs related to the acquisition of qualifying assets are included as part of the cost of the asset.

Depreciation is calculated on a straight line basis over the asset's useful life. Aircraft are depreciated on a straight line basis over 25 years for new generation aircraft (2023: 25 years) and 20 years for the older generation fleet (2023: 20 years).

3 Basis of preparation and material accounting policy information *(continued)*

Aircraft and engines (continued)
Buyer furnished equipment (BFE) on new generation widebody aircraft is depreciated over the life of the lease (2023: over life of the lease) to a residual value of nil (2023: nil). Residual values do not exceed 15% of the original cost (2023: 15% of the original cost) and management reviews and may adjust the residual value and useful lives annually. Residual values are determined based on the estimated values at the end of the useful lives of the aircraft assets, which are supported by estimates received from independent appraisers. In accordance with IAS 16 "Property, plant and equipment", the Group's aircraft are reviewed for impairment whenever events or changes in circumstance indicate that the carrying value may not be recoverable. An impairment review involves consideration as to whether the carrying value of an aircraft is not recoverable and, in these circumstances, a loss is recognised as a write down of the carrying value to the higher of its value in use and fair value less costs to sell. Value in use is calculated as the present value of the future cash flows to be derived from the operation of the asset. Future cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. Fair value less costs to sell is calculated based on current market values which are supported by values received from independent appraisers. For freighter aircraft, residual values of aircraft for the Group and Company are determined based on 15% of the original cost of the aircraft (2023: 15% of the original cost). Aircraft are depreciated on a straight line basis over 30 years (2023: 30 years). There are five freighter aircraft in 2024 (2023: five). If recoverable amounts are lower than carrying values, assets are reduced to their recoverable amounts with the resultant impairment charges being recorded in the statement of comprehensive income. Where a prior impairment loss has decreased or reversed, the carrying amount of the asset may be increased and the impairment loss reversed in the statement of comprehensive income to the extent that the asset is not carried at a higher value than if no impairment loss had been recognised in prior years.

Held-for-sale
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that their value will be recovered primarily through sale rather than through continuing use. In the case of aircraft, such an event is considered to have occurred when a sale agreement in respect of the underlying aircraft has been signed and a probable sale will occur within 12 months from year end date. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. The Group and the Company recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to financial assets or deferred tax assets, which continue to be measured in accordance with IAS 12 and IFRS 9. Impairment losses on initial classification as held-for-sale or any subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, the aircraft is no longer amortised or depreciated. If non-current assets, or disposal groups comprising assets and liabilities, previously classified as held-for sale, no longer meet the held-for-sale criteria, they are transferred back to aircraft and engines and other related classifications and amortisation or depreciation for the period while the assets were classified as held-for-sale is recognised.

3 Basis of preparation and material accounting policy information *(continued)*

Property, plant and equipment and intangible assets (software)
Property, plant and equipment and intangible assets (software), are stated at cost, including expenditure that is directly attributable to the acquisition of the items, less accumulated depreciation and any accumulated impairment losses. Any gain or loss on disposal of an item of property, plant and equipment and intangible assets (software) is recognised in the statement of profit or loss. Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to write off the cost of assets to their residual values over their estimated useful lives, and is recognised in the statement of profit or loss. For costs associated with the construction and modification of company office space, these are capitalised and depreciated over the life of the lease. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Property, plant and equipment and intangible assets (software) are depreciated on a straight line basis over the following useful lives:

- Fixtures and fittings 5 years
- Computer hardware 3 years
- Leasehold improvements Over life of office lease
- Intangible assets (software) 5 years

Lessee maintenance
Under certain operating leases, the lessee is required to make payments for heavy maintenance, overhaul or replacement of certain high-value components of the aircraft. These maintenance payments are generally based on hours, or cycles of utilisation, or on calendar time, depending upon the component, and are required to be made monthly in arrears or at the end of the lease term. The Group records such supplemental amounts as maintenance reserves in other creditors. Amounts not refunded during the lease term are recorded as lease revenue at lease termination. Certain operating leases require the Group to pay a portion of the lessee's costs for heavy maintenance, overhaul or replacement of certain high-value components. Such contractually obligated payments are recorded as lessor contribution liabilities and as lease incentive assets which are amortised on a straight-line basis over the lease term as a reduction of lease revenue.

Lease premium/deficits
In a sale and lease back transaction, if the purchase price paid for an aircraft is materially above or below current market value for that aircraft in exchange for materially above or below market lease rentals, a lease premium/deficit is recognised. The difference between the fair value of the aircraft and the price paid is recognised as a lease premium asset or lease deficit liability. Lease premiums and deficits are amortised on a straight-line basis over the lease term and recorded as a component of revenue.

3 Basis of preparation and material accounting policy information *(continued)*

Lease incentive accounting
A lessor contribution liability is established at the commencement of the lease representing the best estimate of the contractually obligated contribution. In addition, a lease incentive asset is recognised for this amount plus other amounts paid by the Group required to get the asset to a position where it can be delivered to the lessee. This is amortised over the life of the associated lease as a charge against lease revenue. Lessor contributions represent contractual obligations on the part of the Group and Company to contribute to the lessee's cost of the next planned major maintenance events, expected to occur during the lease.

Finance lease assets
Leases and conditional sale agreements where the Group has transferred substantially all risks and rewards incidental to ownership of the aircraft assets to the lessees are classified as finance leases for accounting purposes and are colloquially referred to throughout these financial statements as finance leases. The aircraft asset is derecognised and the present value of the receivable is recognised in the statement of financial position. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Each payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the consolidated statement of profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable. Initial direct costs incurred by the Group in negotiating and arranging the finance lease are added to finance lease receivables.

When an asset converts from a operating lease to a finance lease, the difference between the net book value of the aircraft and the net investment on the finance lease is recognised as either a gain on transfer to finance lease or impairment loss.

Lease intangible assets/liabilities
Lease intangible assets/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. It is necessary to recognise off-market leases separate to the aircraft, as the economic benefits or outflows that will flow to the acquiring lessor will be realised through future rentals or through a sale of the asset. Lease intangible assets and liabilities are amortised on a straight-line basis over the remaining lease term and recorded as a component of depreciation and amortisation.

Maintenance intangible assets/liabilities
Maintenance intangible 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. Maintenance intangible liabilities represent the obligation to pay a lessee for the difference between the lease end contractual maintenance condition of the aircraft and the actual maintenance condition at the acquisition date. The amortisation of the maintenance intangibles is triggered by maintenance events. Following a qualifying maintenance event, the relevant portion of the cost relating to the event is capitalised to aircraft cost and is then depreciated over the remaining useful economic life of the asset. On lease termination, any remaining maintenance intangible asset/liability is offset against maintenance reserve cash balances or end of lease compensation.

3 Basis of preparation and material accounting policy information *(continued)*

Pre-delivery payments
Payments made to vendors in respect of future aircraft deliveries, qualifying interest and related expenditure are capitalised and included within aircraft pre-delivery payments in the statement of financial position. On acquisition of the aircraft the related pre-delivery payments are transferred to aircraft costs.

Security deposits
Under certain operating leases, the lessee is required to provide security deposits for aircraft. The Group and Company records such amounts as security deposits in other creditors. Amounts not refunded to the lessee are recorded as other revenue at lease termination.

Financial assets
Financial assets are classified at initial recognition, and subsequently measured at, amortised cost, fair value through Other Comprehensive Income (OCI) and or value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group and the Company has the following financial assets: loans and receivables, trade and other receivables (excluding corporation tax receivable, VAT receivable and straight line lease asset), other assets (receivable from Original Equipment Manufacturer (OEM)), derivative financial instruments, investments at fair value through profit or loss, finance lease assets and cash and cash equivalents. The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers substantially all the risks and rewards of ownership. The impairment provisions for accounts receivable, loans and receivables and finance lease receivables under IFRS 9 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period. See note 34 for further analysis.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery and subject to internal approval policies. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3 Basis of preparation and material accounting policy information *(continued)*

Financial assets *(continued)*

Subsequent to initial recognition, financial assets are measured as described below:

(i) Loans and receivables

Loans and receivables are financial assets with fixed payments that are not quoted in an active market and are repayable on demand. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any expected credit loss. The Group and Company apply the IFRS 9 simplified approach to measuring expected credit losses (''ECLs'') which uses a lifetime expected loss allowance for all loans and receivables.

(ii) Investments at fair value through Profit or Loss

Financial assets at fair value through profit or loss are recognised initially on the trade date at which the Group and the Company becomes a party to the contractual provisions of the instrument and measured initially at fair value with transaction cost recognised in the consolidated statement of comprehensive income, if any. Subsequent to initial recognition, all financial assets at fair value through profit or loss are carried in the consolidated and company statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

This category includes debt instruments mandatorily measured at fair value through profit or loss and equity investments which the Group and Company had not irrevocably elected to classify at fair value through OCI.

Interest income is recognised on debt instruments based on contractual obligations.

Dividends on listed equity investments are recognised as other income in the Consolidated Statement of Comprehensive Income when the right of payment has been established.

(iii) Trade and other receivables

Trade and other receivables are carried at original invoice amount less any impairment under IFRS 9. The Group and Company apply the IFRS 9 simplified approach to measuring expected credit losses (''ECLs'') which uses a lifetime expected loss allowance for all trade receivables and has established a provision matrix that is based on the Group and Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of expected credit loss. The amount of the impairment is based on assumptions about risk of default and expected loss rates calculated. The carrying amount of the asset is reduced with the impairment booked, which is recognised in the Consolidated Statement of Comprehensive Income within Expected Credit Losses. When a lease receivable is uncollectable, it is provided for with an impairment booked. Subsequent recoveries of amounts previously provided for, or impairments no longer required, are credited against expected credit loss in the Consolidated Statement of Comprehensive Income.

3 Basis of preparation and material accounting policy information *(continued)*

Financial assets *(continued)*

(iv) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedge items, as well as its risk management objective and strategy for undertaking hedge transactions. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in fair values of hedged items.

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
- Hedges of a net investment in a foreign operation

Changes in the fair value of derivatives that are not designated and do not qualify as cash flow hedges are recorded within Consolidated Statement of Comprehensive Income as fair value movement on derivative financial instruments.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in the statement of comprehensive income as unrealised gain/loss and in the hedging reserve in equity. The amount accumulated in equity is reclassified to profit and loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised, or the designation is revoked, the hedge accounting is discontinued prospectively.

(v) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than investing or other purposes. Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3 Basis of preparation and material accounting policy information *(continued)*

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group has the following financial liabilities: notes issued, loans and borrowings, derivative financial instruments, other creditors, lease liability and trade and other payables (excluding prepaid lease income, corporate tax payable and lease deficit liability).

Notes issued, loans and borrowings, other creditors and trade and other payables are initially measured at fair value and are subsequently carried at amortised cost using the effective interest method. The amortised cost of the loans and borrowings and notes issued is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount. Where the expected cash flows cannot be reliably estimated, contractual cash flows are used at each reporting date.

Arrangement fees that arise on loans and borrowings and notes issued are initially netted against loans and borrowings in the statement of financial position and are amortised to the statement of comprehensive income over the term of the related loan on a effective interest rate basis. Financial liabilities are initially recognised at fair value, less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Long term incentive plan

Selected employees of the Group are eligible to participate in certain cash based, long term incentive plans. Amounts are payable to the participants based on the achievement of certain key performance targets at the end of a pre-determined period. The amount is accrued and recognised in profit or loss in the period in which the participants render their services to the Group to the end of the pre-determined period. Any under or over provision will be recognised in profit or loss. Payment of accrued amounts will be made after each pre-determined period.

Revenue - operating leases

Leases under which the Group retains substantially all the risks and rewards of ownership associated with the relevant asset are classified as operating leases. Under an operating lease, the Group retains the benefit, and bears the risk of re-leasing and the residual value of the aircraft upon expiry or early termination of the lease.

The Group leases aircraft principally under operating leases and recognises rental income on a straightline basis over the life of the lease as it is earned. The Group accounts for lease rental income under lease agreements that include step rent clauses on a straight-line basis. The Group's lease contracts require payment in advance. Rentals received, but unearned under these lease agreements, are recorded as prepaid lease income on the statement of financial position in trade and other payables. Variable lease rental is recognised in arrears.

3 Basis of preparation and material accounting policy information *(continued)*

Service fee income
Service fee income is recognised as income to the prorate part of the services rendered by the Group and Company to related subsidiaries during the reporting period.

Finance income and expense
Finance income comprises interest income on loans, interest income on finance leases and income on bank deposits. Interest income is recognised as it accrues in the statement of comprehensive income. Finance expense comprises interest expense on loans, notes issued, interest rate swap expense, loan commitment and arrangement fees and lease liability. Finance expense is recognised in the statement of comprehensive income on an effective interest rate basis.

Taxation
Tax on the profit or loss for the year comprises current and deferred taxes. Current tax is recognised in the statement of comprehensive income based upon rates enacted or substantively enacted at the statement of financial position date and including any adjustments to taxes payable in respect of previous years. Deferred tax is recognised, without discounting, in respect of all temporary differences between the treatment of items for tax and accounting purposes which have arisen, but not reversed, at the statement of financial position date. Deferred taxes are recognised based upon the rates expected to be in force when the temporary differences reverse.

Deferred tax assets and liabilities are recognised separately but are presented in the statement of financial position at net amounts. 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. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3 Basis of preparation and material accounting policy information *(continued)*

Fair value measurement *(continued)*
The Group measures certain financial instruments and non-financial assets and liabilities at fair value at each financial statement date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or Liabilities
- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:
- Investments at fair value through profit or loss (Note 33)
- Financial instruments and associated risks (Note 34)

4 Lease revenue and other income

	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Aircraft rental income	927,303	839,756
Maintenance reserve compensation income	89,471	186,456
Amortisation of lease incentive asset	(23,514)	(20,515)
Amortisation of lease deficit	5,303	5,303
Service fee income	10,771	10,667
Other revenue*	39,461	227,261
Total	**1,048,795**	**1,248,928**

At 31 December 2024 the Group had contracted to receive the following minimum cash lease rentals under non-cancellable aircraft operating leases:

	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Due within one year	1,004,848	904,349
Due between one and two years	954,285	875,665
Due between two and three years	906,100	795,584
Due between three and four years	874,744	748,542
Due between four and five years	824,268	716,920
Due after five years	3,055,106	3,071,335
Total	**7,619,351**	**7,112,395**

The distribution of the aircraft rental income, maintenance reserve compensation income and amortisation of lease incentive asset and lease deficit by geographical region is as follows:

	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Americas	265,542	216,999
Asia Pacific (APAC)	390,978	442,752
Europe, Middle East and Africa (EMEA)	342,043	351,249
	998,563	**1,011,000**

*Other revenue relates to settlements received from customers and third parties, refunds from OEMs and other ad hoc items. During the year ended 31 December 2023, the Group received proceeds of US$214.4m in relation to five aircraft previously on lease to Russian airlines and transferred the ownership of these aircraft to a third party pursuant to settlement agreements. The proceeds were recorded as part of other revenue in 2023.

5 Operating expenses

	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Staff costs	31,604	31,759
Legal and professional fees	26,728	21,001
Repossession costs	19,181	28,622
Transition costs	13,762	11,785
Other costs	20,538	22,760
Total	**111,813**	**115,927**

Decrease in repossession cost during the year ended 31 December 2024 relates to significant accruals recognised in 2023 in relation to repossessions of certain aircraft. Repossessions of aircraft decreased during the year.

6 Statutory and other information

	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Directors' emoluments	3,428	4,172
Depreciation and amortisation	497,343	463,008

The average number of persons, including executive directors, employed by the Company during the year was seventy five (2023: eighty-three) of which seventeen staff members were dedicated to commercial & strategy functions (2023: seventeen), thirty three to operational (2023: thirty-six) and the remainder to finance, compliance and other support functions.

The average number of persons, including executive directors, employed by the Group during the year was one hundred and twenty-three (2023: one hundred and thirty-one) of which thirty staff members were dedicated to commercial & strategy functions (2023: thirty) fifty two to operational (2023: fifty-five) and the remainder to finance, compliance and other support functions.

The above Director emolument figures are disclosed in order to comply with company law requirements. Hong Ma represents the shareholder and therefore receives no remuneration directly from the Group.

6 Statutory and other information (continued)

Salaries and emoluments

	Group Year ended 31 December 2024 US$'000	Company Year ended 31 December 2024 US$'000	Group Year ended 31 December 2023 US$'000	Company Year ended 31 December 2023 US$'000
Salaries	25,033	18,878	26,000	21,205
Pay related social insurance	2,720	2,675	2,310	2,310
Pension and other	3,851	3,442	3,449	2,451
Total	**31,604**	**24,995**	**31,759**	**25,966**

Auditor's remuneration: The fees below are disclosed inclusive of out of pocket expenses but exclusive of VAT:

	Group Year ended 31 December 2024 US$'000	Company Year ended 31 December 2024 US$'000	Group Year ended 31 December 2023 US$'000	Company Year ended 31 December 2023 US$'000
Audit fees	1,171	590	1,233	621
Other assurance services	54	54	11	11
Tax compliance and advisory services	66	66	160	123
Total	**1,291**	**710**	**1,404**	**755**

7 Interest income calculated using effective interest method

	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Finance lease income	1,888	836
Interest income on cash balances	18,224	18,103
Other income	358	277
Total	**20,470**	**19,216**

Other interest and similar income	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Interest rate swap benefit	50,033	75,681
Interest income on investment in debt securities	1,438	1,081
Foreign exchange gain	2,638	-
Total	**54,109**	**76,762**

8 **Finance expense**	**Year ended 31 December 2024 US$'000**	**Year ended 31 December 2023 US$'000**
Loan interest expense	522,462	465,334
Interest on guaranteed unsecured notes issued	33,745	45,733
Commitment fees	7,666	4,258
Amortisation of arrangement fees	8,535	9,258
Interest expense on lease liabilities	986	918
Foreign exchange loss	-	2,983
Total	**573,394**	**528,484**

9 **Net (losses) / gains on cashflow hedges derivatives**	**Group Year ended 31 December 2024**	**Company Year ended 31 December 2024**	**Group Year ended 31 December 2023**	**Company Year ended 31 December 2023**
Items that are, or may be, reclassified to profit or loss:	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Unrealised (loss)/profit arising on cash flow hedging instruments	(8,849)	14,885	(48,389)	(28,909)
Deferred tax movement on cash flow hedging instruments	1,087	(1,876)	6,049	3,614
Total	**(7,762)**	**13,009**	**(42,340)**	**(25,295)**

10 **Profit / (loss) on sale of aircraft**	**Year ended 31 December 2024 US$'000**	**Year ended 31 December 2023 US$'000**
Profit / (loss) on sale of aircraft	11,276	(14,638)
Total	**11,276**	**(14,638)**

During the year ended 31 December 2024 the Group sold eight aircraft (2023: six).

11 **Derivative financial instruments**	**Group 31 December 2024 US$'000**	**Company 31 December 2024 US$'000**	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**
Current interest rate swaps	4,466	339	4,934	4,934
Current Cross Currency swaps	-	-	2,505	2,505
Non-current Cross Currency swaps	(5,490)	(5,490)	-	-
Non-current interest rate swaps	48,430	24,678	58,204	6,950
Total	**47,406**	**19,527**	**65,643**	**14,389**
Split as follows:				
Assets				
Current interest rate swaps	4,466	339	4,934	4,934
Current Cross Currency swaps	-	-	2,505	2,505
Non-current interest rate swaps	48,766	25,014	59,205	7,951
Total	**53,232**	**25,353**	**66,644**	**15,390**
Liabilities				
Non-current Cross Currency swaps	5,490	5,490	-	-
Non-current interest rate swaps	336	336	1,001	1,001
Total	**5,826**	**5,826**	**1,001**	**1,001**

	Group 31 December 2024 US$'000	**Company 31 December 2024 US$'000**	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**
Movement during the year:				
Unrealised gain/(loss) on derivatives through profit or loss	(3,279)	(3,642)	866	866
Net gain/(loss) on derivatives	**(3,279)**	**(3,642)**	**866**	**866**

The Group hedged the interest rate exposure arising from its floating rate loans and borrowings and the variability in cash flows arising from its fixed rate foreign currency loans and borrowings by entering into interest rate swap agreements and cross-currency swaps with various counterparties. The Group has elected to adopt hedge accounting under IAS 39 "Financial Instruments: Recognition and measurement" meaning all fair value movements on the effective interest rate swaps and cross-currency swaps are taken through equity (Hedging Reserve – see note 37) except for eight swaps where the fair value movement is realized through profit and loss as the swaps are designated as ineffective (2023: Nine).

11 Derivative financial instruments *(continued)*

The interest rate swaps and cross-currency interest rate swaps details of the Group are outlined below. The Group has entered into forty new interest rate swap agreements (2023: seven) and three new Cross Currency swaps (2023:one) during the year ended 31 December 2024. The Group uses a hypothetical derivative method for effectiveness assessment. The hypothetical derivative method involves establishing a notional derivative that would be the ideal hedging instrument for the hedged exposure. The Group performs on-going prospective and retrospective hedge effectiveness testing using regression analysis method and dollar offset method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk as represented by a hypothetical derivative. The sources of hedge ineffectiveness arise from differences in timing of cash flows of hedged items and hedging instruments and differences on interest rate curves applied to discount the hedged items and hedging instruments. The Group's hedging instruments and hedged items consisting of floating rate loans and borrowings and fixed rate foreign currency loans and borrowings have changes in the fair value used for effectiveness assessment amounted to US$8.8m (2023: US$48.4m).

Group 31 December 2024

Type of contract*	Currency	Notional US$'000	Year of maturity	Payments made by Group	Payments received by Group	Assets/ (Liability) US$'000
Cross currency swaps (3)**	USD	531,220	2027	FIXED	FIXED	(5,490)
Interest rate swaps (2)**	USD	200,000	2025	FIXED	3M USD SOFR+Margin	339
Interest rate swaps (19)	USD	441,690	2025	FIXED	3M USD SOFR+Margin	4,127
Interest rate swaps (13)	USD	474,555	2026	FIXED	3M USD SOFR+Margin	23,752
Interest rate swaps (6)**	USD	131,593	2026	FIXED	3M USD SOFR+Margin	2,053
Interest rate swaps (2)**	USD	37,281	2028	FIXED	3M USD SOFR+Margin	1,203
Interest rate swaps (9)**	USD	380,402	2029	FIXED	3M USD SOFR+Margin	2,145
Interest rate swaps (5)**	USD	191,959	2030	FIXED	3M USD SOFR+Margin	(336)
Interest rate swaps (18)**	USD	583,865	2030	FIXED	3M USD SOFR+Margin	6,082
Interest rate swaps (11)**	USD	407,866	2031	FIXED	3M USD SOFR+Margin	13,531
						47,406

*Number in brackets represents number of swaps **Swaps are owned by CDBALF DAC

11 Derivative financial instruments *(continued)*

Group 31 December 2023

Type of contract*	Currency	Notional US$'000	Year of maturity	Payments made by Group	Payments received by Group	Assets US$'000
Cross currency swaps (1)**	USD	99,794	2024	12 M USD SOFR + Margin	FIXED	2,505
Interest rate swaps (6)**	USD	595,000	2024	FIXED	3M USD SOFR+Margin	4,934
Interest rate swaps (19)	USD	487,590	2025	FIXED	3M USD SOFR+Margin	10,984
Interest rate swaps (2)**	USD	200,000	2025	FIXED	3M USD SOFR+Margin	2,326
Interest rate swaps (13)	USD	527,303	2026	FIXED	3M USD SOFR+Margin	40,270
Interest rate swaps (6)**	USD	145,489	2026	FIXED	3M USD SOFR+Margin	4,246
Interest rate swaps (2)**	USD	42,555	2028	FIXED	3M USD SOFR+Margin	1,379
Interest rate swaps (3)**	USD	204,474	2029	FIXED	3M USD SOFR+Margin	(1,001)
						65,643

*Number in brackets represents number of swaps **Swaps are owned by CDBALF DAC

12 Taxation

	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Current tax charge	1,149	690
Deferred tax charge / (benefit)	(2,744)	4,851
Total tax charge / (benefit)	**(1,595)**	**5,541**

12 Taxation *(continued)*

	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Reconciliation of effective tax rate:		
Profit before tax	7,075	66,042
Tax charge at 12.5%	884	8,255
Effect of:		
Expenses not deductible for tax purpose	70	87
Prior year over provision	(77)	(174)
Income taxable at a different rate	(87)	(65)
Reversal of deferred tax asset*	(3,238)	(3,321)
Different tax rates of group entities operating in jurisdictions other than Ireland	144	90
Pillar Two Top-up Tax	-	-
Withholding Income Tax	709	669
Total tax charge / (benefit)	**(1,595)**	**5,541**

* In the year ended 31 December 2022 temporary differences were written-off in respect of aircraft remaining in Russia after the termination of leasing with Russian airlines following the imposition of sanctions by the European Union. Following the receipt of proceeds in relation to a number of these aircraft during the year ended 31 December 2023, this led to a reversal of impairment of deferred tax asset. In the year ended 31 December 2024 a further reversal arose due to the utilisation of previously impaired tax losses.

13 Deferred tax asset/(liability)	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Opening balance	(74,281)	(471)	(75,479)	(8,849)
Credit/(charge) to statement of comprehensive income	2,744	7,672	(4,851)	4,764
Credit/(charge) to hedging reserve	1,087	(1,876)	6,049	3,614
Closing balance	**(70,450)**	**5,325**	**(74,281)**	**(471)**

There is an unrecognised deferred tax asset as at 31 December 2024 of $9.3m (2023: $12.5m)

The deferred tax asset and liability is primarily attributable to:

- tax losses; and
- temporary differences arising on assets; and
- temporary differences caused by the hedging reserve arising on the derivative financial instruments.

13 Deferred tax asset/(liability) *(continued)*

	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Tax losses	463,004	11,658	366,988	4,049
Temporary differences on assets	(527,973)	(4,093)	(434,984)	(4,438)
Temporary differences on derivatives	(6,098)	(2,659)	(7,189)	(782)
Other	617	419	904	700
Closing balance	**(70,450)**	**5,325**	**(74,281)**	**(471)**

While there is an overall net deferred tax liability on a consolidated basis, the net deferred tax position on entity-by-entity basis can be summarised as follows:

	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Entities with net Deferred tax asset	32,400	5,325	24,933	-
Entities with net Deferred tax liability	(102,850)	-	(99,214)	(471)
Net deferred tax liability	**(70,450)**	**5,325**	**(74,281)**	**(471)**

Pillar II Tax Disclosure

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Ireland and came into effect from 1 January 2024.

Under the legislation, the Group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15% minimum rate. All entities within the Group are subject to a general tax rate in excess of 15% with the exception of entities located in Ireland and certain entities located in Hong Kong.

The Group engaged with tax specialists to review the workings prepared by the Group. Although the head-line tax rate in respect of trading entities in Ireland is below 15%, the Group is not exposed to paying Pillar Two income taxes in relation to Ireland for 2024. This is due to the impact of specific adjustments in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with paragraph 86 of IAS 12.

The Pillar Two Top-up Tax exposure for the period is separately identified in the tax rate reconciliation above.

The Group applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

14 Aircraft	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Cost				
Balance at beginning of year	12,903,532	88,087	11,632,190	88,087
Additions	1,492,657	-	1,620,220	-
Disposals	(421,187)	-	(403,912)	-
Transfer (to) /from assets held-for-sale	(23,697)	-	55,034	-
Transfer to finance lease	(53,603)	-	-	-
Balance at end of year	**13,897,702**	**88,087**	**12,903,532**	**88,087**
Depreciation				
Balance at beginning of year	(2,267,212)	(44,080)	(1,859,571)	(41,011)
Depreciation charge	(490,427)	(3,069)	(455,529)	(3,069)
Disposals	121,857	-	50,575	-
Transfer to finance lease	7,030	-	-	-
Transfer to / (from) assets held-for-sale	1,577	-	(2,687)	-
Balance at end of year	**(2,627,175)**	**(47,149)**	**(2,267,212)**	**(44,080)**
Impairment				
Balance at beginning of year	(531,197)	(10,180)	(628,867)	(10,180)
Impairment charge	(22,892)	-	(131,053)	-
Transfer to / (from) assets held-for-sale	16,020	-	-	-
Transfer to Finance lease	6,873			
Disposals	103,142	-	228,723	-
Balance at end of year	**(428,054)**	**(10,180)**	**(531,197)**	**(10,180)**
Net book value at year end	**10,842,473**	**30,758**	**10,105,123**	**33,827**

During the year ended 31 December 2024, the Group added twenty two aircraft (2023: thirty) to its fleet, for a total purchase price of US$1,493 m, which includes capitalised costs on existing assets owned prior to the year ended 31 December 2024 (2023: US$1,609m) and amounts capitalised from maintenance events of US$23 m (2023: US$11m). One aircraft was reclassified from operating lease to finance lease (2023: Nil), resulting from the termination of the previous operating lease and a new finance lease agreement with a different airline. One aircraft was classified as held-for-sale at year end (2023: nil). No aircraft was transferred from held-for-sale back to the fleet (2023: one). For the year ended 31 December 2024 the Group sold eight aircraft (2023: six) and transferred nil assets to consignment (2023: nil).

14 Aircraft *(continued)*

As of 31 December 2024, there are four aircraft remaining in Russia after the termination of leasing with Russian airlines following the imposition of sanctions by the European Union (2023: four). Despite reasonable efforts being made in this regard, it was not possible for the Group to repossess these aircraft. As a result of their loss, the Group has filed claims under its relevant insurances and is pursuing those claims for the agreed values of the aircraft as defined in the relevant policies. During the year ended 31 December 2024, the Group received no proceeds in relation to aircraft previously leased to Russian airlines (see note 4) (2023: US$214.4m).

In accordance with IAS 36 Impairment of Assets, aircraft were tested for indicators of impairment annually. To aid in this assessment, the Group sought valuations from independent aircraft appraisal firms. These appraisers make assumptions and estimates with respect to the future valuations of aircraft. For the purpose of recognition and measurement of an impairment loss, if it is determined that a test for impairment is required, each aircraft is tested individually by comparing its carrying amount to the higher of its value in use and fair value less costs to sell. Value in use is determined as the total discounted cash flows expected to be generated by an aircraft in the future. The estimated cash flows are discounted to their present value by using a pre-tax discount rate of 5.96% (2023: 6.80%) that reflects current market assumptions of the time value of money and the risks specific to the asset in question. Fair value less costs to sell are determined by the Group based on the most relevant of observable market information, forecast cash flows or appraised values. In cases where the carrying value of the aircraft exceeded the higher of value in use and fair value less costs to sell, an impairment charge was recognised.

As a result of the review, an impairment charge of US$23.4m (2023: US$131.1m) for two aircraft and two airframes (2023: thirty-one aircraft) was recognised during the year. This impairment was a result of a combination of low end of lease residual values and current market values. The total impairment charge consists of US$16.0m recognised on one aircraft transferred to held-for-sale and US$6.9m recognised on one aircraft transferred to finance lease classification. The remaining amount of $0.5m relates to impairment recognised on airframe assets included in Note 22 under supplementary assets. Directors are satisfied that the net book value of the aircraft is not further impaired below the balance recorded at 31 December 2024.

The carrying cost of aircraft which are pledged as collateral for secured borrowings is US$4,360m (2023: US$3,907m).

15 Intangible assets and liabilities

Maintenance intangible asset

	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Balance at beginning of year	105,121	-	119,566	-
Disposals	(62)	-	(3,155)	-
Transferred to aircraft cost	(23,064)	-	(11,290)	-
Balance at end of year	**81,995**	**-**	**105,121**	**-**

Lease intangible assets	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Cost				
Balance at beginning of year	53,770	-	53,004	-
Additions	-	-	1,811	-
Disposals	(205)	-	(1,045)	-
Balance at end of year	**53,565**	**-**	**53,770**	**-**
Amortisation				
Balance at beginning of year	(28,614)	-	(25,698)	-
Charge for the year	(3,289)	-	(3,960)	-
Disposals	-	-	1,044	-
Balance at end of year	**(31,903)**	**-**	**(28,614)**	**-**
Net book value at year end	**21,662**	**-**	**25,156**	**-**

15 Intangible assets and liabilities *(continued)*

Software	**Group 31 December 2024 US$'000**	**Company 31 December 2024 US$'000**	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**
Cost				
Balance at beginning of year	3,253	3,137	2,599	2,483
Additions	421	418	654	654
Balance at end of year	**3,674**	**3,555**	**3,253**	**3,137**
Amortisation				
Balance at beginning of year	(1,584)	(1,469)	(1,191)	(1,076)
Charge for the year	(498)	(498)	(393)	(393)
Balance at end of year	**(2,082)**	**(1,967)**	**(1,584)**	**(1,469)**
Net book value at year end	**1,592**	**1,588**	**1,669**	**1,668**
Total intangible assets	**105,249**	**1,588**	**131,946**	**1,668**

The Directors are satisfied that the net book value of the intangible assets (software) is not impaired.

Lease intangible liabilities	**Group 31 December 2024 US$'000**	**Company 31 December 2024 US$'000**	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**
Cost				
Balance at beginning of year	-	-	-	-
Additions	10,414	-	-	-
Balance at end of year	**10,414**	**-**	**-**	**-**
Amortisation				
Balance at beginning of year	-	-	-	-
Charge for the year	(206)	-	-	-
Balance at end of year	**(206)**	**-**	**-**	**-**
Net book value at year end	**10,208**	**-**	**-**	**-**

16 Property, plant and equipment

	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Cost				
Balance at beginning of year	10,806	8,467	10,704	8,376
Additions	286	169	102	91
Balance at end of year	**11,092**	**8,636**	**10,806**	**8,467**
Depreciation				
Balance at beginning of year	(5,288)	(2,973)	(4,679)	(2,472)
Charge for the year	(515)	(482)	(609)	(501)
Balance at end of year	**(5,803)**	**(3,455)**	**(5,288)**	**(2,973)**
Net book value at year end	**5,289**	**5,181**	**5,518**	**5,494**

The Directors are satisfied that the net book value of the property, plant and equipment is not impaired.

17 Right of use asset

	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Cost				
Balance at beginning of year	25,865	19,588	28,865	19,980
Additions	-	-	4,846	-
Remeasurement of asset	18	-	(7,846)	(392)
Balance at end of year	**25,883**	**19,588**	**25,865**	**19,588**
Depreciation				
Balance at beginning of year	(6,148)	(5,228)	(10,645)	(4,188)
Charge for the year	(2,614)	(1,020)	(2,517)	(1,040)
Remeasurement of asset	-	-	7,014	-
Balance at end of year	**(8,762)**	**(6,248)**	**(6,148)**	**(5,228)**
Net book value at year end	**17,121**	**13,340**	**19,717**	**14,360**

17 Right of use asset *(continued)*

The Group and Company lease five printers over two offices (2023: five printers over two offices). These qualify as low value assets and under IFRS 16, creating a right of use asset and liability is not required. The monthly expense for the rental of these assets is US$156.40 (2023: US$83.00). The Group also act as lessee to apartments, but the rentals are settled by employees. These qualify as short term leases and under IFRS 16 therefore creating a right of use asset and liability is not required. The average rental for these assets is US$6k per month (2023: US$2k).

The Group and Company act as lessee to three and one office buildings, respectively (2023: three and one), where a right of use asset was calculated based on the discounted future lease payments. No impairment was required on these assets at year ended 31 December 2024 (2023: Nil).

18 Cash and cash equivalents

	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Current accounts - restricted	1,604	-	3,723	226
Current accounts - unrestricted	378,660	345,766	934,565	924,943
Expected credit loss	(380)	(380)	(825)	(825)
	379,884	**345,386**	**937,463**	**924,344**

In the current year cash is restricted in ten bank accounts (2023: ten) due to charges related to third party loans received. The Group and Company has assessed cash and cash equivalents and concluded that there is expected credit loss provision required for Cash and cash equivalents of US$380k (2023: US$825k).

19 Assets held-for-sale

	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Held for sale assets	6,100	**-**	-	**-**
Total	**6,100**	**-**	**-**	**-**

At 31 December 2024, there was one aircraft classified as held-for-sale (2023: nil). The related sale and purchase agreement was signed on 17 September 2024 with an expectation for the sale to be completed within a year from the reporting date. Security deposit of US$0.6m is classified as liabilities held for sale (2023: US$ nil). During the year ended 31 December 2024 no aircraft was transferred from held-for-sale back to the fleet (2023: one aircraft), see note 14 for details.

20 Investment in subsidiaries

	Company 31 December 2024 US$'000	Company 31 December 2023 US$'000
Subsidiary undertakings	25,071	25,071

The Company holds all of the shares of one hundred and fifty Irish incorporated entities, one entity incorporated in Cayman Islands, three entities in Hong Kong, one entity in the United States of America and one entity incorporated in Malta. The entities incorporated in Ireland are:

- AeroPower Leasing Co., Limited
- APONE Aviation Leasing Co., Limited
- APTREE Aviation Trading 1 Co., Limited
- APTREE Aviation Trading 2 Co., Limited
- CDB Aviation Funding 2017 Limited
- CDB Aviation Funding 2018 Limited (formerly GY Aviation Lease 1809 Co., Limited)
- CDB Aviation Funding 2021 Limited
- Compass Aviation Leasing Co., Limited
- GY Aviation Lease 0901 Co., Designated Activity Company
- GY Aviation Lease 0905 Co., Limited
- GY Aviation Lease 102 Co., Limited
- GY Aviation Lease 104 Co., Limited
- GY Aviation Lease 1207 Co., Limited
- GY Aviation Lease 1305 Co., Limited
- GY Aviation Lease 1501 Co., Limited
- GY Aviation Lease 1504 Co., Limited
- GY Aviation Lease 1505 Co., Limited
- GY Aviation Lease 1602 Co., Limited
- GY Aviation Lease 1603 Co., Limited
- GY Aviation Lease 1707 Co., Limited
- GY Aviation Lease 1708 Co., Limited
- GY Aviation Lease 1711 Co., Limited
- GY Aviation Lease 1712 Co., Limited
- GY Aviation Lease 1713 Co., Limited
- GY Aviation Lease 1714 Co., Limited
- GY Aviation Lease 1715 Co., Limited
- GY Aviation Lease 1716 Co., Limited
- GY Aviation Lease 1717 Co., Limited
- GY Aviation Lease 1718 Co., Limited
- GY Aviation Lease 1719 Co., Limited
- GY Aviation Lease 1720 Co., Limited
- GY Aviation Lease 1723 Co., Limited
- GY Aviation Lease 1724 Co., Limited
- GY Aviation Lease 1725 Co., Limited
- GY Aviation Lease 1726 Co., Limited
- GY Aviation Lease 1727 Co., Limited

20 Investment in subsidiaries (continued)

- GY Aviation Lease 1733 Co., Limited
- GY Aviation Lease 1734 Co., Limited
- GY Aviation Lease 1735 Co., Limited
- GY Aviation Lease 1736 Co., Limited
- GY Aviation Lease 1738 Co., Limited
- GY Aviation Lease 1739 Co., Limited
- GY Aviation Lease 1742 Co., Limited
- GY Aviation Lease 1805 Co., Limited
- GY Aviation Lease 1806 Co., Limited
- GY Aviation Lease 1807 Co., Limited
- GY Aviation Lease 1808 Co., Limited
- GY Aviation Lease 1811 Co., Limited
- GY Aviation Lease 1813 Co., Limited
- GY Aviation Lease 1814 Co., Limited
- GY Aviation Lease 1815 Co., Limited
- GY Aviation Lease 1816 Co., Limited
- GY Aviation Lease 1817 Co., Limited
- GY Aviation Lease 1819 Co., Limited
- GY Aviation Lease 1821 Co., Limited
- GY Aviation Lease 1822 Co., Limited
- GY Aviation Lease 1823 Co., Limited
- GY Aviation Lease 1824 Co., Limited
- GY Aviation Lease 1825 Co., Limited
- GY Aviation Lease 1826 Co., Limited
- GY Aviation Lease 1827 Co., Limited
- GY Aviation Lease 1828 Co., Limited
- GY Aviation Lease 1829 Co., Limited
- GY Aviation Lease 1831 Co., Limited
- GY Aviation Lease 1832 Co., Limited
- GY Aviation Lease 1834 Co., Limited
- GY Aviation Lease 1835 Co., Limited
- GY Aviation Lease 1836 Co., Limited
- GY Aviation Lease 1837 Co., Limited
- GY Aviation Lease 1838 Co., Limited
- GY Aviation Lease 1839 Co., Limited
- GY Aviation Lease 1840 Co., Limited
- GY Aviation Lease 1841 Co., Limited
- GY Aviation Lease 1842 Co., Limited
- GY Aviation Lease 1843 Co., Limited
- CDB Aviation US Owner Limited (formerly GY Aviation Lease 1844 Co., Limited)
- GY Aviation Lease 1845 Co., Limited
- GY Aviation Lease 1847 Co., Limited
- CDB Aviation Owner Limited (formerly GY Aviation Lease 1848 Co., Limited)
- GY Aviation Lease 1849 Co., Limited
- GY Aviation Lease 1850 Co., Limited

20 Investment in subsidiaries *(continued)*

- GY Aviation Lease 1851 Co., Limited
- GY Aviation Lease 1852 Co., Limited
- GY Aviation Lease 1853 Co., Limited
- GY Aviation Lease 1854 Co., Limited
- GY Aviation Lease 1855 Co., Limited
- GY Aviation Lease 1856 Co., Limited
- GY Aviation Lease 1857 Co., Limited
- GY Aviation Lease 1901 Co., Limited
- GY Aviation Lease 1904 Co., Limited
- GY Aviation Lease 1910 Co., Limited
- GY Aviation Lease 1911 Co., Limited
- GY Aviation Lease 1912 Co., Limited
- GY Aviation Lease 1913 Co., Limited
- GY Aviation Lease 1914 Co., Limited
- GY Aviation Lease 1915 Co., Limited
- GY Aviation Lease 1916 Co., Limited
- GY Aviation Lease 1917 Co., Limited
- GY Aviation Lease 1918 Co., Limited
- GY Aviation Lease 1919 Co., Limited
- GY Aviation Lease 1920 Co., Limited
- GY Aviation Lease 2101 Co., Limited
- GY Aviation Lease 2102 Co., Limited
- GY Aviation Lease 2103 Co., Limited
- GY Aviation Lease 2104 Co., Limited
- GY Aviation Lease 2105 Co., Limited
- GY Aviation Lease 2106 Co., Limited
- GY Aviation Lease 2107 Co., Limited (formerly CDB Aviation EXIM Funding 2021 Limited)
- GY Aviation Lease 2201 Co., Limited
- GY Aviation Lease 2202 Co., Limited
- GY Aviation Lease 2203 Co., Limited
- GY Aviation Lease 2204 Co., Limited
- GY Aviation Lease 2205 Co., Limited
- GY Aviation Lease 2206 Co., Limited
- GY Aviation Lease 2207 Co., Limited
- GY Aviation Lease 2208 Co., Limited
- GY Aviation Lease 2209 Co., Limited
- GY Aviation Lease 2210 Co., Limited
- GY Aviation Lease 1503 Co., Limited
- GY Aviation Lease 1701 Co., Limited
- GY Aviation Lease 1702 Co., Limited
- GY Aviation Lease 1721 Co., Limited
- GY Aviation Lease 1818 Co., Limited

20 Investment in subsidiaries *(continued)*

- GY Aviation Lease 1830 Co., Limited
- GY Aviation Lease 1902 Co., Limited
- GY Aviation Lease 1905 Co., Limited
- GY Aviation Lease 1906 Co., Limited
- GY Aviation Lease 1908 Co., Limited
- GY Aviation Lease 1502 Co., Limited
- GY Aviation Lease 0906 Co., Limited
- GY Aviation Lease 1846 Co., Limited
- GY Aviation Lease 2301 Co., Limited*
- GY Aviation Lease 2302 Co., Limited*
- GY Aviation Lease 2303 Co., Limited*
- GY Aviation Lease 2304 Co., Limited*
- GY Aviation Lease 2401 Co., Limited**
- GY Aviation Lease 2402 Co., Limited**
- GY Aviation Lease 2403 Co., Limited**
- GY Aviation Lease 2404 Co., Limited**
- GY Aviation Lease 2405 Co., Limited**
- GY Aviation Lease 2406 Co., Limited**
- GY Aviation Lease 2407 Co., Limited**

which have their registered office at 1 GQ, Georges Quay, Dublin 2.

- GY Aviation Lease 1728 Co., Limited
- GY Aviation Lease 1729 Co., Limited
- GY Aviation Lease 1730 Co., Limited
- GY Aviation Lease 1731 Co., Limited
- GY Aviation Lease 1732 Co., Limited
- GY Aviation Lease 1801 Co., Limited
- GY Aviation Lease 1802 Co., Limited
- GY Aviation Lease 1803 Co., Limited
- GY Aviation Lease 1804 Co., Limited

which has their registered office at Fourth Floor, 3 George's Dock, IFSC, Dublin 1.

* - incorporated during the year ended 31 December 2023.
** - incorporated during the year ended 31 December 2024.

The entity incorporated in Cayman Islands is CDBL Funding 1 which has its registered office at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The entities incorporated in Hong Kong are CDB Aviation Hong Kong Limited, GY Aviation Lease (Hong Kong) 1 Limited and GY Aviation Lease (Hong Kong) 2 Limited which have their registered office at Flat/Rm 2004-9, 20/F., Three Pacific Place, 1 Queen's Road East, Wan Chai, Hong Kong.

The entity incorporated in the United States of America is CDB Aviation Americas LLC which has its registered office at 3411 Silverside Road, Rodney Building, #104, New Castle County, Wilmington, Delaware 19810.

20 Investment in subsidiaries *(continued)*

The Company holds all of the 1,200 shares of GY Aviation Lease (Malta) Co. Limited, an entity incorporated in Malta, which has its registered office at Palazzo Pietro Stiges, 103 Strait Street, Valletta VLT 1436.

GY Aviation Lease 0901 Designated Activity Company holds all the shares of ten Irish incorporated entities and one entity incorporated in France.

The entities incorporated in Ireland are:
- GY Aviation Lease 0902 Co., Limited
- GY Aviation Lease 0903 Co., Limited
- GY Aviation Lease 103 Co., Limited
- GY Aviation Lease 1201 Co., Limited
- GY Aviation Lease 1202 Co., Limited
- GY Aviation Lease 1203 Co., Limited
- GY Aviation Lease 1204 Co., Limited
- GY Aviation Lease 1205 Co., Limited
- GY Aviation Lease 1303 Co., Limited
- GY Aviation Lease 1306 Co., Limited

which have their registered office at 1GQ, George's Quay, Dublin 2.

The entity incorporated in France is GY Aviation Lease (France) SARL which has its registered offices at 14 Boulevard De La Madeleine, 75008 Paris, France.

CDB Aviation Funding 2018 Limited holds all of the shares of sixteen Irish incorporated entities:
- APTREE Aviation Trading 3 Co., Limited
- GY Aviation Lease 101 Co., Limited
- GY Aviation Lease 1301 Co., Limited
- GY Aviation Lease 1304 Co., Limited
- GY Aviation Lease 1601 Co., Limited
- GY Aviation Lease 1705 Co., Limited
- GY Aviation Lease 1706 Co., Limited
- GY Aviation Lease 1709 Co., Limited
- GY Aviation Lease 1710 Co., Limited
- GY Aviation Lease 1737 Co., Limited
- GY Aviation Lease 1740 Co., Limited
- GY Aviation Lease 1741 Co., Limited
- GY Aviation Lease 1810 Co., Limited
- GY Aviation Lease 1812 Co., Limited
- GY Aviation Lease 1820 Co., Limited

which have their registered office at 1GQ, George's Quay, Dublin 2

- GY Aviation Lease 1722 Co., Limited

which has its registered office at 4th Floor, 3 George's Dock, IFSC, Dublin 1

20 Investment in subsidiaries *(continued)*

CDB Aviation Funding 2021 Limited holds all of the shares of five Irish incorporated entities:

- APTREE Aviation Trading 4 Co., Limited
- GY Aviation Lease 1833 Co., Limited
- GY Aviation Lease 1903 Co., Limited
- GY Aviation Lease 1907 Co., Limited
- GY Aviation Lease 1909 Co., Limited

which have their registered office at 1GQ, George's Quay, Dublin 2

The principal activity of all the companies in the Group is the purchase, sale, financing, leasing and subleasing of aircraft to international airlines, with the exception of GY Aviation Lease (Malta) Co., Limited, CDBL Funding 1, CDB Aviation Funding 2017 Limited, CDB Aviation Funding 2018 Limited, CDB Aviation Hong Kong Limited and CDB Aviation Americas LLC. The principal activities of these companies is the provision of finance to fellow subsidiaries of the Group with the exception of CDB Aviation Hong Kong Limited and CDB Aviation Americas LLC which provide management services to fellow subsidiaries of the Group.

21 Trade and other receivables	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Lease income receivable	58,707	-	86,533	462
Other debtors	2,064	1,965	2,394	2,390
Corporation Tax receivable	88	-	10	-
VAT receivable	1,262	1,260	691	686
Service fee income due from related parties	10,087	3,933	9,571	3,780
Straightline lease asset	165,337	-	121,495	-
Intercompany interest receivable	-	247,961	-	214,335
Intergroup receivable	-	426,648	-	375,520
Total	**237,545**	**681,767**	**220,694**	**597,173**

The total amount of deferred lease income receivable was US$59.5m at 31 December 2024 (2023: US$85m) and an expected credit loss allowance of US$7.8m (2023: US$25m) has been recognised related to these deferred lease income receivables. The net amount of US$51.7m (2023: US$60.0m) is included within "Lease income receivables" category.

Maturity analysis	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Due within one year	56,296	681,767	61,700	597,173
Due between one and five years	124,068	-	122,620	-
Due after five years	57,181	-	36,374	-
Total	**237,545**	**681,767**	**220,694**	**597,173**

22 Other assets	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Lease incentive assets	113,480	18	108,681	-
Deposits on property and aircraft	2,982	2,122	3,284	2,419
Supplementary assets	365	-	840	-
Other prepayments	1,391	982	601	448
Total	**118,218**	**3,122**	**113,406**	**2,867**

22 Other assets *(continued)*

Maturity analysis	**Group 31 December 2024 US$'000**	**Company 31 December 2024 US$'000**	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**
Due within one year	39,673	3,100	32,935	2,848
Due between one and five years	64,286	-	62,846	-
Due after five years	14,259	22	17,625	19
Total	**118,218**	**3,122**	**113,406**	**2,867**

23 Loans and receivables	**Group 31 December 2024 US$'000**	**Company 31 December 2024 US$'000**	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**
Intercompany loans to subsidiaries	**-**	9,218,081	**-**	8,606,711
Total	**-**	**9,218,081**	**-**	**8,606,711**

The Company provides loans to fellow CDB Group companies and to its subsidiaries. The loans are repayable on demand with a fixed interest rate of between 3.4% and 5.5% in 2024 and 3.4% and 4.7% in 2023.

24 Pre-delivery payments	**Group 31 December 2024 US$'000**	**Company 31 December 2024 US$'000**	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**
Prepayment of aircraft	113,091	2,774	127,545	73,674
Total	**113,091**	**2,774**	**127,545**	**73,674**

Predelivery payments mainly pertains to amounts paid for sale and leaseback assets that have not delivered.

Maturity analysis:	**Group 31 December 2024 US$'000**	**Company 31 December 2024 US$'000**	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**
Due within one year	113,091	2,774	79,869	38,575
Due between one and five years	-	-	47,676	35,099
Due after five years	-	-	-	-
Total	**113,091**	**2,774**	**127,545**	**73,674**

25 Share capital

Group and Company

	31 December 2024	31 December 2023
Authorised	**US$**	**US$**
173,287,671 ordinary shares of US$1 each	173,287,671	173,287,671
Issued, called up and fully paid	**US$**	**US$**
Shares issued	173,287,671	173,287,671

During the year ended 31 December 2023 the Company received an equity injection from its parent and authorised and issued 123,287,671 ordinary shares of USD 1 par value each.

26 Merger reserve

	Group 31 December 2024 US$'000	Group 31 December 2023 US$'000
Merger reserve	(193)	(193)

The merger reserve is the result of the acquisition of APONE Aviation Leasing Co., Limited and its subsidiaries and Aero Power Leasing Co., Limited and its subsidiaries (together the "APONE Group") on 19 June 2012 by the Company. Prior to the acquisition the APONE Group was owned by the Group's ultimate parent, China Development Bank ("CDB").

27 Finance lease assets

	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Finance lease receivable	88,385	-	62,748	-
Total	**88,385**	**-**	**62,748**	**-**

	Group 31 December 2024	Company 31 December 2024	Group 31 December 2023	Company 31 December 2023
Movements during the year:	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Balance at beginning of year	62,748	-	67,864	-
Reclassification from aircraft	39,700	-	-	-
Finance lease capital receipts	(14,063)	-	(5,116)	-
Balance at end of year	**88,385**	**-**	**62,748**	**-**

27 Finance lease assets *(continued)*

Amounts receivable under finance leases
The present value of the aggregate repayments under finance leases is as follows:

Maturity analysis	Minimum lease payments 2024 US$'000	Unearned Interest 2024 US$'000	Expected credit loss 2024 US$'000	Present Value 2024 US$'000
Due within one year	17,952	(3,189)	-	14,763
Due between one and five years	54,522	(3,507)	-	51,015
Due after five years	22,886	(279)	-	22,607
Total	**95,360**	**(6,975)**	**-**	**88,385**

	Minimum lease payments 2023 US$'000	Unearned Interest 2023 US$'000	Expected credit loss 2023 US$'000	Present Value 2023 US$'000
Due within one year	5,952	(781)	-	5,171
Due between one and five years	23,808	(2,530)	-	21,278
Due after five years	37,052	(753)	-	36,299
Total	**66,812**	**(4,064)**	**-**	**62,748**

As at 31 December 2024, the Group had four aircraft accounted for as finance leases (2023: three) albeit one of these aircraft represents a financing pursuant to a conditional sale agreement (2023: one).

28 Other creditors	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Maintenance reserves	492,163	-	379,656	-
Security deposits	146,905	6,364	110,426	15,546
Lessor contribution	87,644	-	92,351	-
Long term incentive plans	1,206	914	3,875	3,567
Total	**727,918**	**7,278**	**586,308**	**19,113**

Maturity analysis	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Due within one year	166,957	6,594	37,929	18,865
Due between one and five years	168,093	684	212,227	248
Due after five years	392,868	-	336,152	-
Total	**727,918**	**7,278**	**586,308**	**19,113**

29 Trade and other payables

	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Third party loan interest payable	31,388	27,421	34,620	33,420
Loan interest payable to CDB	15,076	-	16,306	-
Note interest payable	2,567	-	4,230	-
Prepaid lease income	81,999	108	70,361	339
Other payables	82,212	18,075	85,612	17,081
Intercompany payables	155,074	445,017	120,251	377,366
Corporation tax payable	170	-	276	-
Lease deficit liability	47,718	-	53,020	-
Total	**416,204**	**490,621**	**384,676**	**428,206**

Maturity analysis	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Due within one year	353,844	490,471	336,769	428,016
Due between one and five years	44,160	150	21,401	190
Due after five years	18,200	-	26,506	-
Total	**416,204**	**490,621**	**384,676**	**428,206**

30 Lease liability

Movements during the year	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Balance at beginning of year	22,704	17,125	19,860	16,897
Additions	-	-	4,846	-
Charge for the year	986	753	918	784
Payments	(3,384)	(1,624)	(3,021)	(1,218)
Disposal of original lease	-	-	(954)	(392)
Foreign currency exchange (gain)/loss	(606)	(617)	1,055	1,054
Balance at year end	**19,700**	**15,637**	**22,704**	**17,125**

30 Lease liability *(continued)*

During the year ended 31 December 2023 the Group signed a new lease for one office, adding US$4,846k to the liability. The Group and Company received a rent-free period for another office leading to disposal of the liability of US$954k and US$392k, respectively.

The present value of the aggregate repayments of lease liability is as follows:

Group	**Minimum lease payments 2024 US$'000**	**Interest 2024 US$'000**	**Principal 2024 US$'000**
Due within one year	3,409	842	2,567
Due between one and five years	8,834	2,416	6,418
Due after five years	12,800	2,085	10,715
Total	**25,043**	**5,343**	**19,700**

Company	**Minimum lease payments 2024 US$'000**	**Interest 2024 US$'000**	**Principal 2024 US$'000**
Due within one year	1,584	686	898
Due between one and five years	6,334	2,309	4,025
Due after five years	12,800	2,086	10,714
Total	**20,718**	**5,081**	**15,637**

Group	**Minimum lease payments 2023 US$'000**	**Interest 2023 US$'000**	**Principal 2023 US$'000**
Due within one year	3,403	985	2,418
Due between one and five years	10,768	2,841	7,927
Due after five years	15,055	2,696	12,359
Total	**29,226**	**6,522**	**22,704**

Company	**Minimum lease payments 2023 US$'000**	**Interest 2023 US$'000**	**Principal 2023 US$'000**
Due within one year	1,644	752	892
Due between one and five years	6,576	2,581	3,995
Due after five years	14,932	2,694	12,238
Total	**23,152**	**6,027**	**17,125**

31 Loans and borrowings

	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Loans and borrowings – due to CDBL Funding 1	-	398,420	-	927,168
Loans and borrowings – due to GY Malta	-	3,700,000	-	2,100,000
Loans and borrowings – secured loans	2,919,125	2,006,170	2,692,175	1,682,012
Loans and borrowings – unsecured loans	6,923,926	3,188,954	6,610,990	4,510,990
Total	**9,843,051**	**9,293,544**	**9,303,165**	**9,220,170**

Movements during the year	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Balance at beginning of year	9,303,165	9,220,170	7,184,990	7,965,152
Loans received	8,276,086	8,242,085	6,251,889	6,251,889
Loans repaid	(7,728,008)	(8,159,078)	(4,130,165)	(4,991,765)
Foreign exchange hedged	(6,109)	(6,109)	-	-
Arrangement fees paid	(9,371)	(10,055)	(10,063)	(10,063)
Amortisation of arrangement fees	7,288	6,531	6,514	4,957
Balance at year end	**9,843,051**	**9,293,544**	**9,303,165**	**9,220,170**

Maturity analysis	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Due within one year	4,263,107	3,734,873	4,018,526	4,450,645
Due between one and five years	4,650,300	4,629,027	4,362,775	3,847,665
Due after five years	929,644	929,644	921,864	921,860
Total	**9,843,051**	**9,293,544**	**9,303,165**	**9,220,170**

The secured loans were provided to the Group by various financial institutions and are secured by the relevant aircraft assets of the Group. For certain secured loans the Group has entered into put option agreements between relevant subsidiaries (each a "Borrower") of the Group and China Development Bank Financial Leasing Co., Limited ("CDB Leasing") which enables the Borrower, upon payment by CDB Leasing of the remaining balance of the loan, to transfer the ownership of the underlying assets and related liabilities to CDB Leasing in the case of certain triggering events occurring as stipulated in the put option agreements. The loan balance, excluding capitalised loan fees, secured on assets is US$2,937m (2023: US$2,706m). The carrying cost of aircraft pledged as collateral is US$4,360m (2023: US$3,907m). Included in the loans balance are unsecured loans of US$3,700m (2023: US$2,100m) received from the ultimate parent.

31 Loans and borrowings *(continued)*

The Company received loans from its subsidiaries, CDBL Funding 1 and GY Malta (see note 39 for further details of the note issuances which were provided to the Company as intercompany loans). The loans bear interest at 3 month SOFR, plus margins ranging from 0.7% to 1.3% or at fixed rate ranging from 2.1% to 3.5% (2023: 3 month SOFR, plus margins ranging from 0.8% to 1.2% or at fixed rate ranging from 1.6% to 5.5%).

The Group has arranged during 2024 committed and uncommitted revolving credit facilities and other short-term facilities totalling US$3,654m (2023: US$1,245m). The undrawn committed facilities were US$1,600m (2023: US$990m) as at 31 December 2024. As of 31 December 2024, the Group and Company had covenants on 88 aircraft (2023: seventy-seven aircraft) under secured facilities and on 15 unsecured financings (2023: fourteen). Covenant requirements vary but may include provision of financial statements, debt service coverage ratio ("DSCR") testing, aircraft appraisal valuations and monitoring to ensure compliance of no continuing default.

The Group's secured loans as at 31 December 2024 were US$2,919m (2023: US$2,692m) bear interest at 3 month SOFR, plus margins ranging of 1.25% or at fixed rate ranging from 2.2% to 5.3% (2023: 3 month SOFR, plus margins ranging from 0.76% to 1.25% or at fixed rate ranging from 2.2% to 4.9%).

The Group's unsecured loans as at 31 December 2024 were $6,924m (2023: US$6,611m) and bear interest at 1 or 3 month SOFR, plus margins ranging from 0.2% to 1.0% or at fixed rate ranging from 2.1% to 5.5% (2023: 1 or 3 month SOFR, plus margins ranging from 0.20% to 1.05% or at fixed rate ranging from 2.1% to 5.5%).

The Group pays commitment fees to support the certain loans and facilities provided. The total commitment fee incurred is US$7,666k (2023: US$4,258k). See note 8.

32 Notes issued

	Group 31 December 2024 US$'000	**Company 31 December 2024 US$'000**	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**
Guaranteed unsecured notes issued – due 2024	-	-	529,304	-
Guaranteed unsecured notes issued – due 2027	398,420	-	397,869	-
Total	**398,420**	**-**	**927,173**	**-**

32 Notes issued *(continued)*

	Group 31 December 2024	Company 31 December 2024	Group 31 December 2023	Company 31 December 2023
Movements during the year:	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Balance at the start of the year	927,173	-	1,924,429	-
Notes repaid	(530,000)	-	(1,000,000)	-
Amortisation of arrangement costs and discount	1,247	-	2,744	-
Total	**398,420**	**-**	**927,173**	**-**

Maturity analysis:	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Due within one year	-	-	529,304	-
Due between one and five years	398,420	-	397,869	-
Due after five years	-	-	-	-
Total	**398,420**	**-**	**927,173**	**-**

Terms and debt repayment schedule

				31 December 2024		31 December 2023	
	Currency	Nominal interest rate	Year of maturity	Face value US$'000	Carrying value US$'000	Face value US$'000	Carrying value US$'000
Guaranteed unsecured notes issued	USD	2.87%	2024	-	-	130,000	129,918
Guaranteed unsecured notes issued	USD	4.25%	2024	-	-	400,000	399,386
Guaranteed unsecured notes issued	USD	3.50%	2027	400,000	398,420	400,000	397,869
Total				**400,000**	**398,420**	**930,000**	**927,173**

32 Notes issued *(continued)*

On 2 December 2014, the Group issued US$400m Fixed Rate Notes due 2024. The Notes were issued by CDBL Funding 1, a wholly owned subsidiary of the Company, with the Company as Guarantor and with a keepwell and asset purchase deed from CDB Financial Leasing Co. Ltd. The Notes are listed on the Hong Kong Stock Exchange. The credit rating of CDB Financial Leasing Co. Ltd as at 31 December 2023 based on Moody's was A1. The US$400m Fixed Rate Notes due 2024 were repaid in 2024.

On 24 October 2017, the Group issued US$400m Fixed Rate Notes due 2023 and US$400m Fixed Rate Notes due 2027. The Notes were issued by CDBL Funding 1, a wholly owned subsidiary of the Company, under a newly established US$3.0bn MTN programme with the Company as Guarantor and with a keepwell and asset purchase deed from CDB Financial Leasing Co. Ltd. The interest rates are fixed for the term of the Notes. The Notes are listed on the Hong Kong Stock Exchange. Fixed Rate Notes due 2023 were repaid during the year ended 31 December 2023.

On 9 March 2018, the Group issued US$100m Fixed Rate Notes due 2023. The Notes were issued by CDBL Funding 1, a wholly owned subsidiary of the Company, under the US$3.0bn MTN programme with the Company as Guarantor and with a keepwell and asset purchase deed from CDB Financial Leasing Co. Ltd. The interest rates are fixed for the term of the Notes. The Notes are listed on the Hong Kong Stock Exchange. This was repaid in 2023.

On 15 November 2019, the Group issued US$130m Fixed Rate Notes due 2024. The Notes were issued by CDBL Funding 1, a wholly owned subsidiary of the Company, under the US$3.0bn MTN programme with the Company as Guarantor and with a keepwell and asset purchase deed from CDB Financial Leasing Co. Ltd. The interest rates are fixed for the term of the Notes. The Notes were cleared at the Hong Kong Central Moneymarkets Unit. This was repaid in 2024.

On 4 November 2020, the Group issued US$500m Fixed Rate Notes due 2023. The Notes were issued by CDBL Funding 1, a wholly owned subsidiary of the Company, under the US$3.0bn MTN programme with the Company as Guarantor and with a keepwell and asset purchase deed from CDB Financial Leasing Co. Ltd. The interest rates are fixed for the term of the Notes. The Notes are listed on the Hong Kong Stock Exchange. This was repaid in 2023.

33 Investments at fair value through profit or loss

	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Investment in equity instruments	11,766	11,766	1,971	1,971
Investment in debt instruments	15,358	15,358	6,949	6,949
Total	**27,124**	**27,124**	**8,920**	**8,920**

Investment in equity instruments

During the year ended 31 December 2022, as part of the settlement of claims by airlines, the Group and the Company received ordinary shares in airlines. During the year ended 31 December 2024, the Group and the Company received ordinary shares in another airlines with a fair value of US$10.2m.

As of 31 December 2024, the Group and the Company's investment in equity instruments in airlines had a fair value of US$11.8m (2023: US$1.97m) based on recently observed market prices and internal valuation performed by the Group and Company. An unrealised loss on investments in equity securities of US$472k was recorded for the year ended 31 December 2024 (2023: Gain of US$607k).

Investment in debt instruments

During the year ended 31 December 2022, as part of the settlement of claims by airlines, the Group and the Company received debt instruments issued by airlines, which have been classified as Investment in debt instruments at Fair value through Profit and loss. During the year ended 31 December 2024, the Group and the Company received Contingent value notes in another airlines with a fair value of US$4.8m. These have also been classified as Investment in debt instruments at Fair value through Profit and loss.

As of 31 December 2024, the Group and the Company's investment in debt instruments in airlines had a fair value of US$15.4m (2023: US$6.95m) based on market bid prices on similar securities (refer to note 34). An unrealised gain on investments in debt securities of US$2,390k was recorded for the year ended 31 December 2024 (2023: US$32k). An interest income on investment in debt securities of $1,438k was recorded for the year ended 31 December 2024 (2023: US$1,081k), see note 7 for details. Interest income is capitalised at 7.25% of the carrying amount on a quarterly basis for the existing debt instrument received in 2022 and at quarterly EURIBOR + Margin for the debt instrument received in 2024.

34 Financial instruments and associated risks

The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. Financial control processes incorporate the regular and continuing analysis of trading operations and performance and the monitoring of capital adequacy and asset valuations. This note seeks to further describe the key business and financial instrument risks faced by the Group and the policies and procedures used to mitigate these risks.

34 Financial instruments and associated risks *(continued)*

The Group's financial instruments comprise trade and other receivables (excluding corporation tax receivable, VAT receivable and straight line lease asset), loans and receivables, investments at fair value through profit or loss, finance lease assets, cash and cash equivalents, loans and borrowings, notes issued, derivative financial instruments, lease liability, other creditors and trade and other payables (excluding prepaid lease income, corporate tax payable and lease deficit liability). The Group's activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Group is exposed are credit risk, market risk (the most significant market risk being interest rate risk and currency risk) and liquidity risk. The nature and extent of the financial instruments outstanding at the statement of financial position date and the financial control policies employed by the Group are discussed below.

Capital management

The Group and Company is a member of a group with regulatory disciplines over the use of its capital. Although the Group and Company itself is not regulated it aims to maintain capital resources commensurate with the nature, scale and risk profile of its business. In order to maintain or achieve optimal capital structure, the Group and Company may adjust the amount of dividend payments, return capital to shareholders, issue new shares, buy back issued shares, incur new borrowings or sell aircraft and related assets to reduce borrowings. It regards its capital as the total equity as shown on the Statement of Financial Position.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the cash and cash equivalents, derivative financial instruments, trade and other receivables, Investments at fair value through Profit and Loss, finance lease assets and loans and receivables. In relation to cash and cash equivalents and derivative financial instruments the Group monitors the rating (Moody’s) of the relevant counterparties. The long term credit rating of the relevant banks with whom the Group holds cash and cash equivalents are in a range from Aa3 to Ba1. The percentage of Group cash reserves held with banks with a credit rating of Baa3 or above is 100% (2023: 100%). The long term credit rating of the relevant banks with whom the Group has entered into derivatives but holds no cash and cash equivalents are as follows:

	Credit Rating 31 December 2024	**Credit Rating 31 December 2023**
Barclays Bank plc	A1	Baa1
Morgan Stanley & Co International plc	A1	A1
Societe Generale SA	A1	A1
Westpac Banking Corporation	Aa2	Aa3
ING Bank NV	A1	A1
Goldman Sachs Group	A1	A1
Mizuho Financial Group	A1	A1
Credit Agricole	A1	Aa3
BNP Paribas	A1	Aa3

34 Financial instruments and associated risks *(continued)*

Credit risk *(continued)*

The Group leases aircraft to airline customers globally, with broad geographic spread. The airline industry is cyclical by nature and exposed to fluctuations in macro-economic factors and competitive pressures. A key determinant of the Group's success is its ability to pre-empt and react to such changes in the underlying competitive environment. There is a risk that should a lessee experience financial difficulties this could result in default, or the early termination, of the operating lease with the Group. The Directors mitigate this risk by operating an active risk management function which includes appropriate risk diversification standards and risk mitigation techniques, including the collection of security deposits and maintenance reserves as appropriate. The carrying amount of financial assets represents the maximum credit exposure. The amounts presented are gross of allowance for ECL. The maximum exposure to credit risk at the reporting date is:

	Group 31 December 2024 US$'000	Company 31 December 2024 US$'000	Group 31 December 2023 US$'000	Company 31 December 2023 US$'000
Cash and cash equivalents	380,264	345,766	938,288	925,169
Derivative financial instruments	53,232	25,353	66,644	15,390
Investments in debt instruments	15,358	15,358	6,949	6,949
Loans and receivables	-	9,218,081	-	8,606,711
Finance lease assets	88,385	-	62,748	-
Trade and other receivables*	350,546	680,507	338,562	596,487
Total assets bearing credit risk	**887,785**	**10,285,065**	**1,413,191**	**10,150,706**

* Includes Straightline lease asset

Trade and other receivables are carried at original invoice amount less any impairment under IFRS 9. The expected credit loss provisions for accounts receivable and finance lease receivables under IFRS 9 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions and the Russia/Ukraine conflict has had on the airline industry, as well as forward looking estimates at the end of each reporting period.

Default is assessed based on objective evidence of impairment. Under IFRS 9 there is a rebuttable presumption of default once a 90 day past due threshold is passed; however, management assess default on each case and investigate reasonable and supportable information that demonstrates that a more lagging default criterion is more appropriate. The Group's credit analysis also includes consideration of industry level risks which includes the political risk which includes the impact of Russia/Ukraine conflict. The Group and Company has assessed Cash and cash equivalents, Loans and receivables and Derivative financial instruments and concluded that the allowance for expected credit loss for Cash and cash equivalents as of 31 December 2024 is US$380k (2023: US$825k).

34 Financial instruments and associated risks *(continued)*

For Expected credit loss for cash and cash equivalents is based on the actual cash balance multiplied an expected loss determined by management.

Impact of IFRS 9 to Trade and other receivables is as follows:

Trade and other receivables	**Group**	**Company**	**Group**	**Company**
	31 December 2024	**31 December 2024**	**31 December 2023**	**31 December 2023**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Balance at beginning of year	220,694	597,173	266,232	354,987
Movement in receivables balance	(62,407)	84,593	(19,104)	241,561
Expected credit loss Decrease/(increase) under IFRS 9	79,258	1	(26,434)	625
Balance at end of year	**237,545**	**681,767**	**220,694**	**597,173**

During the year the following movement on the expected credit loss was recognised:

Expected credit loss	**Group**	**Company**	**Group**	**Company**
	31 December 2024	**31 December 2024**	**31 December 2023**	**31 December 2023**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Balance at beginning of year	(200,610)	(827)	(173,351)	(626)
Reversal/(charge) of expected credit loss	79,703	445	(27,259)	(201)
Write off of expected credit loss	6,175	-	-	-
Balance at end of year	**(114,732)**	**(382)**	**(200,610)**	**(827)**

The Group and Company apply the IFRS 9 simplified approach to measuring expected credit losses (''ECLs'') which uses a lifetime expected loss allowance for all trade receivables and has established a provision matrix whereby the net exposure is multiplied by the probability of default rate assigned based on the credit risk rating grade. There has been a decrease in the Expected credit loss due to increase collection of receivables and updates in credit ratings for lessees.

34 Financial instruments and associated risks *(continued)*

As at 31 December 2024 and 2023, the ageing of trade receivables based on the receivables due date was as follows:

Group 31 December 2024	Deferred	Current	Less than 30 days past due	30 to 60 days past due	61 to 90 days past due	More than 90 days past due	Total
Gross carrying amount	59,945	208,313	5,216	-	-	78,422	351,896
Allowance for ECL	(7,836)	(29,475)	-	-	-	(77,040)	(114,351)
Total	**52,109**	**178,838**	**5,216**	**-**	**-**	**1,382**	**237,545**

Group 31 December 2023	Deferred	Current	Less than 30 days past due	30 to 60 days past due	61 to 90 days past due	More than 90 days past due	Total
Gross carrying amount	85,250	220,876	16,589	2,217	731	94,399	420,062
Allowance for ECL	(25,361)	(86,714)	-	-	-	(87,293)	(199,368)
Total	**59,889**	**134,162**	**16,589**	**2,217**	**731**	**7,106**	**220,694**

Company 31 December 2024	Deferred	Current	Less than 30 days past due	30 to 60 days past due	61 to 90 days past due	More than 90 days past due	Total
Gross carrying amount	-	679,344	-	-	-	-	679,344
Allowance for ECL	-	-	-	-	-	-	-
Total	**-**	**679,344**	**-**	**-**	**-**	**-**	**679,344**

Company 31 December 2023	Deferred	Current	Less than 30 days past due	30 to 60 days past due	61 to 90 days past due	More than 90 days past due	Total
Gross carrying amount	-	596,713	-	-	-	460	597,173
Allowance for ECL	-	-	-	-	-	-	-
Total	**-**	**596,713**	**-**	**-**	**-**	**460**	**597,173**

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has hedged the interest rate risk of the majority of its floating rate loans and the guaranteed unsecured notes issued at a floating rate of interest by entering into swap agreements with various counterparties.

34 Financial instruments and associated risks *(continued)*

Interest rate risk table

Group **31 December 2024**	**Fixed** **US$'000**	**Floating** **US$'000**	**Non interest bearing** **US$'000**	**Total** **US$'000**
Assets	103,742	379,884	82,624	566,250
Liabilities	(4,392,374)	(5,849,097)	(1,034,545)	(11,276,016)
Derivative financial instruments	3,409,589	(3,362,183)	-	47,406
Cumulative interest rate risk	**(879,043)**	**(8,831,396)**	**(951,921)**	**(10,662,360)**

Group **31 December 2023**	**Fixed** **US$'000**	**Floating** **US$'000**	**Non interest bearing** **US$'000**	**Total** **US$'000**
Assets	71,668	937,463	96,527	1,105,658
Liabilities	(4,441,418)	(4,884,451)	(1,774,500)	(11,100,369)
Derivative financial instruments	2,367,848	(2,302,205)	-	65,643
Cumulative interest rate risk	**(2,001,902)**	**(6,249,193)**	**(1,677,973)**	**(9,929,068)**

34 Financial instruments and associated risks *(continued)*

Interest rate risk table *(continued)*

Company **31 December 2024**	**Fixed** **US$'000**	**Floating** **US$'000**	**Non interest bearing** **US$'000**	**Total** **US$'000**
Assets	9,233,439	345,386	723,929	10,302,754
Liabilities	(3,694,447)	(5,599,097)	(513,428)	(9,806,972)
Derivative financial instruments	2,503,296	(2,483,769)	-	19,527
Cumulative interest rate risk	**8,042,288**	**(7,737,480)**	**210,501**	**515,309**

Interest rate risk table

Company **31 December 2023**	**Fixed** **US$'000**	**Floating** **US$'000**	**Non interest bearing** **US$'000**	**Total** **US$'000**
Assets	8,615,631	924,344	594,516	10,134,491
Liabilities	(3,793,767)	(5,443,528)	(446,980)	(9,684,275)
Derivative financial instruments	1,303,795	(1,289,406)	-	14,389
Cumulative interest rate risk	**6,125,659**	**(5,808,590)**	**147,536**	**464,605**

Sensitivity analysis

A change upwards of 100 basis points (bp) in interest rates and a change downwards of 50 basis points (bp) in interest rates at the reporting date would have increased/(decreased) profit or loss before tax and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

Group	**Profit or loss**		**Equity**	
31 December 2024	**100 bp increase** **US$'000**	**50 bp decrease** **US$'000**	**100 bp increase** **US$'000**	**50 bp decrease** **US$'000**
Impact on result	(55,749)	27,875	(48,781)	24,390

Group	**Profit or loss**		**Equity**	
31 December 2023	**100 bp increase** **US$'000**	**50 bp decrease** **US$'000**	**100 bp increase** **US$'000**	**50 bp decrease** **US$'000**
Impact on result	(50,180)	25,090	(43,907)	21,954

34 Financial instruments and associated risks *(continued)*

Interest rate risk *(continued)*

Company	**Profit or loss**		**Equity**	
	100 bp increase	**50 bp decrease**	**100 bp increase**	**50 bp decrease**
31 December 2024	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Impact on result	(55,749)	27,875	(48,781)	24,390

Company	**Profit or loss**		**Equity**	
	100 bp increase	**50 bp decrease**	**100 bp increase**	**50 bp decrease**
31 December 2023	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Impact on result	(34,735)	17,367	(30,393)	15,196

Currency risk

The principal assets and liabilities of the Group are denominated in US$ which is the functional currency of the Group. The Group and Company is exposed to currency risk on foreign currency loans drawn during the year ended 31 December 2024 which are fully hedged with cross currency swaps in place. The Group and Company is also exposed to currency risk on the Dublin and Hong Kong office leases and employee costs which are denominated in Euros and Hong Kong dollars.

Sensitivity analysis

A change upwards of 10% in the relevant foreign exchange rate (EUR) and a change downwards of 10% in the relevant foreign exchange rate (EUR) at the reporting date would have (decreased)/increased profit or loss before tax and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

Group and Company	**Profit or loss**		**Equity**	
	10% increase	**10% decrease**	**10% increase**	**10% decrease**
31 December 2024	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Impact on result	264	(264)	231	(231)

Group and Company	**Profit or loss**		**Equity**	
	10% increase	**10% decrease**	**10% increase**	**10% decrease**
31 December 2023	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Impact on result	(298)	298	(261)	261

34 Financial instruments and associated risks *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group might not have sufficient financial resources to meet its obligations as they fall due, or might have to do so at an excessive cost. The Group has funded a significant part of its operations with debt financing, comprising secured and unsecured bank loans and unsecured bonds. The ability of the Group to continue to operate is dependent upon its ability to meet its payment obligations under the respective loan agreements. The Group has principal repayments due under these loans which fall due during the next 12-month period and has also committed to acquire and lease further aircraft. The Group intends to finance these obligations using a combination of operating cash flows, including proceeds from the sale of aircraft, and new capital raising. The Group's parent intends to provide support to these financing activities as required. Please refer to note 31 for undrawn credit lines available. The following are the contractual maturities of the Group's financial liabilities including undiscounted interest payments and excluding the impact of netting arrangements. The interest rates on the gross contractual cashflows are based on the floating interest rates at 31 December 2024.

Group – 2024	**Carrying amount US$'000**	**Gross contractual cash flows US$'000**	**Less than one year US$'000**	**One to five years US$'000**	**More than five years US$'000**
Guaranteed unsecured notes issued	398,420	440,420	14,000	426,420	-
Loans and borrowings	9,843,051	10,839,208	4,688,117	5,162,733	988,358
Trade and other payables	286,317	286,317	286,317	-	-
Derivative financial instruments	5,826	5,826	-	5,490	336
Other creditors	727,918	727,918	166,957	168,093	392,868
Lease liability	19,700	25,043	3,409	8,834	12,800
Total	**11,281,232**	**12,324,732**	**5,158,800**	**5,771,570**	**1,394,362**

Company - 2024	**Carrying amount US$'000**	**Gross contractual cash flows US$'000**	**Less than one year US$'000**	**One to five years US$'000**	**More than five years US$'000**
Loans and borrowings	9,293,544	10,058,195	3,978,023	5,091,814	988,358
Trade and other payables	490,509	490,509	490,509	-	-
Other creditors	7,278	7,278	6,594	684	-
Derivative financial instruments	5,826	5,826	-	5,490	336
Lease liability	15,637	20,721	1,587	6,334	12,800
Total	**9,812,794**	**10,582,529**	**4,476,713**	**5,104,322**	**1,001,494**

34 Financial instruments and associated risks *(continued)*

Group - 2023	Carrying amount US$'000	Gross contractual cash flows US$'000	Less than one year US$'000	One to five years US$'000	More than five years US$'000
Guaranteed unsecured notes issued	927,173	1,003,904	564,035	439,869	-
Loans and borrowings	9,303,165	10,235,787	4,435,288	4,817,304	983,195
Trade and other payables	261,019	261,019	260,829	190	-
Other creditors	586,308	586,308	37,929	212,227	336,152
Derivative financial instruments	1,001	1,001	-	-	1,001
Lease liability	22,704	29,226	3,403	10,768	15,055
Total	**11,101,370**	**12,117,245**	**5,301,484**	**5,480,358**	**1,335,403**

Company - 2023	Carrying amount US$'000	Gross contractual cash flows US$'000	Less than one year US$'000	One to five years US$'000	More than five years US$'000
Loans and borrowings	9,220,170	10,008,147	4,804,536	4,220,421	983,190
Trade and other payables	427,867	427,867	427,677	190	-
Derivative financial instruments	1,001	1,001	-	-	1,001
Other creditors	19,113	19,113	18,865	248	-
Lease liability	17,125	23,152	1,644	6,576	14,932
Total	**9,685,276**	**10,479,280**	**5,252,722**	**4,227,435**	**999,123**

Fair value of financial assets and financial liabilities

The carrying value and fair value of the Group's financial assets and financial liabilities by class and category were as follows:

Group	**Carrying value 31 December 2024**	**Fair value 31 December 2024**
Assets:	**US$'000**	**US$'000**
Investments at fair value through Profit and Loss	27,124	27,124
Derivative financial instruments	53,232	53,232
Total	**80,356**	**80,356**
Liabilities:		
Guaranteed unsecured notes issued	398,420	392,044
Loans and borrowings	9,843,051	10,063,109
Derivative financial instruments	5,826	5,826
Total	**10,247,297**	**10,460,979**

34 Financial instruments and associated risks *(continued)*

Fair value of financial assets and financial liabilities *(continued)*

Group	**Carrying value 31 December 2023**	**Fair value 31 December 2023**
Assets:	**US$'000**	**US$'000**
Investments at fair value through Profit and Loss	8,920	8,920
Derivative financial instruments	66,644	66,644
Total	**75,564**	**75,564**
Liabilities:		
Guaranteed unsecured notes issued	927,173	923,146
Loans and borrowings	9,303,165	9,511,078
Derivative financial instruments	1,001	1,001
Total	**10,231,339**	**10,435,225**

For cash and cash equivalents, trade and other receivables, trade and other payables, finance lease receivables and other creditors, their fair values approximate their carrying amount due to either their short-term maturity or because the interest rate charged closely approximates market interest rates or that the financial instruments have been discounted to their fair value at a current pre-tax interest rate.

The determination of fair value for financial instruments not traded in active markets relies on alternative valuation methodologies. These methods prioritize the utilisation of observable market data wherever feasible, minimising reliance of entity-specific estimates. Instruments are categorised as level 2 if all key inputs necessary for fair valuation are observable. The Group employs a valuation approach centred around discounted cash flows, utilising prevailing market rates adjusted for credit risk.

34 Financial instruments and associated risks *(continued)*

Fair value of financial assets and financial liabilities *(continued)*

The carrying value and fair value of the Company's financial assets and financial liabilities by class and category were as follows:

Company	**Carrying value 31 December 2023**	**Fair value 31 December 2023**
Assets:	**US$'000**	**US$'000**
Investments at fair value through Profit and Loss	27,124	27,124
Derivative financial instruments	25,353	25,353
Total	**52,477**	**52,477**
Liabilities:		
Loans and borrowings	9,293,544	9,462,037
Derivative financial instruments	5,826	5,826
Total	**9,299,370**	**9,467,863**

Company	**Carrying value 31 December 2023**	**Fair value 31 December 2023**
Assets:	**US$'000**	**US$'000**
Investments at fair value through Profit and Loss	8,920	8,920
Derivative financial instruments	15,390	15,390
Total	**24,310**	**24,310**
Liabilities:		
Loans and borrowings	9,220,170	9,381,985
Derivative financial instruments	1,001	1,001
Total	**9,221,171**	**9,382,986**

The fair values of the derivative financial instruments represent amounts payable to or receivable from the swap counterparties should the swaps be terminated at the year end date. The calculation of the value of the swaps is a function of time and movement in interest rates and credit spreads.

34 Financial instruments and associated risks *(continued)*

Fair value of financial assets and financial liabilities *(continued)*

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

At 31 December 2024

Group	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Assets				
Interest rate swaps	-	53,232	-	53,232
Equity Investments at fair value through Profit and Loss	11,766	-	-	11,766
Debt Investments at fair value through Profit and Loss	15,358	-	-	15,358
Total Assets	**27,124**	**53,232**	**-**	**80,356**
Liabilities				
Interest rate swaps	-	5,826	-	5,826
Total Liabilities	**-**	**5,826**	**-**	**5,826**

At 31 December 2024

Company	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Assets				
Interest rate swaps	-	25,353	-	25,353
Equity Investments at fair value through Profit and Loss	11,766	-	-	11,766
Debt Investments at fair value through Profit and Loss	15,358	-	-	15,358
Total Assets	**27,124**	**25,353**	**-**	**52,477**
Liabilities				
Interest rate swaps	-	5,826	-	5,826
Total Liabilities	**-**	**5,826**	**-**	**5,826**

34 Financial instruments and associated risks *(continued)*

Fair value of financial assets and financial liabilities *(continued)*

At 31 December 2023

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Assets				
Interest rate swaps	-	66,644	-	66,644
Equity Investments at fair value through Profit and Loss	1,971	-	-	1,971
Debt Investments at fair value through Profit and Loss	6,949	-	-	6,949
Total Assets	**8,920**	**66,644**	-	**75,564**
Liabilities				
Interest rate swaps	-	1,001	-	1,001
Total Liabilities	-	**1,001**	-	**1,001**

At 31 December 2023

Company	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Assets				
Interest rate swaps	-	15,390	-	15,390
Equity Investments at fair value through Profit and Loss	1,971	-	-	1,971
Debt Investments at fair value through Profit and Loss	6,949	-	-	6,949
Total Assets	**8,920**	**15,390**	-	**24,310**
Liabilities				
Interest rate swaps	-	1,001	-	1,001
Total Liabilities	-	**1,001**	-	**1,001**

34 Financial instruments and associated risks *(continued)*

Fair value of financial assets and financial liabilities *(continued)*

The Group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. The levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair values are estimated as follows:

Interest rate swaps fall within Level 2 - discounted cash flow analysis using observable market inputs.

Debt and Equity Investments at fair value through Profit and Loss fall within Level 1 given there is an active market for identical assets allowing quoted prices to be derived.

35 Reconciliation to the statement of cashflows

(a) Reconciliation of cashflows from Operating activities	**Group 31 December 2024 US$'000**	**Company 31 December 2024 US$'000**	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**
Profit/(loss) before tax	7,075	(72,091)	66,042	28,809
Amortisation of arrangement fee	7,288	6,531	6,514	4,957
Amortisation of note arrangement costs	1,247	-	2,744	-
Amortisation on lease incentive asset and lease deficit	18,211	-	15,212	-
Depreciation and amortisation	497,343	5,069	463,008	5,003
Impairment of aircraft assets	23,368	-	131,053	-
Expected credit losses on trade and other receivables	(79,703)	(446)	26,434	(625)
Profit on sale of aircraft	(11,276)	-	14,638	-
Fair value movement on derivatives	3,279	3,642	(866)	(866)
Fair value movement on investment on debt and equity securities	(1,918)	(1,918)	(639)	(639)
Increase/decrease in maintenance reserves	112,507	-	53,999	-
Interest expense	564,859	500,573	516,243	460,663
Interest income	(71,941)	(415,063)	(95,978)	(488,154)
Effect of changes in foreign exchange rate	(2,638)	(2,550)	2,983	3,711
Decrease/(increase) in debtors	71,464	(241,465)	54,282	(316,273)
Increase in creditors	84,390	58,492	140,772	17,173
Cash flows from operating activities	**1,223,555**	**(159,226)**	**1,396,441**	**(286,241)**

b) Reconciliation of cashflows from Financing activities

Cash inflow (outflow) from financing activities	**Group 31 December 2024 US$'000**	**Company 31 December 2024 US$'000**	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**
Loans received	8,276,086	8,242,085	6,251,889	6,251,889
Loans repaid	(7,728,008)	(8,159,078)	(4,130,165)	(4,991,765)
Notes repaid	(530,000)	-	(1,000,000)	-
Interest paid	(569,998)	(504,879)	(423,687)	(442,891)
Arrangement fees paid	(9,371)	(10,055)	(10,063)	(10,063)
Lease liability payments	(3,384)	(1,624)	(3,021)	(1,218)
Total changes from financing cashflows	**(564,675)**	**(433,551)**	**684,953**	**805,952**

35 Reconciliation to the statement of cashflows *(continued)*

b) Reconciliation of cashflows from Financing activities (continued)

	Group 31 December 2024	Company 31 December 2024	Group 31 December 2023	Company 31 December 2023
Non-cash related financing liabilities	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Accrued interest for the year	564,859	499,633	440,562	460,663
Amortisation of arrangement fee	7,288	6,531	6,514	4,957
Amortisation of note arrangement cost	1,247	-	2,744	-
Lease remeasurement	-	-	3,892	(392)
Foreign exchange hedged	(6,109)	(6,109)	-	-
Effect of changes in foreign exchange rate	(607)	(617)	1,055	1,054
Total non-cash related other changes	**566,678**	**499,438**	**454,767**	**466,282**
Balance of financing liabilities at the beginning of the year	**10,308,199**	**9,270,715**	**9,168,479**	**7,998,481**
Balance of financing liabilities at the end of the year	**10,310,202**	**9,336,602**	**10,308,199**	**9,270,715**

Financing liabilities includes Loans and borrowings, Notes issued, Accrued interest, and Lease liability.

36 Retained earnings	**Group 31 December 2024 US$'000**	**Company 31 December 2024 US$'000**	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**
Retained earnings at beginning of year	100,082	444,585	61,699	411,060
Profit/(loss) for the financial year	8,670	(64,458)	60,501	33,525
Transfer to General Reserve*	-	-	(22,118)	-
Retained earnings at end of year	**108,752**	**380,127**	**100,082**	**444,585**

*A General Reserve was created, representing 1.5% of Risky Assets, calculated as total assets excluding cash with related parties and intercompany balances (2023: 1.5% of Risky Assets). These reserves cannot be used to support a dividend, but can offset retained losses. The balance is US$176,852k for 2024 (2023: US$176,852k). There is no transfer to general reserve in 2024.

37 Hedging reserve	**Group 31 December 2024 US$'000**	**Company 31 December 2024 US$'000**	**Group 31 December 2023 US$'000**	**Company 31 December 2023 US$'000**
Balance at beginning of year	50,323	5,476	92,663	30,771
Movements in unrealised (loss) / profit arising from cash flow hedging instrument	(8,849)	14,885	(48,389)	(28,909)
Deferred tax movement arising from unrealized loss / (gain) on hedging instrument	1,087	(1,876)	6,049	3,614
Closing balance	**42,561**	**18,485**	**50,323**	**5,476**

38 Group membership and control

The Company is a wholly owned subsidiary company of China Development Bank Financial Leasing Co., Limited ("CDB Leasing"), a company registered in China. The financial results of CDB Aviation Lease Finance Designated Activity Company are included in the consolidated financial statements of CDB Leasing and in the consolidated financial statements of its ultimate parent, China Development Bank ("CDB"). The consolidated financial statements of CDB Leasing are available to the public and may be obtained from CDB Leasing, CDB Financial Center, No. 2003, Fuzhong Third Road, Futian District, Shenzhen, People's Republic of China (Post code: 518038) and from www.cdb-leasing.com. The consolidated financial statements of CDB are also available to the public and may be obtained from CDB, No. 18 Fuxingmennei Street, Xicheng District, Beijing 100031, China, and from www.cdb.com.cn.

39 Related party transactions

The Group has received loans and entered into interest rate swap agreements with its ultimate parent, China Development Bank ("CDB").

The Company has provided short term intercompany loans to its subsidiaries and has received short term intercompany loans from its subsidiaries. The Company and Group have provided loans to fellow subsidiaries of CDB. Service fee income was recognised from all entities which the group act as servicer.

Statement of comprehensive income	**Group Year ended 31 December 2024 US$'000**	**Company Year ended 31 December 2024 US$'000**	**Group Year ended 31 December 2023 US$'000**	**Company Year ended 31 December 2023 US$'000**
Income:				
Service fee income	10,771	58,711	10,667	56,692
Interest income on loans from CDB Aviation Group companies (see note 7)	-	387,715	-	348,948
Interest rate swap income from CDB AH	-	-	859	-
Expense:				
Loan interest expense to CDB Leasing Group	58,880	92,619	123,836	170,110
Interest rate swap expense from CDB AH	-	-	-	11,374
Handling fee expense	-	-	-	120

Statement of financial position	**Group Year ended 31 December 2024 US$'000**	**Company Year ended 31 December 2024 US$'000**	**Group Year ended 31 December 2023 US$'000**	**Company Year ended 31 December 2023 US$'000**
Assets:				
Cash and cash equivalents (note 18)	8	3	26	8
Service fee income receivable (note 21)	10,087	3,933	9,571	3,780
Intercompany receivable (see note 21)	-	426,648	-	375,520
Intercompany loans (see note 23)	-	9,218,081	-	8,606,711
Interest receivable from CDB Aviation Group companies (see note 21)	-	247,961	-	214,335

Notes
Forming part of the financial statements (continued)

39 Related party transactions *(continued)*

Statement of financial position	**Group Year ended 31 December 2024**	**Company Year ended 31 December 2024**	**Group Year ended 31 December 2023**	**Company Year ended 31 December 2023**
Liabilities:	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Funds owed to CDBL Funding 1 (see note 31)	-	(398,420)	-	(927,168)
Funds owed to GY Malta (see note 31)	-	(3,700,000)	-	(2,100,000)
Loans and borrowings from CDB Leasing Group	(3,700,000)	-	(2,100,000)	-
Loan interest payable to CDB Leasing Group (see note 29)	(15,076)	-	(16,306)	-
Intercompany payable to Group (see note 29)	(155,074)	(445,015)	(120,251)	(377,366)

During the year, the Group acquired no aircraft from a related party (2023: US$47.5m) and sold three aircraft to a related party for a sale price of US$131.1m. (2023: US$52.9m). A profit on sale of US$0.6m was recorded on the related party sales (2023: US$4.5m).

Transactions with key management personnel
There were no transactions and there are no outstanding balances relating to key management personnel and/or entities over which they have control or significant influence.

Remuneration of key management personnel
The remuneration of the key management personnel of the Group, which includes directors, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

	Group Year ended 31 December 2024 US$'000	**Group Year ended 31 December 2023 US$'000**
Salaries and other short-term employee benefits	6,464	6,348
Post-employment benefits	1,187	-
Other long-term benefits	680	477
Total	**8,331**	**6,825**

The Directors of the Group include Alan Geraghty who is a director of Wilmington Trust SP Services (Dublin) Limited ("Wilmington") during the year. During the year the Group paid for services to the value of US$123k (2023: US$263k) from Wilmington. Out of the total fees paid to Wilmington, it is estimated that US$58k (2023: US$125k) relates to making available of individuals to act as directors of the Group. These services were provided under normal commercial terms.

39 Related party transactions *(continued)*

This is in accordance with the provision of Sections 305A of the Companies Act 2014 (as amended), that the considerations paid, is paid to the Administrator for making available the services of directors of the Group. The terms of the corporate service agreement provide for a single fee for the provision of corporate services (including the making available of individuals to act as directors of the Group). As a result, the allocation of fees for directorship is a subjective calculation. There was nil outstanding at year end (2023: nil). Alan Geraghty does not (and will not), in his personal capacity or any other capacity, receive any fee for acting or having acted as director of the Group.

40 Commitments and contingencies

The Group intends to further develop the business during 2025. As at 31 December 2024 the Group, jointly with its sole shareholder, China Development Bank Financial Leasing Co., Limited, is committed to purchase a further eighty-five Boeing aircraft and one hundred and twelve Airbus aircraft (2024: thirty-five Boeing aircraft and forty-four Airbus aircraft). These aircraft are scheduled to deliver between 2025 and 2032. The Group also has contractual commitments to acquire a further eight aircraft under sale and leaseback and four aircraft under portfolio acquisition transactions (2023: five). The aggregate of these commitments, including pre-delivery payments, at manufacturer list prices for purchases from Boeing, Airbus and under sale and leaseback and at estimated purchase prices for portfolio acquisition transactions is US$25,391m (2023: US$10,242m).

The Group will continue to pursue opportunistic transactions to buy and sell aircraft to manage the composition of its portfolio. It also plans to raise additional capital in 2025, with support from its parent company, to finance both the new aircraft additions and to refinance maturing debt.

41 Outsourced services

During part of the year certain administrative/administration tasks were outsourced to Wilmington Trust SP Services (Dublin) Limited under a Service Agreement. The Company has outsourced company secretarial functions to MHC Corporate Services Limited under a Service Agreement.

42 Company statement of comprehensive income

The Company has availed of the exemption under Section 304 of the Companies Act 2014 from the requirement to present a separate Company statement of comprehensive income. Of the consolidated profit or loss for the financial year, a loss after tax of US$64m (2023: profit after tax of US$34m) is dealt with in the statement of comprehensive income of the Company.

43 Subsequent events

In 2025 the Group settled some of its cases in relation to the Russian aircraft and will receive proceeds from those settlements, while others cases remain in litigation at the date of approval of the financial statements.

No other significant events affecting the Group or Company have occurred since 31 December 2024 which require adjustment to or disclosure in the financial statements.

44 Approval of financial statements

The Directors approved these financial statements on 27 March 2025.

Appendix A CDB Aviation Lease Finance DAC

Company Statement of Comprehensive Income

Does not form part of the statutory financial statements

	Note	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Turnover - operating income	1	87,345	75,692
Operating income		**87,345**	**75,692**
Operating expenses	2	(63,598)	(62,007)
Depreciation		(5,069)	(5,003)
Expected credit losses		446	(201)
Expenses		**(68,221)**	**(67,211)**
Net operating income		**19,124**	**8,481**
Finance income	3	417,613	488,154
Finance expense	4	(507,104)	(469,331)
Fair value movement on investments		1,918	639
Fair value movement on derivative financial instruments		(3,642)	866
Net finance income		**(91,215)**	**20,328**
(Loss) / profit before tax		**(72,091)**	**28,809**
Taxation credit	5	7,633	4,716
(Loss) / profit for the financial year		**(64,458)**	**33,525**

Notes

1 **Turnover-operating income**	**Year ended 31 December 2024 US$'000**	**Year ended 31 December 2023 US$'000**
Aircraft rental income	2,772	2,772
Other revenue	13,556	4,326
Service fee income	71,017	68,594
Total	**87,345**	**75,692**

2 **Operating expenses**	**Year ended 31 December 2024 US$'000**	**Year ended 31 December 2023 US$'000**
Intercompany service fee	12,306	12,023
Office rent	-	351
Entertainment	408	178
Travel expense	1,367	1,914
Employee costs	24,396	24,900
Recruitment costs	264	5
Third party agency expenses	8,196	10,028
Consulting expense	886	1,655
Legal expense	10,778	7,096
Other expenses	4,997	3,857
Total	**63,598**	**62,007**

3 **Finance income**	**Year ended 31 December 2024 US$'000**	**Year ended 31 December 2023 US$'000**
Interest income	18,143	18,063
Distribution from CDB Group companies	-	66,841
Interest income on loans to CDB Group companies	387,715	350,987
Interest income on investment in debt securities	1,438	1,081
Interest rate swap income	7,767	51,182
Foreign exchange loss	2,550	-
Total	**417,613**	**488,154**

Notes

4 Finance expense

	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Loan interest expense	491,648	443,042
Interest rate swap expense	-	12,735
Loan arrangement/commitment fees	14,703	9,059
Interest expense on lease liabilities	753	784
Foreign exchange gain	-	3,711
Total	**507,104**	**469,331**

5 Taxation

	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 US$'000
Irish corporation tax charge	24	48
Deferred tax charge/(credit)	(7,657)	(4,764)
Total tax charge/(credit)	**(7,633)**	**(4,716)**
Reconciliation of effective tax rate:		
Profit/(loss) before tax	(72,091)	28,809
Tax charge/(credit) at 12.5%	(9,011)	3,601
Effect of:		
Non deductible expense	70	108
Prior year (over) / under provision	(278)	(219)
Income taxable at a different rate	-	(8,231)
Group relief (claimed)/surrendered	1,561	-
Withholding Income Tax	25	25
Total tax charge/(credit)	**(7,633)**	**(4,716)**

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