国银租赁
CHINA DEVELOPMENT BANK LEASING

國銀金融租賃股份有限公司*

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.*

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

(Stock Code: 1606)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

The Board of China Development Bank Financial Leasing Co., Ltd. hereby announces the audited consolidated results of the Company and its subsidiaries for the year ended December 31, 2021 together with the comparative figures for the corresponding period in 2020, which should be read in conjunction with the following management discussion and analysis.

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

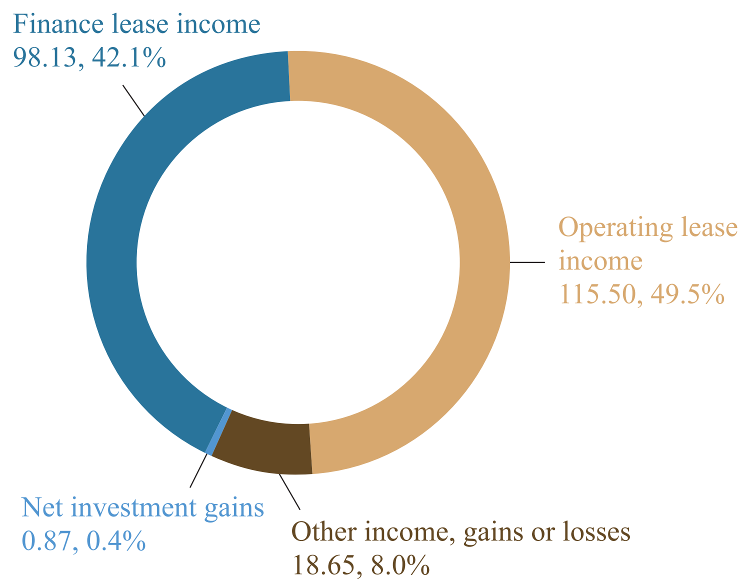
FINANCIAL HIGHLIGHTS

1. SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended December 31,				
(RMB in thousands)	**2021**	2020	2019	2018	2017
Finance lease income	**9,813,486**	9,199,844	8,287,442	7,036,316	5,784,289
Operating lease income	**11,550,309**	8,520,051	8,236,710	6,584,804	6,016,001
Total revenue	**21,363,795**	17,719,895	16,524,152	13,621,120	11,800,290
Net investment gains	**87,279**	41,189	220,355	211,662	176,160
Other income, gains or losses	**1,864,732**	1,567,632	1,598,730	1,708,528	338,272
Total revenue and other income	**23,315,806**	19,328,716	18,343,237	15,541,310	12,314,722
Total expenses	**(17,780,240)**	(14,745,139)	(14,350,476)	(12,267,089)	(9,506,870)
Of which: Depreciation and amortisation	**(4,348,822)**	(4,133,564)	(3,738,448)	(2,989,253)	(2,701,887)
Interest expenses	**(8,087,780)**	(6,980,798)	(7,167,284)	(6,863,247)	(4,984,470)
Impairment losses	**(3,510,289)**	(2,281,623)	(2,037,187)	(1,293,092)	(912,918)
Profit before income tax	**5,535,566**	4,583,577	3,992,761	3,274,221	2,807,852
Profit for the year	**3,922,212**	3,268,321	2,938,125	2,506,984	2,130,963
Basic and diluted earnings per Share *(RMB)*	**0.31**	0.26	0.23	0.20	0.17

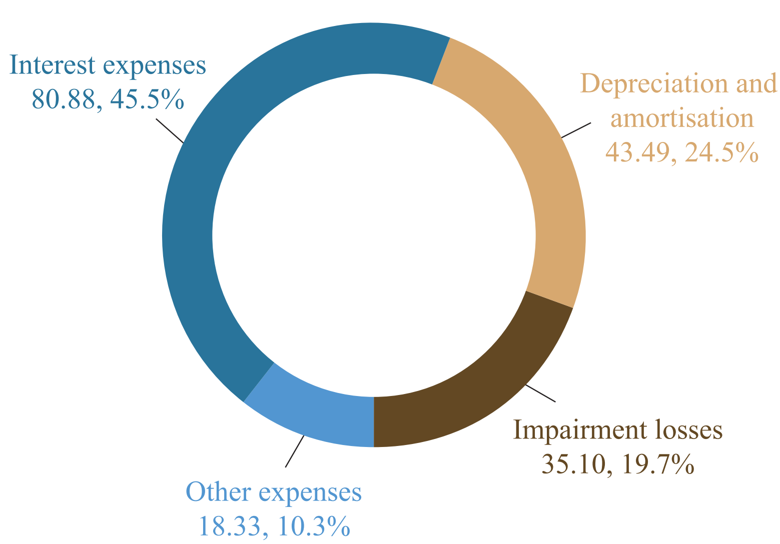
In 2021, finance lease income accounted for 42.1% of the operating income of the Group, representing a year-on-year decrease of 5.5 percentage points; operating lease income accounted for 49.5%, representing a year-on-year increase of 5.4 percentage points; other income, gains or losses accounted for 8.0%, representing a year-on-year decrease of 0.1 percentage point and net investment gains accounted for 0.4%, representing a year-on-year increase of 0.2 percentage point.

Breakdown of Operating Income in 2021
(Unit: RMB 00' million, Percentage)



In 2021, interest expenses accounted for 45.5% of the operating expenses of the Group, representing a year-on-year decrease of 1.8 percentage points; depreciation and amortisation accounted for 24.5%, representing a year-on-year decrease of 3.5 percentage points; impairment losses accounted for 19.7%, representing a year-on-year increase of 4.2 percentage points; and other expenses accounted for 10.3%, representing a year-on-year increase of 1.1 percentage points.

Breakdown of Operating Expenses in 2021
(Unit: RMB 00'million, Percentage)

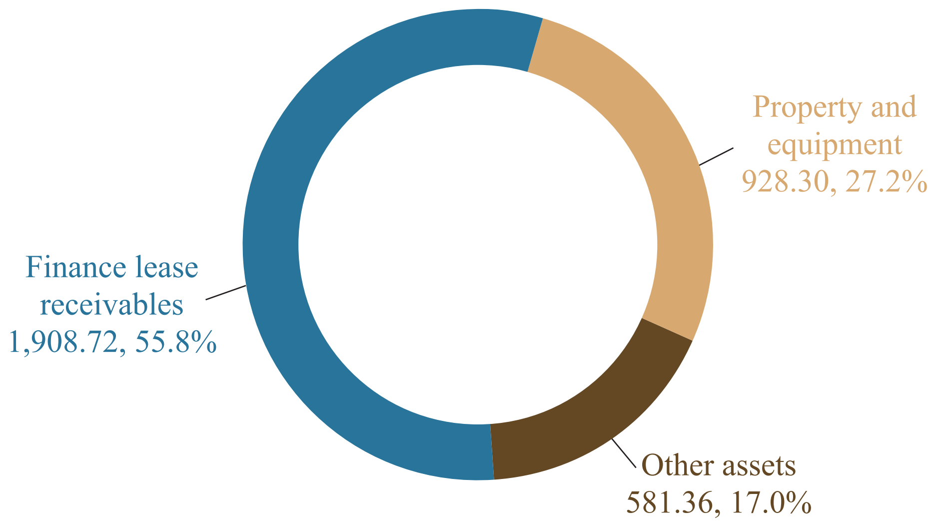


2. SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,				
(RMB in thousands)	**2021**	2020	2019	2018	2017
Total assets	**341,837,629**	303,329,667	261,300,668	238,066,986	187,099,272
Of which: Cash and bank balances	**36,833,077**	34,992,986	21,528,292	23,497,845	16,207,073
Accounts receivable	**1,245,057**	1,960,650	2,168,454	5,405,652	6,610,039
Finance lease receivables	**190,871,553**	166,040,552	141,498,088	125,141,605	98,880,563
Prepayments	**11,958,595**	15,829,764	14,820,598	12,332,839	7,530,238
Property and equipment	**92,829,721**	77,088,767	73,260,791	63,038,585	49,532,281
Total liabilities	**311,730,875**	276,700,352	235,631,426	213,863,956	163,590,303
Of which: Borrowings	**236,087,673**	210,382,017	174,135,636	157,186,898	116,245,105
Bonds payable	**45,045,528**	46,221,709	42,811,268	38,596,346	32,326,713
Total equity	**30,106,754**	26,629,315	25,669,242	24,203,030	23,508,969
Net assets per share *(RMB)*	**2.38**	2.11	2.03	1.91	1.86

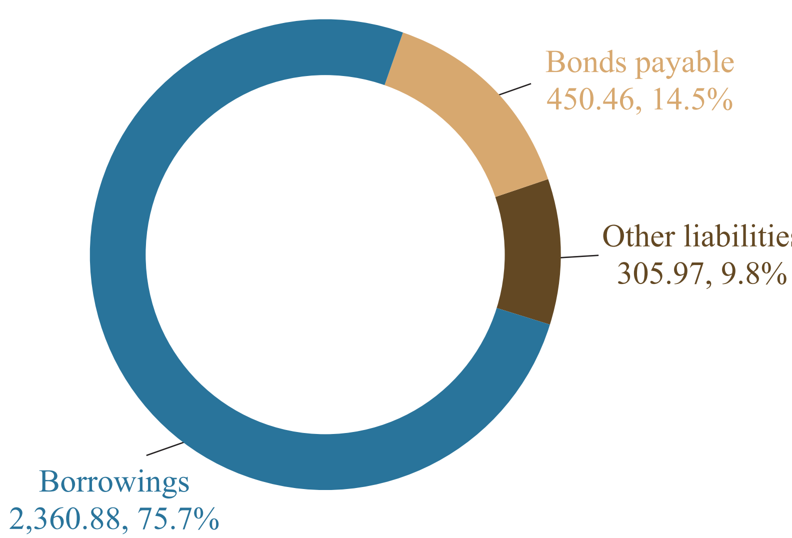
As at December 31, 2021, finance lease receivables accounted for 55.8% of the total assets of the Group, representing an increase of 1.1 percentage points as compared with that as of the end of 2020; property and equipment accounted for 27.2%, representing an increase of 1.8 percentage points as compared with that as of the end of 2020; and other assets accounted for 17.0%, representing a decrease of 2.9 percentage points as compared with that as of the end of 2020.

Breakdown of Net Book Value of the Total Assets in 2021
(Unit: RMB 00'million, Percentage)



As at December 31, 2021, borrowings accounted for 75.7% of the total liabilities of the Group, representing a decrease of 0.3 percentage point as compared with that as of the end of 2020; bonds payable accounted for 14.5%, representing a decrease of 2.2 percentage points as compared with that as of the end of 2020; and other liabilities accounted for 9.8%, representing an increase of 2.5 percentage points as compared with that as of the end of 2020.

Breakdown of Net Book Value of the Total Liabilities in 2021
(Unit: RMB 00'million, Percentage)



3. SELECTED FINANCIAL RATIOS

	For the year ended December 31,/As of December 31,				
	2021	2020	2019	2018	2017
Return on average total assets[(1)]	**1.22%**	1.16%	1.18%	1.18%	1.21%
Return on average equity[(2)]	**13.83%**	12.50%	11.78%	10.73%	9.30%
Cost-to-income ratio[(3)]	**7.89%**	7.14%	8.19%	6.99%	7.08%
Net profit margin before tax and impairment losses[(4)]	**42.34%**	38.74%	36.49%	33.53%	31.53%
Net profit margin[(5)]	**18.36%**	18.44%	17.78%	18.41%	18.06%
Non-performing asset ratio[(6)]	**0.67%**	0.80%	0.89%	0.89%	0.78%
Non-performing asset ratio of finance lease business[(7)]	**0.45%**	0.54%	1.58%	1.56%	1.31%
Gearing ratio[(8)]	**8.47 times**	8.36 times	7.61 times	7.15 times	5.72 times
Credit ratings					
Standard & Poor's	**A**	A	A	A	A
Moody's	**A1**	A1	A1	A1	A1
Fitch	**A+**	A+	A+	A+	A+

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

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

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

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

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

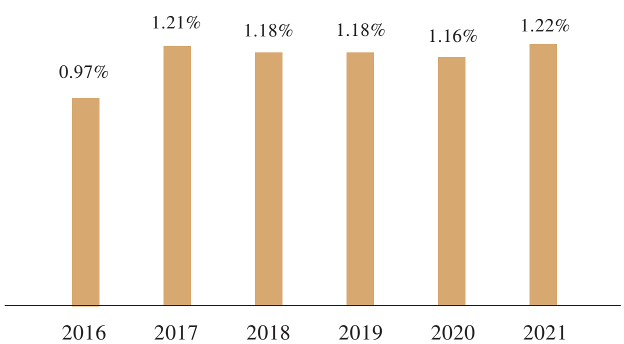
(6) Calculated based on the percentage of non-performing assets over total assets before allowance for impairment losses as of the dates indicated.

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

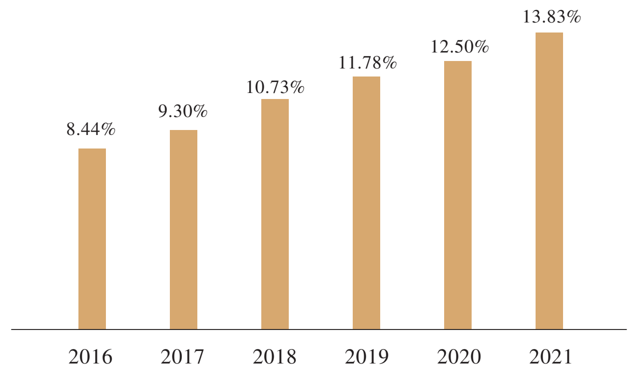
(8) Calculated by dividing net debt by total equity. Net debt is defined as total debt less cash and cash equivalents. Total debt comprises borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements and bonds payable.

In 2021, the return on average assets of the Group was 1.22%, representing an increase of 0.06 percentage point as compared with that of the same period of last year. The return on average equity of the Group was 13.83%, which has achieved a steady increase in recent years, mainly because net profit maintained a high year-on-year growth.

Return on Average Total Assets



Return on Average Equity



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

		As of December 31,				
	Regulatory requirement	**2021**	2020	2019	2018	2017
Capital adequacy indicators[(1)]						
Core tier-one capital adequacy ratio[(2)]	≥7.5%	**9.40%**	9.82%	10.51%	10.72%	13.19%
Tier-one capital adequacy ratio[(3)]	≥8.5%	**9.40%**	9.82%	10.51%	10.72%	13.19%
Capital adequacy ratio[(4)]	≥10.5%	**11.93%**	12.60%	11.69%	11.91%	14.10%
Asset quality indicators						
Ratio of allowance to non-performing finance lease related assets[(5)]	≥150%	**847.80%**	625.95%	269.61%	253.12%	215.15%

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS SITUATION AND COMPANY'S RESPONSE

1.1 Business Environment

1.1.1 Macro-economy

In 2021, the global COVID-19 pandemic was characterized by "repeated outbreaks, stable lows, peak rebounds, and varying status of vaccination" with an overall positive momentum. Thanks to loose monetary and fiscal policies and a low base in 2020, major economies recovered strongly in 2021. The World Bank expected global economic growth to reach 5.5% in 2021.

Against the backdrop of profound changes unseen in a century and the COVID-19 pandemic, China was hit by COVID-19 outbreaks and floods and faced the triple pressures of shrinking demand, supply disruption, and weakening expectations, but China responded effectively and made new progress in building a new development pattern, demonstrating the strong resilience of China's economy and getting off to a good start for the 14th Five-Year Plan. The main macroeconomic indicators remained within a reasonable range: The annual nominal GDP crossed the RMB110 trillion mark, ranking second in the world and accounting for more than 18% of the global economy. The real GDP growth rate reached 8.1%, representing a two-year average of 5.1%, ranking among the best in the world's major economies. As at the end of 2021, broad money supply M2 and total social financing increased by 9.0% and 10.3% year-on-year respectively, basically matching the nominal economic growth rate. On annual average in 2020 and 2021, M2 and total social financing grew by 9.5% and 11.8% respectively, basically matching and slightly higher than the average nominal economic growth rate for 2020 and 2021. RMB loans increased by RMB19.95 trillion, a year-on-year increase of RMB315 billion. The employment situation was stable. 12.69 million new urban jobs were created throughout the year, an increase of 830,000 from 2020. The average surveyed urban unemployment rate nationwide was 5.1%. During the year, the macro leverage ratio declined, achieving a good result in deleveraging. The corporate loan interest rate for 2021 was 4.61%, down 0.1 percentage point from 2020 and 0.69 percentage point from 2019, the lowest in more than 40 years of reform and opening up. On the whole, China's financial system operated smoothly and provided solid support for the development of the real economy.

1.1.2 Industry Environment

In 2021, the regulatory policies of the financial leasing industry continued to improve, further standardizing the industry in its development. In mid-2021, the State-owned Assets Supervision and Administration Commission of the State Council issued the Notice on Further Promoting the Healthy Development and Strengthening the Risk Prevention of Financial Leasing Companies Affiliated to Central Enterprises. At the end of 2021, the PBOC issued the Regulations on Local Financial Supervision and Administration (Draft for Comments), which makes clear the definition of and rules for local financial institution. Guided by regulatory requirements, the leasing industry has returned to its business origins, and the real economy, SME finance, technological innovation, and green development are well supported to accelerate business transformation. The leasing industry has entered a new stage of development featuring overall transformation and steady improvement.

1.2 Overview of the Company's Responses and Business Results

In 2021, based on the new development stage, the Group upheld the new development concept and the general keynote of seeking progress while maintaining stability, coordinated anti-COVID-19 efforts and business development, and further focused on its main responsibility and principal business to constantly improve the effectiveness of serving national strategies and the real economy, especially in key regions, key industries and key fields. By doing so, the Group reached a higher level in business results and various indicators while maintaining a sound development momentum, thus making a good start for the 14th Five-Year Plan.

Improving Financial Indicators

- Total assets reached RMB341.838 billion, representing a year-on-year increase of 12.7%.

- Operating income reached RMB23.316 billion, representing a year-on-year increase of 20.6%.

- Net profit for the year was RMB3.922 billion, representing a year-on-year increase of 20.0%.

- Average return on equity (ROE) and average return on total assets (ROA) were 13.83% and 1.22% respectively, reflecting further improved profitability.

- As at the end of the year, the non-performing asset ratio was 0.67%, which has been kept below 1% since its listing, showing that the asset quality has remained stable.

Optimizing Business Structure

New business investment in the year amounted to RMB126.163 billion, representing an increase of 20.8% over 2020.

- Aircraft leasing: The profit before tax turned from negative to positive. The segment seized opportunities to trade assets and accelerated the disposal of non-core fleet, resulting in an increase of profit on sale of aircraft compared with last year. Through teardown and selling aircraft, the segment further optimized its fleet structure and increased the proportion of narrow-body aircraft. It also took the lead in the industry to carry out the A330 passenger-to-freighter conversions, with a view to developing new profit drivers for the segment.

- Infrastructure leasing: With a focus on the development of key strategic regions designated by the state, green finance and advanced manufacturing, the segment implemented the requirements for innovative and coordinated development, focused on serving key customers, strengthened market research and analysis, and deeply explored business development opportunities. As a result, the segment enjoyed a stable growth of 19.8% in its total assets, better playing the role as a stabilizer and cornerstone.

- Ship leasing: The segment captured development opportunities in the industry to achieve a substantial year-on-year increase in asset size and profit contribution. The segment assets increased by 39.2%, and its profit before tax soared by 336.3%. In the meantime, the segment rapidly expanded shipping capacity, with the number of ships in operation increasing to 224 by the end of 2021, of which 79.9% were ships for operating lease. In this way, the segment optimized its capacity structure, and improved its operations and management capabilities.

- Inclusive finance: The segment increased support for the real economy and small and micro enterprises, added 149,000 leasing end-users during the year, and saw the segment assets increased by 35.7%, among which its vehicle assets and construction machinery assets increased by 109.5% and 9.8%, respectively. Meanwhile, the segment explored and innovated to speed up digital transformation, thus achieving a breakthrough in developing passenger car retail business.

Strengthening Internal Management

- Asset and liability management (ALM): The Group continuously improved the ALM system, strengthened the overall management of assets and liabilities, took multiple measures to reduce financing costs, and refined the asset trading model.

- Risk management: The Group constantly improved the comprehensive risk management system, optimized risk appetite and risk strategy management, and solidly promoted risk resolution and disposal, thus maintaining stable asset quality.

- Compliance management: The Group thoroughly reviewed the regulatory requirements, enhanced the compliance awareness, implemented strict requirements for corporate governance, gave full play to the supervisory role of internal audit, and constantly improved the internal management system to ensure the stable operation of the Company.

Enhancing Brand Value

While striving to achieve business growth, the Group proactively undertook environmental, social and governance responsibilities, thereby promoting its social influence and brand value. In 2021, the Group received the "Most Competitive Financial Leasing Company" award at the "2021 Gold Medal List of Chinese Financial Institutions – Golden Dragon Award" ceremony, the "Social Responsibility Award of the Year" at the "15th Financial Awards – Golden Banyan Awards" ceremony, the "Best Financial Institution" award at the 5th Golden Hong Kong Stocks Awards Ceremony, the title of "Most Influential Financial Leasing Company" at the Global Leasing Industry Competitiveness Forum, and the "Excellent Case Award for Green Finance" in the 2020-2021 Shenzhen Banking Industry Social Responsibility Excellent Case Selection.

2. FINANCIAL REVIEW

2.1 Analysis of Consolidated Statement of Profit and Loss

2.1.1 Overview of Consolidated Statement of Profit and Loss

In 2021, the Group maintained a steady increase in results, with its total revenue and other income amounting to RMB23,315.8 million, representing an increase of RMB3,987.1 million, or 20.6% as compared with that of last year. Profit for the year amounted to RMB3,922.2 million, representing an increase of RMB653.9 million, or 20.0% as compared with that of last year, primarily due to, firstly the stable growth in total leased assets resulting from the increase in financing to lessees, secondly the substantial year-on-year increase in revenue from ship operating lease business benefiting from the rise in Baltic Dry Index, and thirdly the decline in the rate of financing cost of US dollars.

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

(RMB in millions, except percentages)	**For the year ended December 31,**		
	2021	2020	Change
Revenue			
Finance lease income	**9,813.5**	9,199.8	6.7%
Operating lease income	**11,550.3**	8,520.1	35.6%
Total revenue	**21,363.8**	17,719.9	20.6%
Net investment gains	**87.3**	41.2	111.9%
Other income, gains or losses	**1,864.7**	1,567.6	19.0%
Total revenue and other income	**23,315.8**	19,328.7	20.6%
Depreciation and amortization	**(4,348.8)**	(4,133.6)	5.2%
Staff costs	**(494.8)**	(430.4)	15.0%
Fee and commission expenses	**(82.1)**	(80.7)	1.7%
Interest expenses	**(8,087.8)**	(6,980.8)	15.9%
Other operating expenses	**(1,256.4)**	(838.0)	49.9%
Impairment losses	**(3,510.3)**	(2,281.6)	53.9%
Total expenses	**(17,780.2)**	(14,745.1)	20.6%
Profit before income tax	**5,535.6**	4,583.6	20.8%
Income tax expense	**(1,613.4)**	(1,315.3)	22.7%
Profit for the year	**3,922.2**	3,268.3	20.0%

2.1.2 Total Revenue

Revenue of the Group was primarily derived from finance lease income and operating lease income. In 2021, the total revenue of the Group amounted to RMB21,363.8 million, representing an increase of RMB3,643.9 million, or 20.6% as compared with that of last year, primarily due to the increase in total lease assets resulting from the increase in lease businesses, and the significant year-on-year increase in ship operating lease income on the back of a higher Baltic Dry Index.

2.1.2.1 Finance Lease Income

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

	For the year ended December 31,		
(RMB in millions, except percentages)	**2021**	2020	Change
Finance lease income			
Aircraft leasing	**1.0**	9.0	(88.9%)
Infrastructure leasing	**7,282.5**	6,483.6	12.3%
Ship leasing	**625.3**	831.8	(24.8%)
Inclusive finance	**1,442.7**	1,245.3	15.9%
Others	**462.0**	630.1	(26.7%)
Total	**9,813.5**	9,199.8	6.7%

In 2021, finance lease income of the Group amounted to RMB9,813.5 million, accounting for 45.9% of the total revenue, representing an increase of RMB613.7 million, or 6.7% as compared with that of last year, primarily due to the continued significant investment in assets under finance lease, and a year-on-year increase in the scale of finance lease assets.

With respect to aircraft leasing, in 2021, finance lease income from this segment of the Group amounted to RMB1.0 million, representing a decrease of RMB8.0 million, or 88.9% as compared with that of last year, primarily due to the reduction of the scale of finance lease business of the aircraft leasing segment.

With respect to infrastructure leasing, in 2021, finance lease income from this segment of the Group amounted to RMB7,282.5 million, representing an increase of RMB798.9 million, or 12.3% as compared with that of last year, primarily due to the increase in investment of infrastructure leasing business and its scale throughout the year.

With respect to ship leasing, in 2021, finance lease income from this segment of the Group amounted to RMB625.3 million, representing a decrease of RMB206.5 million, or 24.8% as compared with that of last year, primarily due to the decrease in the size of the ship finance lease business as the Group focused on developing ship operating lease business in 2021; in addition, the floating interest rate of some ship finance lease business was based on US dollars, and the project yield was affected by the decline of the London Interbank Offered Rate (LIBOR).

With respect to inclusive finance, in 2021, finance lease income from this segment of the Group amounted to RMB1,442.7 million, representing an increase of RMB197.4 million, or 15.9% as compared with that of last year, primarily due to the increase in the scale of finance lease business resulting from an increase of investment in inclusive finance business throughout the year.

With respect to others, in 2021, finance lease income from this segment of the Group amounted to RMB462.0 million, representing a decrease of RMB168.1 million, or 26.7% as compared with that of last year, primarily due to the fact that the Group focused on its principal business and reduced the business of other segments.

2.1.2.2 Operating Lease Income

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

	For the year ended December 31,		
(RMB in millions, except percentages)	**2021**	2020	Change
Operating lease income			
Aircraft leasing	**6,895.9**	7,350.0	(6.2%)
Infrastructure leasing	**31.5**	33.3	(5.4%)
Ship leasing	**4,497.6**	951.0	372.9%
Inclusive finance	**–**	–	–
Others	**125.3**	185.8	(32.6%)
Total	**11,550.3**	8,520.1	35.6%

In 2021, operating lease income of the Group amounted to RMB11,550.3 million, accounting for 54.1% of the total revenue, representing an increase of RMB3,030.2 million, or 35.6% as compared with that of last year, primarily due to the significant year-on-year increase in ship operating lease income resulting from the increase in shipping business investment and number of ships for operating lease and on the back of a higher Baltic Dry Index during the year.

The operating lease income of the Group is mainly derived from aircraft and ship operating lease businesses. In 2021, the operating lease income generated from aircraft leasing amounted to RMB6,895.9 million, accounting for 59.7% of the total operating lease income. The operating lease income from ship leasing amounted to RMB4,497.6 million, accounting for 38.9% of the total operating lease income, representing an increase of 372.9% as compared with that of last year.

2.1.2.3 Net Investment Gains

In 2021, net investment gains of the Group amounted to RMB87.3 million, representing an increase of RMB46.1 million or 111.9% as compared with that of last year, primarily due to the increase in investment income of bonds in 2021.

2.1.2.4 Other Income, Gains or Losses

In 2021, other income and gains of the Group amounted to RMB1,864.7 million, representing an increase of RMB297.1 million, or 19.0% as compared with that of last year, primarily due to the increase in the income from ship custody and exchange gains.

2.1.3 Cost and Expenses

In 2021, total expenses of the Group amounted to RMB17,780.2 million, representing an increase of RMB3,035.1 million, or 20.6% as compared with that of last year, primarily due to the year-on-year increase in impairment losses and interest expenses.

2.1.3.1 Depreciation and Amortization

In 2021, the depreciation and amortization expenses of the Group amounted to RMB4,348.8 million, representing an increase of RMB215.2 million, or 5.2% as compared with that of last year, primarily due to the increase of depreciation expense of ship assets with the increase of operating lease ship assets.

2.1.3.2 Staff Costs

In 2021, staff costs of the Group amounted to RMB494.8 million, representing an increase of RMB64.4 million, or 15.0% as compared with that of last year, primarily due to the increase in staff costs following the growth of business scale and profit.

2.1.3.3 Fee and Commission Expenses

In 2021, fee and commission expenses of the Group amounted to RMB82.1 million, representing an increase of RMB1.4 million, or 1.7% as compared with that of last year, primarily due to the increase in handling fees for bank acceptances.

2.1.3.4 Interest Expenses

In 2021, interest expenses of the Group amounted to RMB8,087.8 million, representing an increase of RMB1,107.0 million, or 15.9% as compared with that of last year, primarily due to the increase in the overall financing scale with the expansion of business, resulting in the corresponding increase in interest expenses.

2.1.3.5 Other Operating Expenses

In 2021, other operating expenses of the Group amounted to RMB1,256.4 million, representing an increase of RMB418.4 million, or 49.9% as compared with that of last year, primarily due to the significant increase in total ship management expenses resulting from the increase in the scale of ships and expenses related to crew wages, crew shifts, epidemic prevention and control, and ship management as affected by COVID-19 pandemic.

2.1.3.6 Impairment Losses

In 2021, impairment losses of the Group amounted to RMB3,510.3 million, representing an increase of RMB1,228.7 million, or 53.9% as compared with that of last year, primarily due to the increase in credit impairment losses. Firstly, provision increased as the Company's leased assets scaled up. Secondly, the Group strengthened its risk control in accordance with the forward-looking requirements of IFRS9. In 2021, the Group increased the provision proportion for leased assets in individual industries and regions materially affected by the macroeconomic environment and increased liquidity pressure, so as to enhance the ability to resist risks. The valuation of aircraft assets dropped sharply after the outbreak of the epidemic in 2020, and the change in valuation of assets stablized in 2021.

2.1.4 Profit before Income Tax

In 2021, profit before income tax of the Group amounted to RMB5,535.6 million, representing an increase of RMB952.0 million, or 20.8% as compared with that of last year, primarily due to the increased investment and the total amount of leased assets, resulting in the year-on-year increase in net leasing income.

2.1.5 Income Tax Expense

In 2021, income tax expense of the Group amounted to RMB1,613.4 million, representing an increase of RMB298.1 million, or 22.7% as compared with that of last year, primarily due to the increase in profit before income tax.

2.1.6 Profit for the Year

In 2021, profit for the year of the Group amounted to RMB3,922.2 million, representing an increase of RMB653.9 million, or 20.0% as compared with that of last year.

2.2 Analysis on the Consolidated Statement of Financial Position

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

(RMB in millions, except percentages)	**As of December 31,** **2021**	2020	Change
Assets			
Cash and bank balances	**36,833.1**	34,993.0	5.3%
Financial assets at fair value through profit or loss	**156.3**	216.9	(27.9%)
Derivative financial assets	**94.6**	328.3	(71.2%)
Accounts receivable	**1,245.1**	1,960.7	(36.5%)
Finance lease receivables	**190,871.6**	166,040.6	15.0%
Prepayments	**11,958.6**	15,829.8	(24.5%)
Financial assets at fair value through other comprehensive income	**970.7**	955.1	1.6%
Investment properties	**904.3**	1,040.0	(13.0%)
Property and equipment	**92,829.7**	77,088.8	20.4%
Deferred tax assets	**1,674.8**	1,330.8	25.8%
Right-of-use assets	**154.5**	181.1	(14.7%)
Other assets	**4,144.3**	3,364.6	23.2%
Total assets	**341,837.6**	303,329.7	12.7%
Liabilities			
Borrowings	**236,087.7**	210,382.0	12.2%
Due to banks and other financial institutions	**10,657.5**	895.7	1089.9%
Derivative financial liabilities	**576.5**	1,416.2	(59.3%)
Accrued staff costs	**204.0**	155.7	31.0%
Tax payable	**372.5**	342.0	8.9%
Bonds payable	**45,045.5**	46,221.7	(2.5%)
Deferred tax liabilities	**1,822.2**	757.8	140.5%
Lease liabilities	**172.1**	196.5	(12.4%)
Other liabilities	**16,792.9**	16,332.8	2.8%
Total liabilities	**311,730.9**	276,700.4	12.7%
Total equity	**30,106.7**	26,629.3	13.1%

2.2.1 Total Assets

The principal components of the Group's assets were cash and bank balances, accounts receivable, finance lease receivables, prepayments and property and equipment. As of December 31, 2021, these assets accounted for 97.6% of the total assets. As of December 31, 2021, total assets of the Group amounted to RMB341,837.6 million, representing an increase of RMB38,507.9 million, or 12.7% as compared with that as of the end of last year, primarily due to the increased investment in lease businesses of the Group and the continuous growth of the scale of leased assets.

2.2.1.1 Accounts Receivable

The Group's accounts receivable include operating lease receivables and other accounts receivable. Operating lease receivables refer to the operating lease rentals receivable provided as of December 31, 2021, and other accounts receivable refer to the accounts receivable incurred by the sale of leased assets. As of December 31, 2021, accounts receivable of the Group amounted to RMB1,245.1 million, representing a decrease of RMB715.6 million, or 36.5% as compared with that as of the end of last year, primarily due to the decrease in total operating lease accounts receivable and higher impairment for operating lease accounts receivable.

2.2.1.2 Finance Lease Receivables

(RMB in millions, except percentages)	As of December 31, **2021**	2020	Change
Finance lease receivables – gross	**233,660.3**	205,778.5	13.5%
Less: unearned finance income	**(35,198.5)**	(33,917.0)	3.8%
Finance lease receivables – net	**198,461.8**	171,861.5	15.5%
Less: allowance for impairment losses	**(7,590.2)**	(5,820.9)	30.4%
Finance lease receivables – net value	**190,871.6**	166,040.6	15.0%

As of December 31, 2021, finance lease receivables of the Group amounted to RMB190,871.6 million, representing an increase of RMB24,831.0 million, or 15.0% as compared with that as of the end of last year, primarily due to the increased investment and continuous growth of the Group's finance lease business.

2.2.1.3 Prepayments

As of December 31, 2021, balance of the prepayments of the Group amounted to RMB11,958.6 million, representing a decrease of RMB3,871.2 million, or 24.5% as compared with that as of the end of last year, primarily due to the cancellation of some prepaid aircraft orders and the transfer of prepayments to operating lease assets as the ships under construction became ready for their intended use.

2.2.1.4 Property and Equipment

Property and equipment were composed of equipment held for operating lease businesses and property and equipment held for administrative purposes. As of December 31, 2021, equipment held for operating lease businesses of the Group amounted to RMB92,070.3 million, representing an increase of RMB15,771.2 million, or 20.7% as compared with that as of the end of last year, primarily due to the increase in the scale of ships for operating lease.

As of December 31, 2021, property and equipment held for administrative purposes of the Group amounted to RMB759.4 million, representing a decrease of RMB30.2 million, or 3.8% as compared with that as of the end of last year, primarily due to the decrease in the addition of property and equipment held for administrative purposes, resulting in a decrease in the net value of property and equipment held for administrative purposes with provision for depreciation.

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

(RMB in millions, except percentages)	**As of December 31,** **2021**	2020	Change
Property and equipment			
Equipment held for operating lease businesses	**92,070.3**	76,299.1	20.7%
Property and equipment held for administrative purposes	**759.4**	789.7	(3.8%)
Property and equipment – net value	**92,829.7**	77,088.8	20.4%

2.2.1.5 Cash and Bank Balances

As of December 31, 2021, cash and bank balances of the Group amounted to RMB36,833.1 million, representing an increase of RMB1,840,1 million, or 5.3% as compared with that as of the end of last year, primarily due to the increase of liquidity reserve of the Group to cope with the epidemic and the impact of overseas markets.

2.2.1.6 Other Assets

Other assets mainly included straightline lease asset, other receivables, maintenance right assets, long-term deferred expenses, intangible assets and notes receivable. As of December 31, 2021, other assets of the Group amounted to RMB4,144.3 million, representing an increase of RMB779.7 million, or 23.2% as compared with that as of the end of last year, primarily due to the increase in straightline lease asset, other receivables and notes receivable.

2.2.2 Leased Assets

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

(RMB in millions, except percentages)	**As of December 31,** **2021**	2020	Change
Finance lease related assets			
Finance lease receivables	**190,871.6**	166,040.6	15.0%

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

(RMB in millions, except percentages)	**As of December 31,** **2021**	2020	Change
Operating lease assets			
Investment properties	**904.3**	1,040.0	(13.0%)
Property and equipment – equipment held for operating lease businesses	**92,070.3**	76,299.1	20.7%
Total	**92,974.6**	77,339.1	20.2%

Finance lease assets and operating lease assets of the Group represented a year-on-year increase of 15.0% and 20.2% respectively. In 2021, the Group maintained significant investment in leasing, and the balance of leased assets maintained a steady growth trend year-on-year.

2.2.3 Total Liabilities

As of December 31, 2021, total liabilities of the Group amounted to RMB311,730.9 million, representing an increase of RMB35,030.5 million, or 12.7% as compared with that as of the end of last year, primarily due to growth in the scale of liabilities commensurate with that of assets.

2.2.3.1 Borrowings

As of December 31, 2021, the balance of borrowings of the Group amounted to RMB236,087.7 million, representing an increase of RMB25,705.7 million, or 12.2% as compared with that as of the end of last year, primarily due to the increase in financing to support the development of business scale.

2.2.3.2 Bonds Payable

As of December 31, 2021, the balance of bonds payable of the Group amounted to RMB45,045.5 million, representing a decrease of RMB1,176.2 million, or 2.5% as compared with that as of the end of last year, primarily due to larger scale of bonds falling due during the year than the scale of bonds newly issued, resulting in a year-on-year decrease in the year-end balance of bonds, despite the growth in the financing scale of bonds commensurate with that of assets in 2021 as compared with that of last year.

2.2.3.3 Other Liabilities

As of December 31, 2021, the balance of other liabilities of the Group amounted to RMB16,792.9 million, representing an increase of RMB460.1 million, or 2.8% as compared with that as of the end of last year, primarily due to the increased balance of notes payable.

2.3 Analysis on the Statement of Cash Flows

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

(RMB in millions, except percentages)	**For the year ended December 31,**		
	2021	2020	Change
Net cash flows from operating activities	**23,707.7**	27,806.8	(14.7%)
Net cash flows from investing activities	**(24,124.1)**	(13,007.6)	85.5%
Net cash flows from financing activities	**(3,117.8)**	1,225.1	(354.5%)
Net increase in cash and cash equivalents	**(3,534.2)**	16,024.3	(122.1%)

In 2021, net cash inflow from the operating activities of the Group amounted to RMB23,707.7 million, representing a decrease of 14.7% as compared with that of last year, primarily due to the decrease in the net increase of the borrowings of the Group in 2021 compared with that of 2020, which led to the decrease in net cash inflow. In the same year, the net cash outflow from the investment activities of the Group amounted to RMB24,124.1 million, representing an increase of 85.5% as compared with that of last year, primarily due to the increase in cash outflow from the purchase and construction of operating lease assets. In addition, in 2021, the net cash outflow from the financing activities of the Group amounted to RMB3,117.8 million, primarily due to the increase in the repayment of bonds by the Group, resulting in cash outflow.

3. BUSINESS OPERATION

The business segments of the Group consist of four leasing segments of aircraft leasing, infrastructure leasing, ship leasing and inclusive finance, and others. In 2021, the Group developed infrastructure leasing business and inclusive finance business in an orderly manner, seized market opportunities to expand ship leasing business, steadily developed aircraft leasing business, and prudently developed other leasing business, thereby optimizing the business structure of the Company continuously. In 2021, the total lease financing to lessees of the Group amounted to RMB126,162.9 million, among which the lease financing to lessees in aircraft leasing, infrastructure leasing, ship leasing, inclusive finance and others were RMB14,381.1 million, RMB61,568.6 million, RMB13,644.6 million, RMB28,669.5 million and RMB7,899.1 million, respectively.

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

	As of December 31,			
(RMB in millions, except percentages)	**2021**		2020	
Segment assets	**Amount**	**Proportion**	Amount	Proportion
Aircraft leasing	**84,344.4**	**24.8%**	94,673.5	31.3%
Infrastructure leasing	**162,928.0**	**47.9%**	136,052.4	45.1%
Ship leasing	**47,592.4**	**14.0%**	34,183.2	11.3%
Inclusive finance	**34,103.1**	**10.0%**	25,131.3	8.3%
Others	**11,194.9**	**3.3%**	11,958.4	4.0%
Total	**340,162.8**	**100.0%**	301,998.8	100.0%

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

(RMB in millions, except percentages)	**For the year ended December 31,**			
	2021		2020	
Segment revenue and other income	**Amount**	**Proportion**	Amount	Proportion
Aircraft leasing	**7,676.0**	**32.9%**	8,250.9	42.7%
Infrastructure leasing	**7,657.0**	**32.8%**	6,682.2	34.6%
Ship leasing	**5,868.3**	**25.2%**	2,356.3	12.2%
Inclusive finance	**1,493.5**	**6.4%**	1,262.7	6.5%
Others	**621.0**	**2.7%**	776.6	4.0%
Total	**23,315.8**	**100.0%**	19,328.7	100.0%

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

(RMB in millions)	**For the year ended December 31,**	
	2021	2020
Segment profit/(loss) before income tax	**Amount**	Amount
Aircraft leasing	**312.9**	(305.9)
Infrastructure leasing	**2,176.5**	2,555.1
Ship leasing	**2,895.4**	663.7
Inclusive finance	**(349.9)**	659.2
Others	**500.6**	1,011.5
Total	**5,535.5**	4,583.6

The following table sets forth the profit margins before income tax of each business segment for the years indicated:

Segment profit margin before income tax[1]	For the year ended December 31, 2021	2020
Aircraft leasing	**4.54%**	(4.16%)
Infrastructure leasing	**29.76%**	39.21%
Ship leasing	**56.52%**	37.23%
Inclusive finance	**(24.25%)**	52.94%
Others	**85.25%**	123.95%

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

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

Segment return on assets before income tax[1]	For the year ended December 31, 2021	2020
Aircraft leasing	**0.35%**	(0.32%)
Infrastructure leasing	**1.46%**	2.16%
Ship leasing	**7.08%**	2.16%
Inclusive finance	**(1.18%)**	2.74%
Others	**4.32%**	7.49%

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

3.1 *Aircraft Leasing*

Two years after the onset of the global COVID-19 pandemic, the aviation industry is still very much shaped by countermeasures aimed at fighting back renewed waves of infection. In 2021, COVID-19 continued to inflict near-term headwinds on the airline industry ecosystem, fueled by travel restrictions due to the emergence of virus variants of interest and a slow reopening of air travel markets. 2021 saw some green shoots pointing to the start of industry recovery in earnest, with domestic demand sustaining its steady upward trend and highly effective vaccines starting to pave the way out of repeating cycles of restrictions. In particular, the domestic markets of the US, Latin America, Russia as well as many European markets bounced back strongly in 2021, in terms of traffic and revenue. In 2022, strong vaccine rollout together with the lower perceived impact of the Omicron variant are expected to enable a careful lowering of barriers to economic activity with increased domestic and international travel. Importantly, whenever and wherever restrictions are lifted, travel recovers quickly. That has been observed in the China, Russia, U.S. and European markets[1].

The International Air Transport Association (IATA) indicated that the air travel recovery continued into the year-end despite Omicron disruptions. In full year of 2021, global Revenue Passenger Kilometres (RPKs) rose to 41.6% of 2019 levels compared with 34.2% in 2020 as most markets reopened with vaccination progress. Domestic markets for air travel recovered at a faster pace than international routes in 2021, to 71.8% of the 2019 RPK level. However, this recovery was also more volatile because of significant sways in traffic in some of the larger domestic markets, notably China. Recovery in international air travel stagnated in the first half of 2021 but improved gradually from June amid the reopening of some short-haul markets. For the full year, international RPKs were 24.5% of 2019's level. Air cargo had a stellar year in 2021 and for many airlines, it provided a vital source of revenue as passenger demand remained in the doldrums due to COVID-19 travel restrictions. Full-year demand for air cargo increased by 6.9% in 2021, compared to 2019 and grew 18.7% compared to 2020[2].

Global air-travel has started 2022 on a soft note. The Omicron outbreak resulted in new travel rules that negatively impacted both passenger capacity and demand. The air travel recovery is expected to restart again and accelerate during the traditionally stronger Q2 and Q3 travel periods. IATA expects total passenger numbers to increase to 3.4 billion in 2022 from 2.3 billion in 2021. Passenger revenue in 2022 is expected to jump about 67% year-on-year to US$378 billion. Air cargo is forecast to remain a bright spot, with demand seen rising 13.2% above the 2019's levels[2].

[1] Boeing and Airbus Outlooks, 2021

[2] IATA Outlook (October 2021) and Air Passenger Market Analysis 2021 (December 2021)

IATA projected a sharp reduction in industry losses as a multi-speed recovery from the health crisis continues but has revised up the financial toll inflicted by the pandemic in 2020 and 2021. The losses for 2021 were revised up from US$47.7 billion estimated in April. IATA also revised up losses for 2020 to US$137.7 billion from US$126.4 billion estimated earlier. Net losses at airlines are expected to reach US$51.8 billion in 2021 and narrow to US$11.6 billion in 2022. While airlines across all regions are expected to perform better, those in North America are forecast to return to profit in 2022[2].

The concerning factor hindering the industry's ongoing recovery is still governments' reaction to the emergence of virus variants, as demonstrated by Omicron at the close of last year, which forced governments to resort to border closures, testing of travelers, and quarantine to slow the spread of the variant. The slow-advancing pace of vaccination rollouts in certain regions also effectively prevents a revival of global connectivity. While the industry is expected to improve its performance compared to 2020 and 2021, the road to recovery is still likely to be long and difficult[1].

Aviation remains an integral part of transportation systems around the world. While the disruption to the world and the industry from COVID-19 pandemic has been massive, the long-term demand drivers remain fundamentally unchanged. The current pandemic, though unprecedented in its magnitude, is not changing fundamentals in the long-term market for air transportation. Air traffic is expected to grow at around a 4% per annum by 2040, reflecting the industry's confidence that the fundamental need for air transport in a modern, globalized world has not changed[1].

While many of the world's airlines grew their fleets over the past decade through deliveries of new airplanes and often delayed retirements to accommodate passenger demand, the current market disruption has necessitated that they adjust their networks to meet rapidly changing market needs. Regardless of the airline network structure, airlines will shape their fleet strategies to build versatile fleets that provide future network flexibility, maximizing capability while minimizing risk, and improving efficiency and sustainability[1].

The demand for leased aircraft is expected to continue with lessors playing a vital role in providing finance and liquidity to airlines, including through sale-lease-back of both new and used aircraft. This crisis has underlined the fundamental importance of lessors to the aviation ecosystem and the successful operation of airlines, with more than 50% of new aircraft deliveries in 2020 and 2021 financed by the leasing channel, with a mix of direct lessor orders and SLB financings. Competition from lessors and other investors remains heightened for both the placement of new and used aircraft and for sale-lease-back transactions.

In the face of these adverse conditions, the Group's aircraft leasing team has persisted to attain continued growth and advance key initiatives that have progressed several aspects of the long-term vision of the Group. Despite the near term adverse market conditions in 2021 and the expected gradual recovery of the airline sector, the Group has been able to leverage its aircraft leasing platform to work with existing and new airline customers and other industry stakeholders to support the sector's recovery, while strengthening the platform's capabilities and financial position to enable further growth and ensure sufficient liquidity for the future.

The Group also acted quickly in realigning its orderbook to the change in the industry outlook in close co-operation with OEMs. Through the challenges brought by COVID-19 pandemic, aircraft leasing is still one of the core business segments of the Group, which benefits greatly from its scale in the industry and the strength of the China Development Bank group.

During 2021, the Group:

- Signed new lease transactions (including order placement, sale-lease-back, portfolio acquisition, remarketing and extension) for a total of 76 aircraft with 25 customers;

- Sold 21 aircraft, 3 airframes and 8 engines with a total gain of US$86.0 million during 2021;

- Acquired 41 aircraft on operating lease, including 10 via direct OEM orders, 26 via sale-lease-back, and 5 via portfolio acquisitions;

- Signed financing transactions for US$3.6 billion; and

- Added 6 new lessees.

As of December 31, 2021, total assets of the aircraft leasing segment of the Group amounted to RMB84,344.4 million, representing a decrease of 10.9%[3] compared to December 31, 2020, and the total revenue and other income of the aircraft leasing segment amounted to RMB7,676.0 million, representing a year-on-year decrease of 7.0% compared to the same period of last year. Profit before tax was RMB312.9 million in 2021 compared to a loss before tax of RMB305.9 million in 2020, primarily due to higher gain on disposals, lower aircraft asset and receivable impairments and lower finance expense. In 2021, the net lease yield of the operating leased aircraft was 7.5%[4], the lease yield of the finance leased aircraft was 2.1%[5], the return before tax on average total aircraft leasing assets during the year was 0.35%, an increase of 0.67 percentage point compared to 2020.

As of December 31, 2021, the Group had a total portfolio of 368 aircraft, consisting of 251 owned aircraft and 117 committed aircraft. Our aircraft leasing business covers 67 lessees in 36 countries and regions. As of December 31, 2021, 248 owned aircraft of the Group were held for operating lease and 3 owned aircraft of the Group were under finance lease. As of December 31, 2021, the weighted average age by aircraft value[6] of the Group's owned aircraft held for operating lease was 4.5 years, and the weighted average remaining lease term by aircraft value[6] of the Group's owned aircraft held for operating lease was 8.1 years.

3 The decrease in total assets of the aircraft leasing segment of the Group in 2021 mainly attributes to the decrease in cash and bank balance, which is mainly driven by optimized Group liquidity management leading to less requirement of cash provisions for aircraft leasing segment, further enhanced management on cash and bank balance, and prepayment of existing loans reducing interest expenses.

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

5 The calculation is lease income divided by average monthly balance of aircraft finance lease assets. As of December 31, 2021, only three finance leased aircraft remained, therefore the impact of finance lease on revenue is immaterial.

6 Aircraft value equals the sum of aircraft net book value, aircraft intangible value and finance lease receivables (if applicable).

The Group's owned and in-service fleet mainly includes narrowbody aircraft types comprising the Airbus A320ceo and A320neo family and Boeing 737NG and 737MAX family, and widebody types such as Airbus A330ceo, A330neo and A350, and Boeing 777-300ER and 787-9. As of December 31, 2021, the Group's aircraft fleet consists of 70% narrowbody aircraft, 27% wide-body aircraft and 3% regional and other aircraft by aircraft value[6]. As of December 31, 2021, the net book value of the Group's owned aircraft was US$10,370.4 million.

The Group's orderbook contains next-generation, liquid, narrowbody types. As of December 31, 2021, the Group has committed to purchasing 104 narrowbody aircraft under its direct OEM orders, including 36 aircraft from Boeing[7] and 68 aircraft from Airbus. These aircraft are scheduled to be delivered between 2022 and 2026. The Group also has contractual commitments to acquire a further 13 aircraft under sale-lease-back transactions. The aggregate future capital expenditure commitments are RMB30,405.5 million.

The following table sets forth the composition of the Group's fleet and committed aircraft as of December 31, 2021:

Aircraft Type	**Owned aircraft**	**Committed aircraft**	**Total**
A320-200	40	–	40
A321-200	6	–	6
A330-200	7	–	7
A330-300	25	–	25
A330-900	5	–	5
A350-900	3	–	3
A320neo	38	52	90
A321neo	21	29	50
Airbus Total	**145**	**81**	**226**

7 A total of 24 undelivered 737 MAX 8 order were cancelled by the Group in 2021.

Aircraft Type	Owned aircraft	Committed aircraft	Total
737-800	50	–	50
777-300ER	1	–	1
737 Max 8	32	36	68
787-9	2	–	2
Boeing Total	**85**	**36**	**121**
E190-100LR	20	–	20
Embraer Total	**20**	**–**	**20**
Other	**1**	**–**	**1**
Total	**251**	**117**	**368**

During 2021, one A330-200 and four A319-100 aircraft exited the fleet via teardown, two managed aircraft were redelivered upon lease expiry and two 737-700 aircraft were sold. As of December 31, 2021, the Group no longer had any A319, 737-700 and managed aircraft. Besides, seven A330-200/300 aircraft will be converted to freighters, of which four are scheduled for delivery in 2022 and three in 2023.

In addition to the above committed aircraft, the Group has 100 non-binding entitlements with other OEMs, consisting of 20 ARJ21 aircraft and 50 C919 aircraft from The Commercial Aircraft Corporation of China, Ltd., and 30 MA700 aircraft from AVIC Aircraft Co., Ltd.

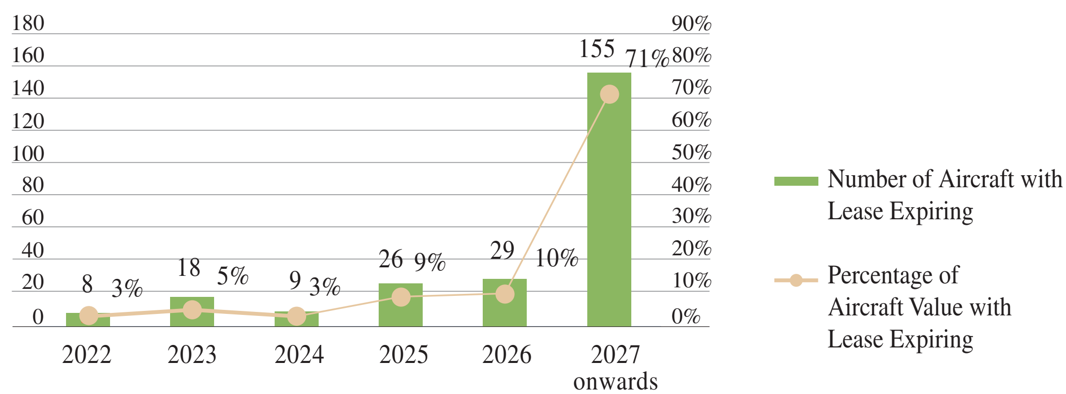
Among 117 committed aircraft as of December 31, 2021 (including direct OEM orders and sale-lease-back), 27 were scheduled for delivery in 2022, 18 in 2023, 31 in 2024 and 41 from 2025 onwards.

As of December 31, 2021, of the 104 aircraft committed to be purchased directly from OEMs, 21 were committed for lease, of which 13 were scheduled for delivery in 2022 and 8 in 2023.

As of December 31, 2021, the Group was committed to sale-lease-back transactions covering 13 aircraft, all scheduled for delivery in 2022.

The following chart sets forth the breakdown of the number of aircraft and percentage of aircraft value balance as of December 31, 2021 of those owned aircraft under operating lease with leases expiring in the future, excluding any aircraft for which the Group has a sale commitment or to be converted to finance lease or under teardown or freighter conversion.

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



During 2021, the Group signed lease extensions for 15 aircraft and new leases for 25 remarketed aircraft. As of December 31, 2021, all owned aircraft were committed to lease.

The Group continued to trade aircraft during 2021, selling 21 aircraft, 3 airframes and 8 engines in total with a net book value on disposal of assets of US$803.9 million and a gain on disposal of US$86.0 million. In 2021, none of the finance leased aircraft was expired or terminated early. The Group's owned aircraft under operating lease maintained 99.7% fleet utilization.

The following table sets forth a breakdown of the Group's revenue and assets of aircraft leasing by region of lessee for 2021:

Region	**Percentage of lease revenue in 2021**	**Percentage of aircraft value as of December 31, 2021**
The PRC	31.4%	24.3%
Asia Pacific (excluding the PRC)	24.8%	23.6%
Europe	22.8%	23.3%
Americas	15.5%	24.5%
Middle East	3.2%	2.8%
Africa	2.3%	1.4%
Under teardown	–	0.1%
Total	**100.0%**	**100.0%**

The following table sets forth a breakdown of the Group's owned aircraft by manufacturer as of December 31, 2021:

Manufacturer	**Percentage by aircraft value as of December 31, 2021**
Airbus	64.9%
Boeing	32.0%
Others	3.1%
Total	**100.0%**

3.2 Infrastructure Leasing

In recent years, the central government has proposed strategies such as accelerating the implementation of the regional coordinated development and supporting the construction of "new infrastructure, new urbanization initiatives and major projects" and made important plans for carbon peaking and neutrality, which provided guidance for the Group's infrastructure leasing business.

The Group proactively adapted to market changes and policy requirements, implemented the new development concept based on the new development stage, followed relevant national policies, strengthened top-level planning for business development, and incorporated the coordinated development of state-designated key regions, the implementation of the "carbon peak and neutrality" strategy and the development of the real economy and manufacturing industry into the Company's development strategy and its 14th Five-Year Plan, and continuously optimized its infrastructure leasing business structure.

Focusing on key regions to serve the coordinated development of state-designated regions. The Company continued to disproportionally increase its business presence in key strategic regions. During the year, its business investment in key strategic regions, such as the Yangtze River Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area, Beijing-Tianjin-Hebei Area and Yangtze River Delta, increased year-on-year by 22.4% and accounted for more than 70% of its total investment.

Implementing China's "carbon peak and neutrality" strategy to promote the development of green finance. During the year, the Company constantly strengthened market study and business model research, and further increased the contribution of clean energy (primarily photovoltaic and wind power generation), green transportation and other businesses to the infrastructure leasing segment. During the year, the Company's investment in clean energy, green transportation and other fields increased year-on-year by 31.8% as it developed 37 new energy power station projects with a total installed capacity of over 2.5 GW, thereby implementing the requirements of green development.

Supporting the development of advanced manufacturing industry to facilitate industrial transformation and upgrading. The Company continuously promoted innovation and research, actively supported independent technology development, facilitated the development of "specialized and new" enterprises, and served the advanced manufacturing industry. Throughout the year, the Company increased investment in manufacturing industry by 50.3% year-on-year, and obtained projects in the fields of integrated circuits and IDC to further expand its business areas.

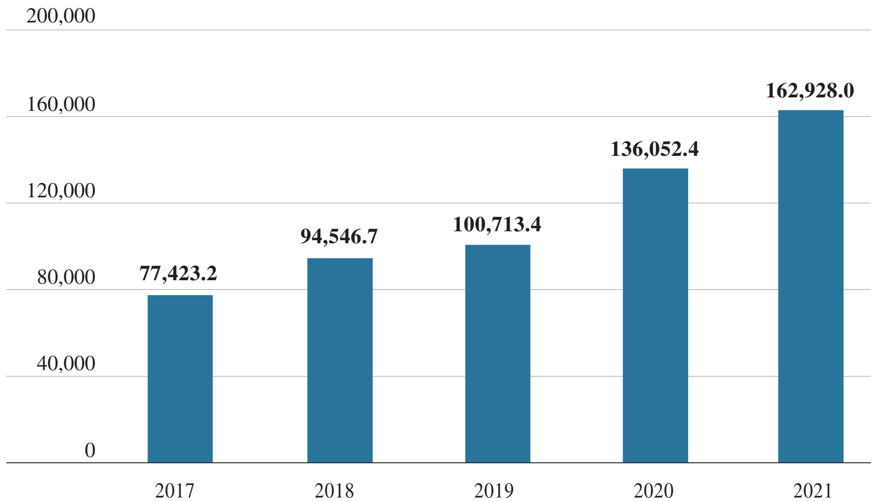
Meanwhile, the Group continued to strengthen the leading role of research and analysis in the development of leasing business, promoted the customer-oriented business development model, intensified the development of key customers, and optimized its evaluation and approval policy so as to consolidate its competitive advantage in the market continuously. As at December 31, 2021, the Group primarily provided infrastructure leasing services in 30 provinces, autonomous regions and municipalities in the PRC.

As at December 31, 2021, the total assets of the infrastructure leasing segment of the Group amounted to RMB162,928.0 million, representing an increase of RMB26,875.6 million or 19.8% from that as of the end of the previous year. In 2021, the revenue and other income of this segment amounted to RMB7,657.0 million, representing an increase of RMB974.8 million or 14.6% over that of the previous year.

The following table sets out the changes in asset balance of the infrastructure leasing business in the past five years:

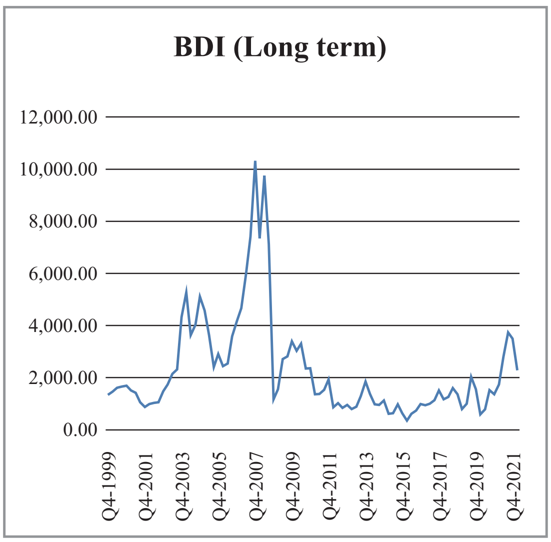
Asset Balance of Infrastructure Leasing

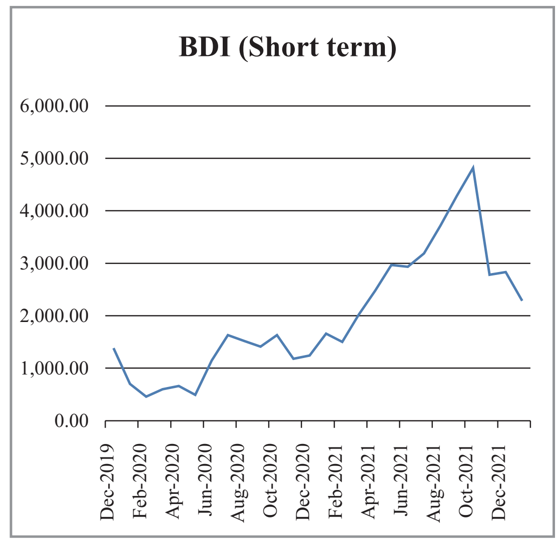
(Unit: RMB in millions)



3.3 *Ship Leasing*

As vaccines are introduced and widely used, the world economy has entered a stage of recovery. The global seaborne trade market also rebounded rapidly. In 2021, the global seaborne trade volume reached 11.95 billion tons, an increase of 3.58% over the previous year. The trade volume of bulk carriers was 5.38 billion tons, a year-on-year increase of 4.05%. Meanwhile, the global shipping capacity (DWT) rose by 2.9%, with the capacity of bulk carriers increasing by 3.6%. As logistics efficiency tumbled under the pandemic, major ports around the world were seriously congested, which greatly reduced the effective supply of ships. Given the supply-demand imbalance, the carrier shipping market witnessed unprecedented prosperity, with the average BDI reaching the highest point in the past 10 years.





Data source: CLARKSONS, January 2022

In 2022, as the policies of various countries tend to "stabilize", the overall performance of the shipping market is expected to be weaker than that in 2021. However, given that the supply and demand fundamentals will continue to support the shipping market, and that the probability of the COVID-19 pandemic significantly turning around in the world is very low, it is expected that bulk carriers as the main ship type of the Group will very likely maintain good profitability. In addition, the complex international landscape early this year will inevitably affect global trade to a certain extent, increasing the uncertainty of the shipping market.

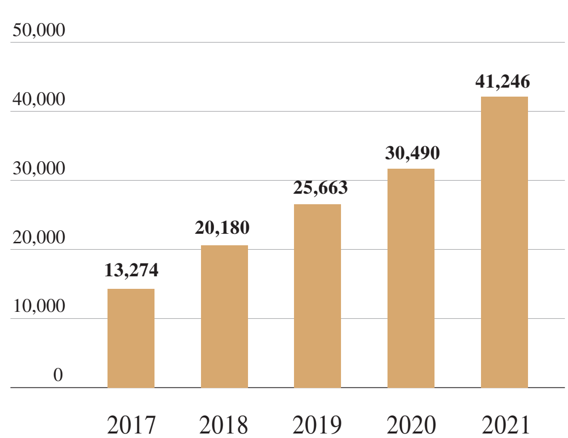
In 2021, the ship leasing segment of the Group achieved great business results: the annual pre-tax profit of the segment amounted to RMB2,895.4 million with a return on assets before tax of 7.08%. With a net profit and yield far exceeding those of the same period last year, the segment outperformed its peers in profitability, and its financial and strategic contribution to the Group increased significantly. Based on its research and judgment on the development trends of market segments, in the first half of 2021, the Group concentrated manpower to strengthen the development of bulk carrier operating lease business. While paying close attention to the dynamic changes of the shipping market, we maintained close contact with shipyards, shipowners, cargo owners and traders, captured the window of the initial stage of rising ship assets prices in the first half of the year through active communication and prompt action, and rapidly expanded shipping capacity by placing shipbuilding orders and purchasing second-hand ships with 114 ships in operation newly added, thus consolidating the foundation for the development of the Group's ship leasing business and eliciting a positive response in the market.

Meanwhile, the Group strengthened ship management, and its over 50 time-chartered ships around the world had no major safety accidents. The average Rightship[8] rating for our ships was 4.17%, and our ship operating rate reached 99.5%. Ship management costs were strictly controlled within the budget. The cost, safety, management quality and operational efficiency of the Group's time-chartered ships are comparable to industry leaders in the global market segment, which has become one of advantages of the Group's ship leasing operation. In particular, based on the experience in anti-pandemic approaches in 2020, the Group continued to take strict prevention and control measures, strengthened the pandemic prevention and control of ships, arranged the crew change in time, and gave appropriate allowances to the crew members whose service was extended, thus ensuring that all crew members of ships under management had no COVID-19 cases throughout the year. On the one hand, these efforts delivered humanistic care and helped fulfill our social responsibility. On the other hand, they ensured the safety of ships, improved the ship operation efficiency, and increased ship leasing income.

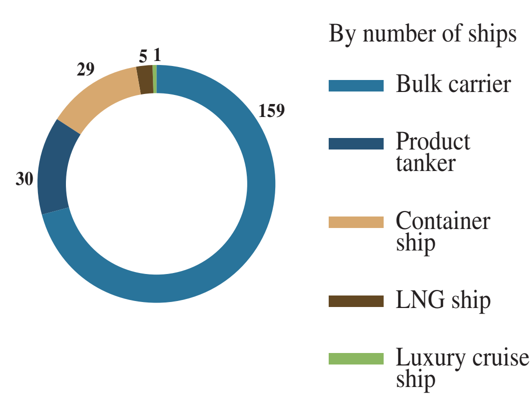
As of December 31, 2021, the total assets of the ship leasing business of the Group amounted to RMB47,592.4 million, representing an increase of RMB13,409.2 million, or 39.2% as compared with that as of the end of last year, of which the ship leasing related assets amounted to RMB41,245.5 million (the balance of finance lease related assets amounted to RMB11,690.0 million, the balance of operating lease related assets amounted to RMB26,241.2 million, and the balance of prepayments amounted to RMB3,314.3 million), and other related assets amounted to RMB6,346.9 million. In 2021, the revenue and other income of the ship leasing business of the Group amounted to RMB5,868.3 million, representing an increase of RMB3,512.0 million, or 149.0% from the same period of last year.

As of December 31, 2021, the Group had a total of 224 ships in operation, among which there were 179 ships under operating leasing, including 151 bulk carriers (another 24 under construction), 26 product tankers (another 18 under construction and 5 to be delivered with deposit paid) and 2 LNG ships; there were 45 ships under finance lease, including 29 container ships (another 2 under construction), 8 bulk carriers, 4 product tankers, 3 LNG ships and 1 cruise ship (joint lease).

Balance of Ship Leasing Related Assets
(Unit: RMB in millions)



Type and Number of Ships under Operation
(Unit: ships)



8 Rightship is a ship safety and efficiency assessment organization established by Dry Bulk Cargo Shipper Alliance. It aims to reduce shipping risks through accurate and reliable assessment, and provides support for global customers such as shipowners, management companies, operators, charterers, insurers, ports and terminals. Rightship provides 1- to 5-star ratings, with 5-star being the highest rating. If a ship's Rightship rating is less than 3 stars, large charterers will in principle refuse to charter it.

3.4 *Inclusive Finance*

Since the establishment of the Inclusive Finance Business Department in 2019, the Group has 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 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 and innovate, accelerate the digital transformation driven by technology, improve the comprehensive ability to create higher value for customers via leasing, and steadily build 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.

2021 was the first year of the 14th Five-Year Plan for the inclusive finance business of the Group, and was also a key year for the implementation of the Group's digital strategy. Over the past year, the state stepped up investment to accelerate the construction of traditional and new infrastructure, and increased investment in intelligent and digital high-end manufacturing, thereby promoting relevant industries to become important pillars of China's domestic circulation. In respect of inclusive finance business, the Group closely followed the dual goals of "consolidating traditional business" and "developing innovative business". On the one hand, in terms of traditional business, we continued to strengthen the research and judgment on economic conditions and industry dynamics under the ongoing COVID-19 pandemic, made active efforts to develop business sources, upgrade the product mix and improve management procedures and measures, and continuously made improvements in business development, data governance, risk control and management mechanisms, thus promoting the sustainable and sound development of inclusive finance business; on the other hand, focusing on the Company's digital innovation and development goal, we built an intelligent, efficient and interconnected digital inclusive finance business system, realized the new development pattern featuring "diverse products, digital risk control, online business operations, and intelligent approval process", promoted a major reform of business development model and risk management, achieved a breakthrough in developing passenger car retail business from scratch, and took the first step in the Company's shift from traditional leasing business to technology leasing, laying a solid foundation for the Company to improve the service capacity and efficiency of its inclusive finance business.

In 2021, the Group actively practiced inclusive finance and made every effort to serve the development of the real economy. RMB28,669.5 million was invested in the inclusive finance segment throughout the year, representing a significant increase of 59.6% over the previous year. There were 144,000 new end-users and 147,394 new vehicles in the vehicle leasing business, and 4,661 new end-users and 21,286 pieces/sets of equipment in the construction machinery leasing business, further strengthening the support for small and micro enterprises.

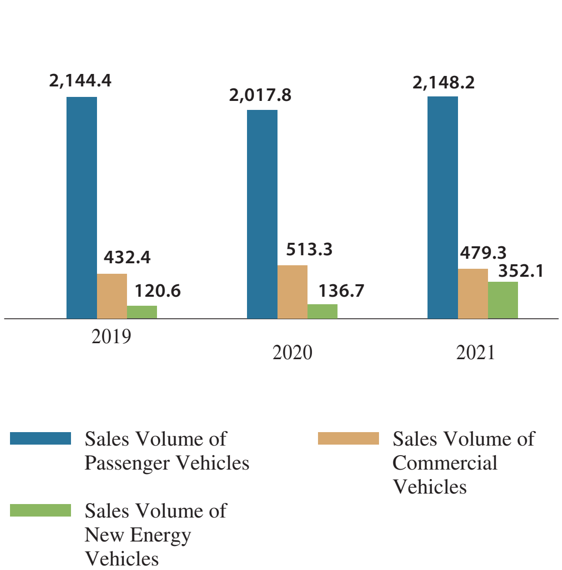
As at December 31, 2021, the total assets of the Group's inclusive finance business amounted to RMB34,103.1 million, representing an increase of RMB8,971.8 million or 35.7% from that as of the end of the previous year. Revenue and other income from inclusive finance business for the year amounted to RMB1,493.5 million, representing an increase of RMB230.8 million or 18.3% from that of the previous year. The Group's inclusive finance segment achieved a profit before income tax of RMB-349.9 million, representing a decrease of RMB1,009.1 million or 153.1% over the same period of the previous year. The decrease was mainly due to the Group's increase of support for the real economy and its forward-looking increase of the provision for inclusive finance business for the sake of prudence consideration of the great downward pressure on the macroeconomics.

3.4.1 Vehicle Leasing

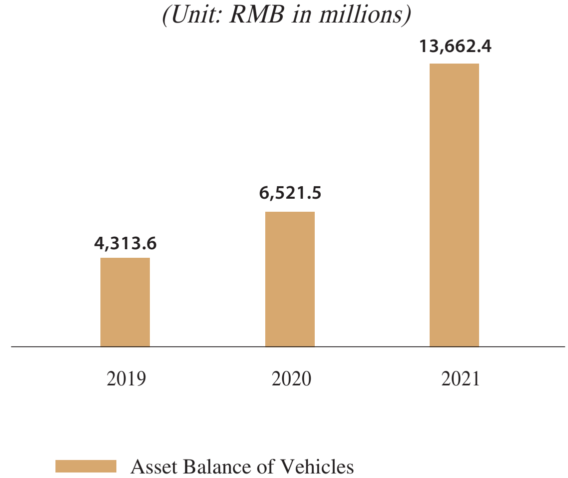
In 2021, the automobile industry endeavored to overcome the headwinds such as the shortage of chip supply, the persistently high prices of raw materials, the sporadic COVID-19 outbreaks and the adjustment of policies and regulations. The automobile production and sales grew steadily during the year, showing great resilience and development momentum. According to the statistics of China Association of Automobile Manufacturers, the production and sales of automobiles increased year-on-year in 2021, with new energy vehicles becoming the biggest highlight. The annual sales volume of new energy vehicles exceeded 3.5 million units and took up an increased market share of 13.4%, indicating that the new energy vehicle market has shifted from policy-driven to market-driven. Affected by the switching of emission standards, the commercial vehicle market saw significant fluctuations in demand and recorded an annual sales volume of 4.793 million units, a year-on-year decrease of 6.6%; the annual sales volume of passenger cars was 21.482 million units, a year-on-year increase of 6.5%.

Overall, new energy vehicles grew substantially year-on-year with a sound development momentum; the commercial vehicle market fluctuated greatly, with a year-on-year decrease in production and sales; the passenger car market recovered to the pre-COVID-19 level with a consistently large market size. In 2022, China will continue to implement the policy of "Six Stabilities and Six Guarantees" and stabilize the macroeconomics. In this context, the automobile market will remain stable. With the easing of headwinds such as insufficient supply of chips and high raw material prices, we will look at the development trend of the industry in 2022 with caution and optimism.

Domestic Vehicle Sales Trend
(Unit: vehicles in ten thousands)



Asset Balance of the Group's Vehicles
(Unit: RMB in millions)



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

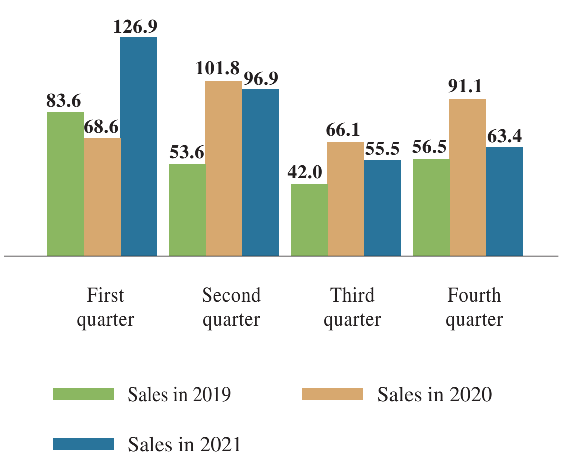
As at December 31, 2021, the Group's assets related to vehicle leasing business amounted to RMB13,662.4 million, representing an increase of RMB7,140.9 million or 109.5% from December 31, 2020 and accounting for 40.1% of the assets of the inclusive finance segment, which was an improvement in the structure of the segment.

In 2022, the Group will continuously strengthen the analysis and research of policies for the automobile industry to seize market opportunities and guide the steady development of vehicle leasing business. On the one hand, we will continue to promote the digital transformation of inclusive finance business, build a solid foundation for independent risk control system, improve the construction of a digital internal control system, and further enhance the service capacity of inclusive finance business; on the other hand, we will continue to intensify cooperation with leading vehicle manufacturers and expand business channels to provide support for the sustainable development of vehicle leasing business under inclusive finance, in a drive to develop a multi-sector, multi-model and multi-dimensional digital inclusive finance ecosystem.

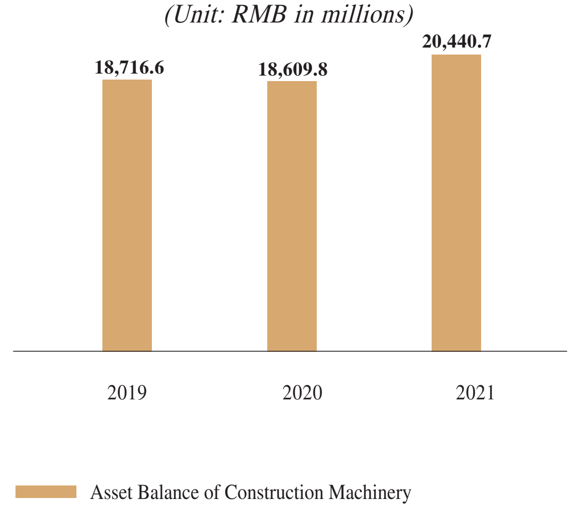
3.4.2 Construction Machinery Leasing

In 2021, the construction machinery market declined after picking up. At the beginning of the year, given the low base of last year resulting from the COVID-19 outbreak, the market enjoyed an explosive year-on-year growth in the first quarter, but began to slow down in the second quarter. As downstream infrastructure investment, real estate investment, and new construction projects continued to decline, which indicated a contraction of market demand, the industry showed signs of a cyclical downturn. According to the statistics of China Construction Machinery Association (CCMA), in 2021, the sales volume of excavators, an iconic product in the industry, was 343,000 units, a year-on-year increase of 4.6%. Although the growth was lower than the annual growth forecast of 10%, the industry maintained the growth fundamentals. In late 2021 and early 2022, the state repeatedly emphasized steady growth. As major projects across the country started construction, the demand for construction machinery is expected to improve marginally. According to the CCMA, the construction machinery industry is more mature and resilient in this development cycle. Moreover, the state adopts a steady growth policy, and it is expected that the demand of the downstream market will remain stable and the overseas market will continue to expand. These factors will help reduce the impact of the industry cycle.

Sales Volume in Domestic Excavator Market
(Unit: excavators in thousands)



Asset Balance of Construction Machinery of the Group
(Unit: RMB in millions)



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

As at December 31, 2021, the Group's assets related to construction machinery leasing business amounted to RMB20,440.7 million, representing an increase of RMB1,830.9 million or 9.8% from December 31, 2020 and accounting for 59.9% of the assets of the inclusive finance segment.

In 2022, the Group will continue to increase the market penetration of inclusive finance business in the construction machinery industry, consolidate its market position amid increasingly fierce competition, and seek business innovation. On the one hand, we will continue to strengthen data analysis and research in the field of construction machinery, and leverage digital management tools and capabilities to promote product innovation and business model development in existing fields, so as to provide support for subsequent business model innovation and product trials; on the other hand, while consolidating the Group's market share in existing areas of cooperation, we will proactively visit and develop customers in new models and new fields, in an effort to develop innovative business in new fields.

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

(RMB in millions, except percentages)	**Net carrying amount of sub-segment's assets related to leasing business as of December 31, 2021**	**Percentage of net carrying amount of sub-segment's assets related to leasing business as of December 31, 2021**
Vehicle leasing	13,662.4	40.1%
Construction machinery leasing	20,440.7	59.9%
Total	**34,103.1**	**100.0%**

3.5 Others

In 2021, while focusing on its principal business and steadily promoting the launch of key business areas, the Group continuously strengthened research and analysis on regions, industries and customers, and explored innovative business.

As of December 31, 2021, the total assets of other businesses amounted to RMB11,194.9 million, representing a decrease of RMB763.5 million, or 6.4% as compared with that as of the end of last year, primarily due to the fact that the Group focused on its principal business and reduced the business of others.

4. FINANCING

Benefiting from high credit ratings ("A1" by Moody's, "A" by Standard & Poor's, and "A+" by Fitch), the Group continuously enhanced its funding capability and diversified its financing channels. The Group continued to deepen its cooperation with domestic and overseas banks and other financial institutions to ensure that there would be sufficient funds available for business development. As of December 31, 2021, the Group had established business relationships with 171 banks and was granted credit facilities amounting to a total of approximately RMB662.05 billion including unused credit facilities of approximately RMB396.11 billion. In 2021, in a complex and changeable macroeconomic and financial environment both domestically and internationally, the Group actively grasped the market trend based on the changes of macroeconomic situation, adjusted the financing strategy in time, constantly broadened its financing channels, and further optimized the debt structure and balanced the financing cost.

As for bonds financing, the Group issued US$500 million of 3-year senior bonds and US$500 million of 5-year senior bonds through public offering in March 2021, and issued approximately US$1,020 million senior bonds in total through private placement throughout the year. In respect of RMB financing, the Group actively responded to changes in market trends and dynamically adjusted the RMB financing period on the premise of ensuring liquidity security, so as to effectively control the financing cost. In terms of USD financing, as the USD market gradually recovered from the impact of the epidemic in 2021, the Group actively expanded financing channels and effectively reduced financing costs, highlighting its increasingly stable USD financing ability and resilience against risks. As for interest rate structure, the Group continued to maintain the original strategy for the risk management on interest rate, and actively managed the matching of assets and liabilities in terms of interest structure. As for the structure of exchange rates, the Group continued to maintain its original strategy for the risk management on exchange rates and maintained the matching of currency between assets and liabilities, which greatly reduced the impact of market exchange rate fluctuations on the Company.

In 2021, the financing sources of the Group mainly included bank borrowings and issuance of bonds. As of December 31, 2021, the Group's borrowings and bonds payable were RMB236,087.7 million and RMB45,045.5 million, respectively.

5. RISK MANAGEMENT

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

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

At present, the Group adopts a stable strategy in relation to risk preference. With regard to the selection of industries, the Group prefers industries and fields with mature business models, generating economies of scale and equipped with excellent asset quality. In terms of customer selection, the Group prefers large enterprises, leading enterprises in the industry or listed companies with high quality. In terms of leased assets operation, the Group will conduct scientific classification, value analysis and professional management and accelerate the transfer of leased assets by combining operation strategies, market environment and the features of leased properties. The Group identifies, evaluates, monitors, warns, controls, mitigates and reports various risks based on the characteristics of the leasing industry. The Group continues to deepen its understanding of the risks of industry in which it operates, and actively promotes the construction of risk measurement system. Meanwhile, it also strengthens the proactive monitoring, warning and response management of risks. The Group reduces the overall business risks through the asset portfolio management in different countries, regions and industries. The Group proactively adjusts the operation strategies of the industry, strengthens the customer admission criteria, improves the risk pricing system and strives for the maximization of risk return. By enhancing the Group's business quality and efficiency of resource allocation, the value of risk management can be achieved.

In 2021, the Group improved the management system for overall risk preference, continuously optimized risk preference and risk strategy management, and formulated differentiated risk preference and management strategies for different types of risks and business segments, so as to enhance the refined management level. We organized risk identification and assessment and fixed the weak links of risk management to further enhance risk control capability, and improved the management system of stress testing to strengthen the effectiveness of stress testing. We continuously improved the overall risk management reporting system, and revealed the risk situation in a timely, in-depth and objective manner. We strengthened business continuity management and monitoring, and continuously improved the business continuity management systems. We positively guided the staff to develop the senses of risks and responsibilities by strictly implementing the accountability system and strengthening special training of risks.

5.1 Credit Risk

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

Credit risk is currently the major risk faced by the Group. The Group emphasizes the operating philosophy of keeping balance among "scale, profitability and risks", strictly complies with regulatory requirements and policy requirements imposed, and conducts lease business in compliance with laws and regulations. We attach great importance to the quantitative management technology of credit risks and the management application, establish a dual-dimensional rating system with credit rating and debt rating for all enterprise clients, and ensure the effectiveness of medium-to-long term credit risk management of the Company by reinforcing risk pricing capability. We maintain appropriate diversification of the Group's lease assets portfolio in different countries, regions, industries, clients and products in order to control the concentration risks within a reasonable level. We continuously improve the precise level of after-lease management, carry out various special risk investigations, and strengthen the alert, monitoring and control of risk-bearing projects, to improve forward-looking ability and capabilities of risk management and control, safeguard the bottom line against risks, and keep the ratio of non-performing assets below 1%.

In 2021, major countries in the world took on the characteristics of differentiated economic recovery, intensified imbalance between supply and demand, increased inflationary pressure and slight tightening of loose monetary policy. Market risk events occurred frequently; the liquidity risk of enterprises was further revealed; and the situation of credit risk prevention and control was grim. Facing the complicated and changeable internal and external environment, the Group actively carried out risk investigation, conducted comprehensive risk analysis and screening according to the project location and the customer's industry, further investigated the potential risks, pre-researched and pre-judged the risk impact in combination with the internal and external situation, and strengthened the risk investigation and analysis of all major business lines of the Group. In view of the credit risks in the aviation industry, we carried out in-depth analysis on customer risks faced by our aviation subsidiaries, and arranged for them to deal with such risks and predict the risk dynamics on an on-going basis.

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

(RMB in millions)	**As of December 31, 2021**	2020
Financial assets		
Cash and bank balances	**36,833.1**	34,993.0
Derivative financial assets	**94.6**	328.3
Accounts receivable	**1,245.1**	1,960.7
Finance lease receivables	**190,871.6**	166,040.6
Financial assets at fair value through other comprehensive income	**970.7**	955.1
Other financial assets	**1,101.7**	401.3
Total	**231,116.8**	204,679.0

5.1.1 Asset Quality

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

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

(RMB in millions, except percentages)	**As of December 31,** **2021**	2020
Five-category		
Normal	**341,334.7**	279,991.1
Special mention	**10,505.8**	30,544.5
Substandard	**1,386.9**	805.4
Doubtful	**417.0**	1,076.2
Loss	**566.4**	612.3
Total assets before allowance for impairment losses	**354,210.8**	313,029.5
Non-performing assets[(1)]	**2,370.3**	2,493.9
Non-performing asset ratio[(2)]	**0.67%**	0.80%

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

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

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

(RMB in millions, except percentages)	**As of December 31, 2021**	2020
Five-category		
Normal	**188,006.5**	161,213.3
Special mention	**9,560.0**	9,718.2
Substandard	**359.0**	7.4
Doubtful	**–**	336.8
Loss	**536.3**	585.8
Finance lease related assets before allowance for impairment losses	**198,461.8**	171,861.5
Non-performing finance lease related assets[(1)]	**895.3**	930.0
Non-performing asset ratio of finance lease business[(2)]	**0.45%**	0.54%

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

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

As of December 31, 2021, the non-performing assets of the Group amounted to RMB2,370.3 million, representing a decrease of RMB123.6 million as compared with that as of the end of last year, while the non-performing asset ratio was 0.67%, representing a decrease of 0.13 percentage point as compared with that as of the end of last year. As of December 31, 2021, the non-performing finance lease related assets of the Group amounted to RMB895.3 million, representing a decrease of RMB34.7 million as compared with that as of the end of last year, while the non-performing asset ratio of finance lease business was 0.45%, representing a decrease of 0.09 percentage point as compared with that as of the end of last year. In the context of increasing pressure on risk prevention and control, the Group continued to improve and optimize asset quality. In terms of new business, we strictly followed the principles of industry and customer selection. In terms of existing business, we took measures to mitigate risks at various stages of the entire business process including post-lease management and collateral management in order to enhance credit risk management.

The following table sets forth the distribution of the Group's finance lease related assets portfolio by business segments and the five-category asset quality classification as of Dcember 31, 2021:

(RMB in millions, except percentages)	**Aircraft leasing**	**Infrastructure leasing**	**Ship leasing**	**Inclusive finance**	**Others**	**Total**
Five-category						
Normal	314.6	142,759.2	11,810.3	24,450.0	8,672.4	188,006.5
Special mention	–	2,837.3	539.1	6,183.6	–	9,560.0
Substandard	–	359.0	–	–	–	359.0
Doubtful	–	–	–	–	–	–
Loss	–	127.6	–	237.0	171.7	536.3
Finance lease related assets before allowance for impairment losses	314.6	146,083.1	12,349.4	30,870.6	8,844.1	198,461.8
Non-performing finance lease related assets	–	486.6	–	237.0	171.7	895.3
Non-performing asset ratio of finance lease business	–	0.33%	–	0.77%	1.94%	0.45%

In 2021, the assets of the Group's existing aircraft and ship finance lease projects were of good quality. The amount of non-performing assets and the ratio of non-performing assets of infrastructure leasing segment increased compared with those of 2020. The balance of non-performing assets and the ratio of non-performing assets of inclusive finance segment and other business segment decreased compared with those of 2020. The Group has maintained a good level of risk management ability and risk mitigation ability.

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

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

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

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

With the ECL models and the above division of credit levels, the followings are net amount and balances of allowance for impairment losses of finance lease related assets by the Group as of December 31, 2020:

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

With the ECL models and the above division of credit levels, the followings are the net amount and balances of allowance for impairment losses of finance lease related assets by the Group as of December 31, 2021:

(RMB in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Net finance lease related assets	178,257.9	19,144.9	1,059.0	198,461.8
Allowance for impairment losses of finance lease related assets	3,086.0	3,504.8	999.4	7,590.2

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

(RMB in millions)	As of December 31, **2021**	2020
Neither overdue nor impaired	**197,414.1**	170,661.7
Overdue but not impaired	**–**	–
Impaired	**1,047.7**	1,199.8
	198,461.8	171,861.5
Less: allowance for impairment losses	**(7,590.2)**	(5,820.9)
Total	**190,871.6**	166,040.6

5.1.2 Concentration of Credit Risks

The Group proactively implemented the requirements of the regulatory authorities and timely monitored the financing concentration of a single client through project inspection. Besides, the Group has established a client's ledger to carry out quarterly monitoring over the financing concentration of clients of the Group in order to prevent credit concentration risk. As of December 31, 2021, the balance of finance lease transactions for the largest single client of the Group accounted for 13.74% of the net capital while the balance of finance lease transactions for the largest single group client accounted for 10.74% of the net capital.

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

Concentration indicator	As of December 31, **2021**	2020
Degree of concentration of single client financing[(1)]	**13.74%**	18.72%
Degree of concentration of single group client financing[(2)]	**10.74%**	16.62%

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

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

As of December 31, 2021, in terms of finance lease related assets before allowance for impairment losses, the total financing raised by the top ten single clients amounted to RMB30,997.9 million, accounting for 15.60% of finance lease related assets.

The following table sets forth the financing amount raised by the top ten clients of the Group as of December 31, 2021:

(RMB in millions, except percentages)	**Business segment**	**Financing amount**	**Percentage of finance lease related assets before allowance for impairment losses**
Client A	Infrastructure	5,322.6	2.68%
Client B	Infrastructure	3,890.2	1.96%
Client C	Ship	3,402.9	1.71%
Client D	Other	2,904.1	1.46%
Client E	Infrastructure	2,703.5	1.36%
Client F	Infrastructure	2,695.5	1.36%
Client G	Infrastructure	2,684.4	1.35%
Client H	Ship	2,642.7	1.33%
Client I	Inclusive finance	2,483.6	1.25%
Client J	Ship	2,268.4	1.14%
Total		**30,997.9**	**15.60%**

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

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

(RMB in millions, except percentages)	**As of December 31,**			
	2021		2020	
	Amount	**Percentage**	Amount	Percentage
Aircraft leasing	**314.6**	**0.2%**	41.2	0.0%
Infrastructure leasing	**146,083.1**	**73.6%**	126,308.1	73.5%
Ship leasing	**12,349.3**	**6.2%**	12,760.5	7.4%
Inclusive finance	**30,870.6**	**15.6%**	22,971.2	13.4%
Vehicle	**12,265.1**	**6.2%**	6,112.8	3.6%
Construction machinery	**18,605.5**	**9.4%**	16,858.4	9.8%
Others	**8,844.2**	**4.4%**	9,780.5	5.7%
Commercial property	**76.5**	**0.0%**	299.9	0.2%
Other sectors	**8,767.7**	**4.4%**	9,480.6	5.5%
Total	**198,461.8**	**100.0%**	171,861.5	100.0%

5.2 Market Risk

5.2.1 Interest Rate Risk

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

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

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

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

5.2.2 Foreign Exchange Risk

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

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

As of December 31, 2021, the Group's foreign exchange risk exposure in US dollar-denominated against Renminbi-denominated that affected profit or loss amounted to US$604.9 million, and the ending balance of notional amount for hedging transactions amounted to US$230.0 million. The Group effectively managed the foreign exchange risk through exposure monitoring and financial derivative hedging and other means, and recorded an exchange gain of RMB72.5 million throughout the year.

5.3 Liquidity Risk

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

The Group managed liquidity risk and balanced it with the interest rate margin by adopting the following measures: the Group proactively managed the maturity portfolios of assets and liabilities, and controlled cash flow mismatch gap to reduce structured liquidity risk; through adequate bank credit line, the Group established diversified funding sources, thereby continuously increasing the transaction capability of the money market, the financing and the daily liquidity management capabilities of the Group, thus preserved sufficient funds to repay debts and fuel the Group's business development. The Group established a three-level liquidity reserve system to mitigate and defuse liquidity risk. The Group used quasi-cash assets such as bank deposits and the money market bonds, etc. as the first level liquidity reserve, bank-committed credit line of overdraft as the second level liquidity reserve and a portion of senior bonds held by the Group as the third level liquidity reserve.

As of December 31, 2021, the Group had an interbank borrowing and lending limit of RMB12,642.0 million. In addition, the Group strived to improve its trading capacity in the money market, especially the online financing capacity, and accumulated interbank borrowing (including bond collateral repo) amounted to RMB220,433.7 million. Meanwhile, the Group maintained a bank-committed overdraft line of RMB800.0 million and held a certain portion of senior bonds, thus ensuring that its liquidity asset reserve can fully mitigate liquidity risk.

During 2021, the liquidity of the Group remained strong. According to the market liquidity situation, the Group arranged financing plans in a reasonable and orderly manner, further optimized the liquidity management mechanism, and gradually optimized the three-level liquidity reserve system to further improve the liquidity risk management capability.

5.4 Other Risks

5.4.1 Operational Risk

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

In 2021, the Group further enhanced its operational risk management and control. Firstly, it continuously strengthened the construction of operational risk management system and established an operational risk management network to ensure that there was no omission, no blind area and full coverage of operational risk prevention and control. Secondly, it constantly improved the internal control management system, actively traced the regulatory requirements, continuously promoted the cross inspection of the system and filled the system discrepancy. Thirdly, it improved the business management mechanism of the Group, enhanced various management processes and strengthened implementation management to prevent and reduce the occurrence of operational risk events. Fourthly, it further clarified the structure of business continuity management, and refined the daily management requirements of business continuity. Fifthly, it improved operational risk management methods and tools, regularly conducted operational risk identification and assessment, improved the key indicators monitoring of operational risk, continuously collected operational risk events, implemented the reporting mechanism, and timely revealed the Group's operational risk status. No major operational risk events had been found in 2021.

5.4.2 Information Technology Risk

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

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

In 2021, the Group further improved its information technology risk management. First, we refined the IT management system and improved the information technology system framework. We set up a monthly coordination meeting mechanism and PMO management mechanism for IT construction, and promoted the establishment of rules and regulations. Second, we integrated and improved professional strengths and made up for the shortcomings of professional capabilities. We established a permanent expert mechanism to fill the loopholes in professional decision-making capabilities; and explored the establishment of an IT manpower outsourcing mechanism to make up for the shortage of personnel. Third, we built the Company's first big data platform, completed EAST-related data sorting and system transformation, and improved the capabilities in automatic regulatory reporting. Fourth, we continued to build application systems and make up for the shortcomings of system functions. We fully promoted the construction of a new core leasing business system, revised the comprehensive affairs management system, localized deployment of an electronic invoice system, and introduced the business development function to the passenger car system. Fifth, we improved infrastructure protection and information security, strengthened infrastructure operation and maintenance capabilities, and deepened the construction of application-level disaster recovery system.

5.4.3 Reputational Risk

Reputational risk refers to the potential or existing risk of negative impact or damage to the image, reputation and brand value of the Company, arising when the operational, managerial and other behaviors or external incidents of the Company are noticed or reported by the media. Reputational risk is an important part of corporate governance and comprehensive risk management system.

In 2021, the Group continued to strengthen its reputational risk management, and actively carried out its reputational risk prevention and control and brand image building in key links such as "close monitoring, active judgment and positive guidance". Firstly, the Group conducted regular self-inspection and investigation of reputational risks in accordance with the regulatory and reputational risk management requirements of the Group. Secondly, it carried out 24-hour major media public sentiment monitoring through professional institutions, adjusted the scope of public sentiment monitoring in a targeted and dynamic manner, strengthened early warning, prevented in advance and made rectification timely. Thirdly, it carried out special response deployment for important nodes, and carried out special monitoring on important public sentiment nodes with response plans formulated in advance. Fourthly, it vigorously promoted the brand image building of the Group in the market, strengthened the communication with domestic and foreign mainstream media and actively voiced. While spreading the operating results to the market, the Group proactively demonstrated its accountability, and created a good reputation environment. During 2021, the reputational risk management level of the Group was steadily improved, which effectively maintained the reputation of the Group and established a good brand image.

5.4.4 Country Risk

Country risk refers to the risk that the lessees or debtors in a country or region are unable or refuse to pay their debts to the Company, or the Company suffers business losses in the country or region, or the Company is subject to other losses, due to economic, political and social changes and events in the country or region.

In 2021, the Group further strengthened country risk management. First, we improved the country risk system construction, revised the Company's country risk management measures, and defined the organizational structure and policies for country risk management. Second, we reported country risk to the Board and senior management, covering country risk exposure, risk assessment and rating, use of risk limit, etc. Third, we fully considered the impact of country risk on asset quality, accurately identified, reasonably assessed and prudently predicted asset losses that may be caused by country risk, and regularly made provision for country risk. Fourth, we carried out pandemic impact analysis for key risk countries and regions, such as Southeast Asia, and enhanced the pertinence of country risk management.

6. CAPITAL MANAGEMENT

The Group conducted capital management, which mainly aimed to maintain a reasonable capital adequacy ratio to comply with the requirements of capital regulatory laws and policies; to safeguard the Group's ability to continue as a going concern so as to provide returns for Shareholders; and to maintain a strong capital base to support its business development. In accordance with relevant regulations promulgated by the CBIRC, capital adequacy, leveraging ratio and the utilization of regulatory capital are closely monitored by the management of the Group.

In 2021, the Group continued to consolidate the foundation of capital management and actively promoted its transformation towards capital intensive operation. The first step is to further improve the capital management system and policies, systematically implement the internal assessment procedures of capital adequacy ratio under the core requirements of regulatory requirements and the Company's own characteristics, complete the reports of internal capital adequacy assessment and the capital adequacy management plan for the year, and promote the construction of the second pillar as a whole. The second is to deepen the philosophy of forward-looking and fine capital management, based on capital planning, the capital adequacy management plan, capital utilization and appraisal and capital rolling monitoring, carry out in-depth overall management of capital replenishment and use, and improve the capital use efficiency and the level of capital return. The third is to strengthen the internal and external capital replenishment capacity and build a long-term mechanism for capital replenishment. The Group has formed a solid foundation for internal capital replenishment by maintaining steady profit growth and effective management of non-performing assets and provisions. At the same time, it has actively studied the promotion of external capital replenishment, continuously strengthened its capital strength and enhanced its ability to serve the real economy. In 2021, all capital indicators met the regulatory requirements with the capital adequacy ratio remaining at a stable and reasonable level, and various management systems and measures being well implemented.

On June 7, 2012, the CBIRC issued the Capital Administrative Measures, which came into effect on January 1, 2013. As of December 31, 2021, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 9.40%, 9.40% and 11.93%, respectively, which were higher than the regulatory requirements.

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

(RMB in millions, except percentages)	**Regulatory requirement**	**As of December 31,** **2021**	2020
Net capital:			
Net core tier-one capital		**30,511.4**	27,720.1
Net tier-one capital		**30,511.4**	27,720.1
Net capital		**38,727.6**	35,552.6
Capital adequacy ratio:			
Core tier-one capital adequacy ratio	≥7.5%	**9.40%**	9.82%
Tier-one capital adequacy ratio	≥8.5%	**9.40%**	9.82%
Capital adequacy ratio	≥10.5%	**11.93%**	12.60%

7. CAPITAL EXPENDITURES

The capital expenditures of the Group principally comprise expenditures for the purchase of ship and aircraft leasing assets, and property and equipment etc. In 2021, the capital expenditures of the Group amounted to RMB28,379.5 million, which were mainly used for the purchase of ships and aircraft. The Group financed the capital expenditures through cash from operating activities, bank borrowings and net proceeds from the global bonds offering.

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

(RMB in millions)	**For the year ended December 31,** **2021**	2020
Capital Expenditures	**28,379.5**	15,733.0

8. PLEDGE OF ASSETS

As of December 31, 2021, equipment held for operating lease businesses (net), finance lease receivables (net) and deposits amounting to RMB30,077.2 million, RMB7,236.1 million and RMB4,170.8 million respectively, were pledged to banks for financing from banks and long-term payable. The total collateral assets as aforesaid accounted for 12.1% of total assets.

9. HUMAN RESOURCES

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

As of December 31, 2021, there was a total of 533 full-time employees providing related services to the Group. The Group has a team of high-quality talents. As of December 31, 2021, approximately 91% of the Group's employees had university bachelor's degrees or above.

The Group attaches great importance to talents. The Group comprehensively enhanced the human resources management construction of corporate culture, institutional structure and title formulation, remuneration management, performance assessment, educational training management and talent introduction to lay a sound foundation for the business development. The Group continued to develop the comprehensive and positive incentive system with market-oriented incentives as the core, and established multi-channel mechanism to introduce talents, effectively enhancing the vitality of talents. The Group systematically sorted out the department functions and post functions, constructed a two-way career development path both horizontally and vertically, consolidated the foundation of scientific and standardized management of human resources management, and formulated the "1+4" training module. By developing multi-level training system, the Group organized 219 sessions of training during the year, and constantly enhanced the development of human resources management system to continuously realize the digitization management of human resources of the Company.

In 2022, the Group will continue to deepen the reform of human resources, uphold the "people-oriented", "market-oriented", "pursuit of innovation for healthy growth" to drive the further implementation of various reform measures in relation to human resources management of the Company, dynamically adjust and optimize the organization structure, deepen the cultivation of compound, professional and international talents to safeguard the innovation support, service development, stable and sustainable growth and high quality development.

For the years ended December 31, 2021 and December 31, 2020, our staff costs were RMB494.8 million and RMB430.4 million, respectively, which accounted for approximately 2.1% and 2.2%, respectively, of the total revenue and other income of the Group in the same year.

10. INDUSTRIAL REGULATIONS

In 2021, the CBIRC required that the industry shall firmly forestall systemic financial risks as the bottom line, continuously deepen the reform of the banking and insurance industries, and improve regulation standards according to law, in an effort to promote high-quality economic and social development. The Group resolutely implemented various work requirements of the regulatory authorities, adhered to the general keynote of seeking progress while maintaining stability, coordinated the epidemic prevention and control and business development under the guidance of new development concept, focused on its main responsibility and principal business to stride forward, and maintained a sound development momentum, making a good start for the 14th Five-Year Plan. The Company will continue to improve corporate governance, insist on compliance-based operation, strengthen internal management, focus on key areas to solidly promote steady growth, adjust structure and increase revenue, accelerate digital transformation, further facilitate innovative development, and improve the quality and efficiency of financial services for the real economy in an ongoing effort.

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

	Regulatory requirement	**As of December 31, 2021**
Capital adequacy ratio	Above 10.5%	**11.93%**
Tier-one capital adequacy ratio	Above 8.5%	**9.40%**
Core tier-one capital adequacy ratio	Above 7.5%	**9.40%**
Degree of concentration of single client financing	Not more than 30%	**13.74%**
Degree of concentration of single group client financing	Not more than 50%	**10.74%**
Ratio of a single related client(1)	Not more than 30%	**1.47%**
Ratio of all related parties(2)	Not more than 50%	**4.14%**
Ratio of a single related Shareholder(3)	Not more than 100%	**2.60%**
Ratio of interbank lending(4)	Not more than 100%	**27.52%**
Ratio of allowance to non-performing finance lease related assets	Above 150%	**847.80%**
Ratio of allowance to total finance lease related assets(5)	Above 2.5%	**3.82%**
Investment in fixed-income securities(6)	Not more than 20%	**2.57%**

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

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

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

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

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

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

11. PROSPECTS

Looking forward to 2022, insufficient supply still needs attention, but the focus will shift from the supply side to the demand side. After the pandemic outbreak, the Federal Reserve engaged in aggressive quantitative easing which boosted economic growth in the short term but created inflationary pressure in the medium term. The degree of quantitative easing by the world's major economies (excluding China) has surpassed that during the global financial crisis in 2008. Regional tensions and other factors led to the rise of commodity prices, which further exacerbated the inflationary pressure. Overall, the global economic growth will slow down in 2022.

Domestically, China's economic growth in 2022 may stabilize. The stabilizing and improving epidemic situation will improve domestic demand marginally. Looking at the 14th Five-Year Plan period and even longer term, high-quality development, technological innovation, energy transformation and new development pattern will be new growth drivers for economic development. Overall, economic growth will return to normal in 2022, and the PPI-CPI gap will narrow. Structurally, in 2022, economic growth will experience a switch from old to new drivers, including a shift of demand from exports and real estate investment to consumption, manufacturing industry and new infrastructure investment, and a shift of production mode from high energy consumption and high pollution to green and low-carbon production.

In this context, the leasing industry, which integrates finance, trade, investment and services, will benefit from the integration of industry and finance. With the in-depth promotion of national scientific and technological innovation and "double carbon" deployment, the relevant financing needs of enterprises are growing accordingly. Finance lease, which integrates "financing" and "asset leasing", can not only lower the financing threshold and provide more flexible and convenient financial services for enterprises, but also respond to the national development strategies effectively and help implement the regulatory development requirements for returning to the origin of leasing. As such, the leasing industry has ushered in greater development opportunities. On the other hand, the current global economic and political environment are facing great uncertainty. Steady growth is still the keynote of China's economy in 2022, yet the actual financing demand in the market will continue to fluctuate under the influence of macroeconomic policies, monetary policies and other measures. In addition, the continuous introduction of new financial regulatory policies will also bring new guidelines and changes to the development of the financial leasing industry. Overall, looking ahead to 2022, development opportunities and challenges will coexist in the leasing industry. Leasing companies need to continuously strengthen the tracking, analysis and judgment of policy, market, industry and regional developments, enhance their awareness of market dynamics, and make best responses.

The Group will closely follow up policy development, focus on its main responsibility and principal business as well as the origin of leasing, and concentrate on national strategic regions to facilitate the coordinated development of such regions; implement China's "carbon peaking and neutrality" policy, give full play to its distinctive advantages in leasing business, and carry out the green development strategy; continue to improve the market and industry research and analysis system, enhance professional capabilities for leasing business, and implement the strategy of innovation-driven development. While serving China's strategies, we will strive to achieve sound and sustainable development.

OTHER INFORMATION

Corporate Governance Practice

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

Model Code for Securities Transactions by Directors and Supervisors

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

Final Dividend

The Board recommended to distribute a final dividend of RMB0.9307 per 10 shares (inclusive of tax) for the year ended December 31, 2021. The net profit of the Group for the year ended December 31, 2021 amounted to RMB3,922,212,335, and the total amount of profit distribution amounted to RMB1,176,626,307, which accounted for 30% of the net profit of the Group for the year 2021. In principle, payments will be made to holders of Domestic Shares in Renminbi and to holders of H Shares in Hong Kong dollars. The exchange rate of HK$ will be the average closing price of RMB against HK$ announced by the PBOC for the five working days prior to the date of profit distribution. Such final dividend is subject to the approval of the Shareholders at the annual general meeting for the year 2021, and is expected to be paid to the Shareholders within two months from the date of the annual general meeting. Notice of the annual general meeting will announce the date of the Company's annual general meeting and the related book closure arrangement, as well as the payment date and the arrangement of book closure for the final dividend.

Purchase, Sale or Redemption of Listed Securities

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

Review of Annual Results

The consolidated financial statements of the Group for the year ended December 31, 2021 were audited by Ernst & Young. The Audit Committee of the Board has also reviewed the audited annual results of the Group for the year ended December 31, 2021. The figures in respect of the Group's results for the year ended December 31, 2021 as set out in this annual results announcement have been agreed by the auditor of the Company, Ernst & Young, to be consistent with the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2021.

Publication of Annual Report

The annual report of the Company for the year ended December 31, 2021 will be published on the website of the Company (www.cdb-leasing.com) and HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended 31 December	
	2021	2020
Revenue		
Finance lease income	**9,813,486**	9,199,844
Operating lease income	**11,550,309**	8,520,051
Total revenue	**21,363,795**	17,719,895
Net investment gains	**87,279**	41,189
Other income, gains or losses	**1,864,732**	1,567,632
Total revenue and other income	**23,315,806**	19,328,716
Depreciation and amortisation	**(4,348,822)**	(4,133,564)
Staff costs	**(494,793)**	(430,448)
Fee and commission expenses	**(82,056)**	(80,658)
Interest expenses	**(8,087,780)**	(6,980,798)
Other operating expenses	**(1,256,500)**	(838,048)
Net impairment losses on financial assets	**(2,443,087)**	(707,674)
Net impairment losses on other assets	**(1,067,202)**	(1,573,949)
Total expenses	**(17,780,240)**	(14,745,139)
Profit before tax	**5,535,566**	4,583,577
Income tax expense	**(1,613,354)**	(1,315,256)
Profit for the year attributable to owners of the Company	**3,922,212**	3,268,321
Earnings per share attributable to owners of the Company		
(expressed in RMB Yuan per share)		
– Basic	**0.31**	0.26
– Diluted	**0.31**	0.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended 31 December	
	2021	2020
Profit for the year	**3,922,212**	3,268,321
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Gains/(losses) on financial assets at fair value through other comprehensive income, net of tax	**(12,536)**	(3,879)
Gains/(losses) on cash flow hedges, net of tax	**698,512**	(500,012)
Currency translation differences	**(150,205)**	(482,217)
Total other comprehensive income for the year, net of tax	**535,771**	(986,108)
Total comprehensive income for the year attributable to owners of the Company	**4,457,983**	2,282,213

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021
(Amounts in thousands of RMB, unless otherwise stated)

	As at 31 December	
	2021	2020
Assets		
Cash and bank balances	**36,833,077**	34,992,986
Financial assets at fair value through profit or loss (FVTPL)	**156,330**	216,862
Derivative financial assets	**94,627**	328,291
Financial assets at fair value through other comprehensive income (FVOCI)	**970,740**	955,060
Accounts receivable	**1,245,057**	1,960,650
Finance lease receivables	**190,871,553**	166,040,552
Prepayments	**11,958,595**	15,829,764
Investment properties	**904,310**	1,040,023
Property and equipment	**92,829,721**	77,088,767
Right-of-use assets	**154,492**	181,149
Deferred tax assets	**1,674,834**	1,330,842
Other assets	**4,144,293**	3,364,721
Total assets	**341,837,629**	303,329,667
Liabilities		
Borrowings	**236,087,673**	210,382,017
Due to banks and other financial institutions	**10,657,467**	895,747
Derivative financial liabilities	**576,497**	1,416,207
Accrued staff costs	**203,957**	155,694
Bonds payable	**45,045,528**	46,221,709
Tax payable	**372,472**	342,021
Lease liabilities	**172,141**	196,490
Deferred tax liabilities	**1,822,217**	757,764
Other liabilities	**16,792,923**	16,332,703
Total liabilities	**311,730,875**	276,700,352

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2021
(Amounts in thousands of RMB, unless otherwise stated)

	As at 31 December	
	2021	2020
Equity		
Share capital	**12,642,380**	12,642,380
Capital reserve	**2,418,689**	2,418,689
Hedging and fair value reserve	**(459,909)**	(1,145,885)
Translation reserve	**(338,774)**	(188,569)
General reserve	**6,235,767**	5,474,730
Retained earnings	**9,608,601**	7,427,970
Total equity	**30,106,754**	26,629,315
Total liabilities and equity	**341,837,629**	303,329,667

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(Amounts in thousands of RMB, unless otherwise stated)

	Attributable to the equity holders of the Company						
	Share capital	Capital reserve	Hedging and fair value reserve	Translation reserve	General reserve	Retained earnings	Total equity
As at 1 January 2021	**12,642,380**	**2,418,689**	**(1,145,885)**	**(188,569)**	**5,474,730**	**7,427,970**	**26,629,315**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**3,922,212**	**3,922,212**
Other comprehensive income for the year	**–**	**–**	**685,976**	**(150,205)**	**–**	**–**	**535,771**
Total comprehensive income for the year	**–**	**–**	**685,976**	**(150,205)**	**–**	**3,922,212**	**4,457,983**
Dividends	**–**	**–**	**–**	**–**	**–**	**(980,544)**	**(980,544)**
Appropriation to general reserve	**–**	**–**	**–**	**–**	**761,037**	**(761,037)**	**–**
As at 31 December 2021	**12,642,380**	**2,418,689**	**(459,909)**	**(338,774)**	**6,235,767**	**9,608,601**	**30,106,754**
As at 1 January 2020	12,642,380	2,418,689	(641,994)	293,648	4,544,432	6,412,087	25,669,242
Profit for the year	–	–	–	–	–	3,268,321	3,268,321
Other comprehensive income for the year	–	–	(503,891)	(482,217)	–	–	(986,108)
Total comprehensive income for the year	–	–	(503,891)	(482,217)	–	3,268,321	2,282,213
Dividends	–	–	–	–	–	(1,322,140)	(1,322,140)
Appropriation to general reserve	–	–	–	–	930,298	(930,298)	–
As at 31 December 2020	12,642,380	2,418,689	(1,145,885)	(188,569)	5,474,730	7,427,970	26,629,315

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended 31 December	
	2021	2020
OPERATING ACTIVITIES		
Profit before tax	**5,535,566**	4,583,577
Adjustments for:		
Bonds payable interest expenses	**1,446,828**	1,551,409
Lease liabilities interest expenses	**8,285**	26,453
Depreciation and amortisation	**4,348,822**	4,133,564
Net impairment losses on financial assets	**2,443,087**	707,674
Net impairment losses on other assets	**1,067,202**	1,573,949
Amortisation income of lease discount liabilities	**(34,227)**	(36,649)
Gains on disposal of equipment held for operating lease businesses	**(554,810)**	(689,472)
Losses on disposal of property and equipment held for administrative purposes	**–**	21
Gains on disposal of finance lease receivables	**(102,186)**	(123,822)
Realised losses from derivatives	**5,591**	9,646
Realised losses from FVTPL	**–**	21,037
Realised gains from FVOCI	**(43,537)**	(16,311)
Unrealised fair value changes in derivatives	**(7,679)**	14,870
Unrealised fair value changes in FVTPL	**60,532**	53,391
Foreign exchange gains from derivatives	**(118,621)**	(253,904)
Operating cash flows before movements in working capital	**14,054,853**	11,555,433
(Increase)/decrease in mandatory reserve deposits with central bank	**33,174**	(33,292)
(Increase)/decrease in accounts receivable	**257,300**	(90,251)
Increase in finance lease receivables	**(26,835,927)**	(26,100,552)
Decrease in other assets	**278,625**	5,071,445
Increase in borrowings	**26,523,289**	37,462,534
Increase in due to banks and other financial institutions	**9,761,720**	895,747
Increase/(decrease) in accrued staff costs	**48,263**	(148,273)
Increase in other liabilities	**528,511**	655,910
Cash flows from operating activities	**24,649,808**	29,268,701
Income taxes paid	**(942,076)**	(1,461,922)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**23,707,732**	27,806,779

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2021
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended 31 December	
	2021	2020
INVESTING ACTIVITIES		
Change in pledged and restricted bank deposits	**(5,820,686)**	1,267,257
Purchase of FVTPL	**–**	(1,839,486)
Purchase of FVOCI	**(969,393)**	(960,233)
Proceeds from disposal/maturity of FVTPL	**326,464**	1,808,803
Proceeds from disposal/maturity of FVOCI and others	**1,101,393**	121,463
Proceeds from disposal of property and equipment	**5,788,462**	3,525,160
Purchase of property and equipment	**(24,550,354)**	(16,930,552)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(24,124,114)**	(13,007,588)
FINANCING ACTIVITIES		
Proceeds from issue of bonds	**12,887,521**	13,186,511
Repayments of bonds	**(13,548,070)**	(8,864,073)
Bond issuance cost	**(39,953)**	(78,785)
Bond interest paid	**(1,465,569)**	(1,689,262)
Dividends paid	**(918,834)**	(1,238,934)
Decrease in lease liabilities	**(32,902)**	(90,341)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**(3,117,807)**	1,225,116
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,534,189)**	16,024,307
Effects of foreign exchange changes	**(413,232)**	(1,325,648)
Cash and cash equivalents at beginning of the year	**34,144,186**	19,445,527
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**30,196,765**	34,144,186
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	**10,118,370**	9,471,909
Interest paid, exclusive bonds payable interest expenses	**(6,681,066)**	(5,464,650)
Net interest received	**3,437,304**	4,007,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of RMB, unless otherwise stated)

1 GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

China Development Bank Financial Leasing Co., Ltd. (the "**Company**") was established as Shenzhen Leasing Co., Ltd. (深圳租賃有限公司) on 25 December 1984, with the approval of the former Shenzhen Special Economic Zone Branch of People's Bank of China ("**PBOC**"), and subsequently renamed as Shenzhen Finance Leasing Co., Ltd. (深圳金融租賃有限公司) after reorganisation in December 1999. In 2008, China Development Bank Co., Ltd. ("**China Development Bank**") became the controlling shareholder of the Company, and the Company's total paid-in capital was increased to RMB8,000,000,000 and subsequently, the Company changed its name to CDB Leasing Co., Ltd. (國銀金融租賃有限公司). On 8 September 2015, pursuant to the resolution of shareholders' meeting, the Company's total paid-in capital was increased to RMB9,500,000,000. Pursuant to the approval of China Banking and Insurance Regulatory Commission (the "**CBIRC**"), the Company became a joint stock company by issuing a total of 9,500,000,000 shares to the existing shareholders at par value of RMB1 each, representing 100% of share capital of the Company on 28 September 2015 (the "**Financial Restructuring**"). On the same day, the Company also changed its name to China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司). The registered address of the Company's office is CDB Financial Centre, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the People's Republic of China ("**PRC**").

On 11 July 2016, the Company issued 3,100,000,000 new ordinary shares at the issue price of HK$2 each by way of initial public offering. The gross proceeds amounted to HK$6.2 billion. On the same day, the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Listing**"). On 29 July 2016, the Company announced that the over-allotment option was partially exercised in respect of an aggregate of 42,380,000 new ordinary shares with an additional gross proceeds of HK$84.76 million.

On 27 December 2019, the Company repurchased and then cancelled 687,024,000 H share at the price of US$0.2863 per share from Three Gorges Capital Holdings (HK) Co., Ltd (三峽資本控股(香港)有限公司). Meanwhile, the Company issued 687,024,000 non-tradable domestic stocks to China Three Gorges Corporation Co., Ltd. (中國長江三峽集團有限公司) at the same price as the repurchased price. These changes have no effect on the total share capital of the Company.

The Company and its subsidiaries (the "**Group**") are principally engaged in leasing business, import and export trade for leasing equipment and commodities, lease-related financial business and foreign exchange trade on behalf of clients.

2 SIGNIFICANT ACCOUTNING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standard Board (IASB), and the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Assets that meet the criteria to be classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Other accounting items are measured at their historical costs. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

2.2 New and amended standards and interpretations

2.2.1 New and amended standards and interpretations have been adopted

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

The nature and impact of the revised IFRSs are described below:

Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform-Phase 2

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

The Group had certain interest-bearing bank borrowings and finance lease receivables denominated in Unite Stated dollars based on the London Interbank Offered Rate ("**LIBOR**") as at 31 December 2021. The Group also had several interest rate swaps whereby the Group pays interest at fixed rate and receives interest at variable rates based on LIBOR on the notional amount. For the LIBOR-based borrowings, finance lease receivables and interest rate swaps, since the interest rates of these instruments and were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings, finance lease receivables and interest rate swaps are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

The Group currently has applied a cash flow hedge to manage the cash flow interest rate risk of bank borrowings and bonds payable, denominated in United States dollars based on LIBOR, by using an interest rate swap. The Group expects to amend the formal designation of that hedging relationship upon modification of the interest rate swap. Provided that the modification or the change is a direct consequence of the interest rate benchmark reform, and the new basis for determining the contractual cash flows of the interest rate swap is economically equivalent to the previous basis immediately preceding the change, the modification or the change in the interest rate swap will not result in derecognition, and the related hedge relationship will remain and not be discontinued. The Group expects that any resulting ineffectiveness upon the modification or the change to be charged to profit or loss will be immaterial.

Amendment to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

Amendment to IFRS 16 issued on 31 March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient for the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. The adoption of the above revised IFRS 16 has not had a significant financial impact on the consolidated financial statements.

2.2.2 Standards, amendments and interpretations that are not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

		Effective for annual periods beginning on or after
Amendments to IFRS 3	*Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8	*Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018 – 2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*	1 January 2022

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IFRS Practice Statement 2

Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have significant impact on the Group's financial statements.

Amendments to IAS 16

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

Amendments to IAS 37

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRSs 2018-2020

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

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

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

2.3 Revenue recognition

Revenue, is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for goods or services provided in the normal course of business. Revenue is shown net of value-added tax. Specific revenue recognition criteria are set out below:

- Operating lease income is recognised on a straight-line basis over the term of the relevant lease;

- Finance lease income is recognised as revenue in each period according to the effective interest rate method during the lease term;

- Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;

- Other income mainly includes consultancy fee income, management and commission fee income and gains on disposal of equipment held for operating lease businesses. Consultancy fee income is recognised in accordance with the terms of the contract when the relevant services have been rendered. Management and commission fee income is recognised in accordance with the management service contracts and by reference to the agreed rate of management fee on a daily basis. Gains on disposal of equipment held for operating leasing business is recognised as income when control of the related equipment has transferred, being when the equipment is delivered to the buyer and there is no unfulfilled obligation that could affect the buyer's acceptance of the equipment.

2.4 Property and equipment

Property and equipment include buildings, computers and electronic equipment, motor vehicles, office equipment, and leasehold improvements held by the Group for administrative purpose (other than properties under construction as described below), and aircraft, ships, and special equipment held for operating lease businesses. Property and equipment are stated in the statements of financial position at historical cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When aircraft with in-place leases are purchased, the Group identifies, measures and accounts for lease premium assets/lease discount liabilities, and maintenance right assets arising from the acquired in-place lease contracts.

Lease premium assets/lease discount liabilities represent the value of acquired leases with contractual rent payments that are materially above or below the market lease rentals at the date of acquisition. Lease rate premium assets/lease rate discount liabilities are amortised on a straight-line basis over the remaining lease term and recorded as a component of depreciation and amortisation, and are presented under other assets or other liabilities, respectively.

Maintenance right assets represent the fair value of the contractual rights under acquired, in-place, leases to receive an aircraft in an improved maintenance condition as compared to the physical maintenance condition of the aircraft at the acquisition date. The amortisation of the maintenance right assets is triggered by maintenance events. Following a qualifying maintenance event, a portion of the cost relating to the event is capitalised to aircraft cost and is then depreciated in accordance with the Group's depreciation policy. On lease termination, any remaining maintenance right asset is offset against maintenance deposits from lessees or end of lease compensation, and any excess is recognised into profit or loss as other income.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment held by the Group for administrative purpose are as follows:

	Estimated residual value rates	Estimated useful life
Buildings	5%	20 to 40 years
Computers and electronic equipment	5%	3 years
Motor vehicles	5%	5 years
Office equipment	0%-5%	3 to 5 years
Leasehold improvements	0%	The life of the lease

The estimated residual value rates and useful lives of each class of equipment held for operating lease businesses of the Group are as follows:

	Estimated residual value rates	Estimated useful life
Aircraft	15%	7 to 30 years
Aircraft – Buyer furnish equipment (BFE)	0%	The life of the lease
Ships	10%	12 to 24 years
Special equipment	5%	8 to 10 years

2.5 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.5.1 Determination of fair value

Some of the Group's financial assets and liabilities are measured at fair value or with fair value disclosed for financial reporting purposes. The board of directors of the Company has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial instruments with quoted prices for identical instruments are determined by the open market quotations. And those instruments are classified as level 1. For level 2, the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

The Group uses valuation techniques to determine the fair values of financial instruments when it is unable to obtain the open market quotation in active markets, including:

- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves;

- for currency forwards – present value of future cash flows based on forward exchange rates at the balance sheet date;

- for foreign currency options – option pricing models (e.g. Black Scholes model); and

- for other financial instruments – discounted cash flow analysis.

The main parameters used in discounted cash flow model include recent transaction prices, relevant interest yield curves, foreign exchange rates, prepayment rates and counterparty credit spreads.

If those parameters used in valuation techniques for financial instruments held by the Group are substantially observable and obtainable from an active open market, the instruments are classified as level 2.

For certain financial instruments, such as unlisted equity investments, are classified as level 3. The valuation of the unlisted equity investments is based on comparing comparable listed companies in operating and financial indexes and then adjusted for non-liquidity.

2.5.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.5.3 Classification, recognition and measurement of financial assets

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group holds are subsequently measured at amortised cost, which mainly include finance lease receivables, advances for finance lease projects as well as other debt investment.

The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

Financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses of such financial assets shall be recognised in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial assets item and be recognised in profit or loss.

Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, which mainly include equity investments.

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset that is measured at fair value shall be recognised in profit or loss unless it is part of a hedging relationship. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognised in the statement of profit or loss.

Equity instruments

The Group may, at initial recognition, irrevocably designate an equity instrument, except a trading equity instrument, as a financial asset measured at fair value through other comprehensive income when it meets the definition of equity instruments under IAS 32 *Financial Instruments: Presentation*. When the equity instrument is derecognised, the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from fair value reserve to retained earnings under equity. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognised in the statement of profit or loss. Such equity instruments do not recognise impairment losses.

2.5.4 Impairment of financial assets

On the financial reporting date, the Group evaluates and confirms the relevant impairment allowances to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, and loan commitments and financial guarantee contracts on the basis of expected credit losses.

The expected credit losses ("**ECL**") is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

General approach

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL over the lifetime of the financial instruments.

If, at the financial reporting date, the financial instrument, whose impairment provision was measured at lifetime ECL, no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the financial reporting date at 12-month ECL.

For purchased or originated credit-impaired financial assets, the Group only recognises the lifetime cumulative change in expected credit losses after initial recognition on the financial reporting date as impairment allowance. On each financial reporting date, the Group recognises the amount of the changes in expected credit losses as an impairment loss or gain in profit or loss.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by borrowers and the corresponding losses). The Group adopts judgement, assumption and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk;

- Definition of credit-impaired financial asset;

- Parameters of the ECL measurement;

- Forward-looking information;

- Modification of contractual cash flows.

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument. When the Group assesses whether the credit impairment of debtors occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;

- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;

- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;

- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; and
- Overdue information.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event. For credit-impaired financial assets, the Group evaluates the future cash flow (including the recoverable value of the collateral held), mainly based on individual financial instruments, in different circumstances and accrue the differences between the present value and the book value determined at the original effective interest rate as impairment loss or gain in profit or loss.

Parameters of the ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of the ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the requirement of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties) and forward-looking information in order to establish the models of PD, LGD and EAD.

Simplified approach

For accounts receivable and other financial assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.5.5 Transfer of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises the financial liability for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (i) the carrying amount allocated to the part derecognised; and (ii) the sum of the consideration received and receivable for the part derecognised, is recognised in profit or loss.

2.5.6 Classification, recognition and measurement of financial liabilities

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

On initial recognition, the Group's financial liabilities are generally classified into financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL have two subcategories, including financial liabilities held for trading and those designated as at FVTPL on initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortization recognised in profit or loss.

2.5.7 Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

2.6 Derivatives financial instruments and hedge accounting

2.6.1 Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; 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:

2.6.2 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a nonfinancial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income must be accounted for depending on the nature of the underlying transaction as described above.

3 TOTAL REVENUE

	Year ended 31 December	
	2021	2020
Finance lease income [1]	**9,813,486**	9,199,844
Operating lease income	**11,550,309**	8,520,051
	21,363,795	17,719,895

(1) The Group recognised finance lease income of approximately RMB19,264 thousand and RMB57,103 thousand from non-performing finance lease receivables for the years of 2021 and 2020, respectively.

4 NET INVESTMENT GAINS

	Year ended 31 December	
	2021	2020
Realised gains from financial assets at fair value through other comprehensive income	**43,537**	16,311
Realised losses from financial assets at fair value through profit or loss	**–**	(21,037)
Realised gains from disposal of finance lease receivables	**102,186**	123,822
Realised losses from derivatives	**(5,591)**	(9,646)
Unrealised fair value change of derivatives	**7,679**	(14,870)
Unrealised fair value change of financial assets at fair value through profit or loss	**(60,532)**	(53,391)
	87,279	41,189

5 OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2021	2020
Interest income from deposits with financial institutions	**317,587**	275,730
Gains on disposal of assets held for operating lease businesses, net	**554,810**	689,472
Government grants and incentives [(1)]	**195,489**	326,120
Management and commission fee income	**657,526**	317,852
Foreign exchange gains, net	**72,489**	(161,959)
Consulting fee income	**1,315**	4,240
Others	**65,516**	116,177
	1,864,732	1,567,632

(1) Government grants and incentives are granted pursuant to the relevant taxation policies of the Ministry of Finance and the State Administration of Taxation, as well as the fiscal and tax preferential policies of the Dongjiang Free Trade Port Zone of Tianjin, and the Xiangyu Free Trade Zone of Xiamen. Such grants have been recognised as income when received.

Pursuant to relevant documents published by Shenzhen Government in the RPC, the Group received government grants and incentives from Shenzhen Government in the years of 2021 and 2020, respectively, for encouraging the development of the financial industry. Such grants have been recognised as income when received.

Pursuant to "Detailed Rules for the Implementation of Suggestions on the Development of the Financial Industry in Shenzhen" (Shen Fu [2009] No.6), financial institutions are eligible for government grants for newly purchased or constructed headquarters office space for its own use (including the related business premises) if they are headquartered in Shenzhen. Subsidies equal to 30% of the land use right price (including surcharge fees) will be granted by the municipal government. The Company received government grants and incentives from Shenzhen Government in 2011. Such grants have been amortised and recognised as income using the straight-line method over the estimated useful lives of land use rights.

6 INTEREST EXPENSES

	Year ended 31 December	
	2021	2020
Borrowings	**6,457,709**	5,502,449
Bonds payable	**1,446,828**	1,551,409
Due to banks and other financial institutions	**222,479**	5,338
Financial assets sold under repurchase agreements	**29,185**	7,618
Deposits from lessees	**812**	2,115
Others	**63,801**	65,147
Less: Interest capitalised on qualifying assets [(1)]	**(133,034)**	(153,278)
	8,087,780	6,980,798

(1) Interest capitalised on qualifying assets in 2021 included RMB133,034 thousand (2020: RMB153,278 thousand) on prepayments.

7 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December	
	2021	2020
Finance lease receivables	**1,874,927**	410,790
Accounts receivable	**353,103**	231,601
Straightline lease asset	**209,776**	64,672
Others	**5,281**	611
	2,443,087	707,674

8 NET IMPAIRMENT LOSSES ON OTHER ASSETS

	Year ended 31 December	
	2021	2020
Equipment held for operating lease businesses	**878,897**	1,539,586
Investment properties	**118,219**	20,270
Repossessed assets	**28,573**	–
Assets held for sale	**41,513**	7,182
Prepayments	**–**	6,911
	1,067,202	1,573,949

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
Current income tax		
– PRC enterprise income tax	**949,137**	1,215,269
– Income tax in other countries	**7,769**	10
Deferred income tax	**636,760**	101,545
Under/(over) provision in prior year	**19,688**	(1,568)
	1,613,354	1,315,256

The applicable enterprise income tax rates are 25% for the Company and all of its subsidiaries established in Mainland China, 16.5% for subsidiaries in Hong Kong, and 12.5% for subsidiaries in Ireland. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9 INCOME TAX EXPENSE (CONTINUED)

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	Year ended 31 December	
	2021	2020
Profit before tax	**5,535,566**	4,583,577
Tax at the statutory tax rate of 25%	**1,383,892**	1,145,894
Tax effect of expenses not deductible for tax purpose	**34,400**	23,207
Under/(over) provision in prior year	**19,688**	(1,568)
Tax losses and deductible temporary difference not recognised	**37,294**	130,357
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	**138,080**	17,366
Income tax expense for the year	**1,613,354**	1,315,256

10 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Year ended 31 December	
	2021	2020
Earnings:		
Profit attributable to owners of the Company *(RMB'000)*	**3,922,212**	3,268,321
Number of shares:		
Weighted average number of shares in issue *('000)*	**12,642,380**	12,642,380
Basic earnings per share *(RMB Yuan)*	**0.31**	0.26

Basic earnings per share amounts are calculated by dividing the profit attributable to owners of the Company by the weighted average numbers of ordinary shares in issue during the years ended 31 December 2021 and 2020, respectively.

Diluted earnings per share amounts are the same as basic earnings per share amounts due to the absence of dilutive potential ordinary share in the years of 2021 and 2020, respectively.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	31 December 2020
Measured at fair value:		
Equity investment, listed	**12,585**	9,214
Equity investment, unlisted	**143,745**	207,648
	156,330	216,862

12 DERIVATIVE FINANCIAL INSTRUMENTS

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

		31 December 2021	
		Fair value	
	Contractual/ Notional amount	**Assets**	**Liabilities**
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	**26,787,276**	**38,018**	**(569,877)**
Cash flow hedge – cross currency swaps	**874,855**	**15,609**	**–**
Derivatives not under hedge accounting:			
Currency forwards	**1,466,411**	**41,000**	**–**
Cross currency swaps	**1,069,105**	**–**	**(5,068)**
Foreign exchange swaps	**246,824**	**–**	**(1,552)**
	30,444,471	**94,627**	**(576,497)**

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

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

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

12 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group determines the economic relationship between the hedging instruments and the hedged items by matching the critical terms of interest rate swap and cross currency swap contracts with the terms of borrowings and bonds payable contracts (i.e., notional amount, expected payment date and interest rate). The hedge ratio (the ratio between the notional amount of the derivatives to the par value of the borrowings and bonds payable being hedged) is determined to be 1:1. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the borrowings and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

	Outstanding notional amounts	**Assets/ (Liabilities)**	**USD interest rates (p.a.)**	**Foreign currency rates**	**Maturity (Year)**
31 December 2021					
Cash flow hedge					
Interest rate swaps[1]					
USD	**26,787,276**	**(531,859)**	**0.2680% to 3.2030%**	**–**	**2022 to 2028**
Cross currency swaps[2]					
HKD-USD	**617,578**	**3,014**	**3.6950% to 3.7200%**	**USD1: HKD7.78445 to USD1: HKD7.8482**	**2022**
CNY-USD	**257,277**	**12,595**	**2.9350%**	**USD1: CNY6.6910**	**2022**

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

(1) The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from related borrowings and bonds payable which are pegged to USD LIBOR. Under these interest rate swaps, the Group receives floating interest pegged to USD LIBOR and pays fixed interest. These hedges are classified as cash flow hedges and the effectiveness of the fair value changes of these interest rate swaps is recognized in hedging reserve, RMB736,894 thousand in 2021 (2020: RMB-597,630 thousand), and the hedge ineffectiveness is recognized in profit or loss, which is immaterial in 2021 (2020: nil).

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

12 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate benchmark reform

Following the decision by global regulators to phase out the existing interest rate benchmarks and replace them with RFRs, the Group is evaluating the impact on its existing hedge relationships. The Group has adopted the temporary reliefs provided by the amendments to IFRS 9, IAS 39 and IFRS 7 which enable the hedge accounting of the Group to continue during the period of uncertainty, which is before the replacement of an existing interest rate benchmark with an RFR.

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

As at 31 December 2021

	Nominal amount	**Weighted average remain maturity (Years)**
Interest rate swaps:		
USD LIBOR (1 months)	**63,757**	**0.9**
USD LIBOR (3 months)	**26,490,806**	**2.6**
USD LIBOR (6 months)	**232,713**	**1.9**
	26,787,276	

As at 31 December 2020

	Nominal amount	Weighted average remain maturity (Years)
Interest rate swaps:		
USD LIBOR (1 months)	183,350	1.1
USD LIBOR (3 months)	29,037,516	2.2
USD LIBOR (6 months)	285,138	2.9
	29,506,004	

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2021	31 December 2020
Measured at fair value:		
Bonds investment	**–**	955,060
Certificates of deposit	**970,740**	–
	970,740	955,060

14 ACCOUNTS RECEIVABLE

	31 December 2021	31 December 2020
Operating lease receivables[1]	**2,338,378**	2,718,254
Other accounts receivable	**13,902**	14,595
	2,352,280	2,732,849
Less: Allowance for impairment losses		
– Allowance for operating lease receivables	**(1,107,223)**	(772,199)
	1,245,057	1,960,650

(1) The operating lease receivables of the Group were accrued on a straight-line basis over the terms of the relevant leases and settled periodically based on the payment terms agreed in the lease contracts.

An ageing analysis of the operating lease receivables as at the end of the reporting period, based on the receivables due date and net of loss allowance, is as follows:

	31 December 2021	31 December 2020
On demand/Deferred	**888,792**	909,284
Overdue within 1 month	**60,076**	163,162
Overdue 1 to 2 months	**28,417**	212,180
Overdue 2 to 3 months	**29,966**	24,665
Overdue over 3 months	**223,904**	636,763
	1,231,155	1,946,054

14 ACCOUNTS RECEIVABLE (CONTINUED)

Movements of accounts receivable between stages for the years of 2021 and 2020 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Gross carrying amount					
Amount as at 1 January 2021	**–**	**–**	**–**	**2,732,849**	**2,732,849**
New assets originated/(repayment)	**–**	**–**	**–**	**(324,134)**	**(324,134)**
Effect of foreign currency exchange differences	**–**	**–**	**–**	**(56,435)**	**(56,435)**
Amount as at 31 December 2021	**–**	**–**	**–**	**2,352,280**	**2,352,280**

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

Movements of allowance for impairment losses during the years of 2021 and 2020 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Allowance for impairment losses					
Amount as at 1 January 2021	**–**	**–**	**–**	**772,199**	**772,199**
Net increase/(decrease)[(1)]	**–**	**–**	**–**	**–**	**–**
Charged/(recovered) for the year[(2)]	**–**	**–**	**–**	**353,103**	**353,103**
Effect of foreign currency exchange differences	**–**	**–**	**–**	**(18,079)**	**(18,079)**
Amount as at 31 December 2021	**–**	**–**	**–**	**1,107,223**	**1,107,223**

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

(1) Changes in the current year due to new assets originated and repayments.

(2) Changes in PDs, EADs, and LGDs in the current year, arising from regular refreshing of inputs to models and stages transfers.

15 FINANCE LEASE RECEIVABLES

	31 December 2021	31 December 2020
Finance lease receivables		
Not later than one year	**58,571,300**	51,352,631
Later than one year and not later than five years	**121,976,649**	107,822,133
Later than five years	**53,112,339**	46,603,763
Gross amount of finance lease receivables	**233,660,288**	205,778,527
Less: Unearned finance income	**(35,198,445)**	(33,917,035)
Present value of minimum finance lease receivables	**198,461,843**	171,861,492
Less: Allowance for impairment losses	**(7,590,290)**	(5,820,940)
Carrying amount of finance lease receivables	**190,871,553**	166,040,552
Present value of minimum finance lease receivables		
Not later than one year	**48,995,907**	36,763,705
Later than one year and not later than five years	**103,715,411**	89,869,183
Later than five years	**45,750,525**	45,228,604
	198,461,843	171,861,492

The Group entered into finance lease arrangements for certain of its aircraft, ship, equipment for infrastructure, transport and construction vehicle. The term range of finance leases is from 1 to 15 years.

The finance lease receivables with a carrying amount of approximately RMB7,236,082 thousand were pledged as collateral for the Group's bank borrowings as at 31 December 2021 (31 December 2020: RMB15,953,646 thousand) (Note 17).

The finance lease receivables were mainly with floating interest rates base on the benchmark interest rate of Loan Prime Rate ("**LPR**"), or London Inter-bank Offered Rates ("**LIBOR**"). The interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rates.

15 FINANCE LEASE RECEIVABLES (CONTINUED)

Movements between stages for the years of 2021 and 2020 within finance lease receivables are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Present value of minimum finance lease receivables				
Amount as at 1 January 2021	**149,536,247**	**21,240,845**	**1,084,400**	**171,861,492**
Movement within stages:				
Move to stage 1	**3,044,568**	**(3,044,568)**	**–**	**–**
Move to stage 2	**(4,597,246)**	**4,597,246**	**–**	**–**
Move to stage 3	**–**	**(346,300)**	**346,300**	**–**
Net assets originated/(repayment)	**30,547,672**	**(3,289,684)**	**(278,383)**	**26,979,605**
Written-off	**–**	**–**	**(92,860)**	**(92,860)**
Effect of foreign currency exchange differences	**(273,370)**	**(12,615)**	**(409)**	**(286,394)**
Amount as at 31 December 2021	**178,257,871**	**19,144,924**	**1,059,048**	**198,461,843**

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

15 FINANCE LEASE RECEIVABLES (CONTINUED)

Movements of allowance for impairment losses on finance lease receivables during the years of 2021 and 2020 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for impairment losses				
Amount as at 1 January 2021	**1,789,997**	**3,074,860**	**956,083**	**5,820,940**
Movement within stages:				
Move to stage 1	**335,903**	**(335,903)**	**–**	**–**
Move to stage 2	**(63,785)**	**63,785**	**–**	**–**
Move to stage 3	**–**	**(240,963)**	**240,963**	**–**
Net increase/(decrease)[1]	**574,353**	**(488,176)**	**(193,144)**	**(106,967)**
Charged/(recovered) for the year[2]	**457,712**	**1,435,354**	**88,828**	**1,981,894**
Written-off	**–**	**–**	**(92,849)**	**(92,849)**
Effect of foreign currency exchange differences	**(8,265)**	**(4,104)**	**(359)**	**(12,728)**
Amount as at 31 December 2021	**3,085,915**	**3,504,853**	**999,522**	**7,590,290**

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

(1) Changes in the current year due to new assets originated and repayments.

(2) Changes in PDs, EADs, and LGDs in the current year, arising from regular refreshing of inputs to models and stages transfers.

16 PROPERTY AND EQUIPMENT

	31 December 2021	31 December 2020
Equipment held for operating lease businesses	**92,070,297**	76,299,125
Property and equipment held for administrative purposes	**759,424**	789,642
	92,829,721	77,088,767

Equipment held for operating lease businesses

	Aircraft	**Ships**	**Special equipment**	**Total**
Cost				
As at 1 January 2021	**77,304,436**	**14,747,602**	**671,727**	**92,723,765**
Additions	**14,358,776**	**14,001,475**	**–**	**28,360,251**
Disposals/written-off	**(7,492,398)**	**–**	**(407,692)**	**(7,900,090)**
Foreign currency translation	**(1,767,419)**	**(478,839)**	**–**	**(2,246,258)**
As at 31 December 2021	**82,403,395**	**28,270,238**	**264,035**	**110,937,668**
Accumulated depreciation				
As at 1 January 2021	**(12,550,199)**	**(882,540)**	**(247,743)**	**(13,680,482)**
Charged for the year	**(3,256,799)**	**(899,839)**	**(21,987)**	**(4,178,625)**
Disposals/written-off	**1,626,670**	**–**	**82,097**	**1,708,767**
Foreign currency translation	**222,887**	**26,245**	**–**	**249,132**
As at 31 December 2021	**(13,957,441)**	**(1,756,134)**	**(187,633)**	**(15,901,208)**
Accumulated impairment				
As at 1 January 2021	**(2,226,643)**	**(240,245)**	**(277,270)**	**(2,744,158)**
Charged for the year	**(787,885)**	**(88,446)**	**(2,566)**	**(878,897)**
Disposals/written-off	**316,129**	**–**	**279,836**	**595,965**
Foreign currency translation	**56,668**	**4,259**	**–**	**60,927**
As at 31 December 2021	**(2,641,731)**	**(324,432)**	**–**	**(2,966,163)**
Net carrying amount				
As at 1 January 2021	**62,527,594**	**13,624,817**	**146,714**	**76,299,125**
As at 31 December 2021	**65,804,223**	**26,189,672**	**76,402**	**92,070,297**

16 PROPERTY AND EQUIPMENT (CONTINUED)

Equipment held for operating lease businesses (Continued)

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

As at 31 December 2021, the equipment held for operating lease businesses of the Group with net book values of approximately RMB29,016,282 thousand (31 December 2020: RMB18,047,343 thousand) and RMB1,060,935 thousand (31 December 2020: RMB1,148,333 thousand) were pledged as collateral for the Group's bank borrowings (Note 17) and long-term payables, respectively.

16 PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment held for administrative purposes

	Buildings	Computers and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
Cost						
As at 1 January 2021	800,870	17,072	5,472	17,482	72,805	913,701
Additions	678	16,849	–	1,738	–	19,265
Transfer to other assets	(15,159)	–	–	–	–	(15,159)
Foreign currency translation	(231)	–	–	(154)	(1,178)	(1,563)
As at 31 December 2021	786,158	33,921	5,472	19,066	71,627	916,244
Accumulated depreciation						
As at 1 January 2021	(70,016)	(10,886)	(3,101)	(11,103)	(28,953)	(124,059)
Charged for the year	(20,681)	(6,789)	(764)	(3,172)	(2,926)	(34,332)
Transfer to other assets	1,040	–	–	–	–	1,040
Foreign currency translation	191	–	–	83	257	531
As at 31 December 2021	(89,466)	(17,675)	(3,865)	(14,192)	(31,622)	(156,820)
Net carrying amount						
As at 1 January 2021	730,854	6,186	2,371	6,379	43,852	789,642
As at 31 December 2021	696,692	16,246	1,607	4,874	40,005	759,424

16 PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment held for administrative purposes (Continued)

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

16 PROPERTY AND EQUIPMENT (CONTINUED)

As at 31 December 2021, the carrying value of property and equipment of the Group for which registration was not completed amounted to approximately RMB7,987 thousand (31 December 2020: RMB8,530 thousand). However, this registration process does not affect the rights of the Group to these assets.

For the year ended 31 December 2021, in accordance with IAS 36 Impairment of Assets, aircraft and ships were tested for indicators of impairment. To aid in this assessment, the Group sought valuations from independent aircraft appraisal firms. These appraisers make assumptions and estimates with respect to the future valuations of aircraft and ships. For the purpose of recognition and measurement of an impairment loss, if it is determined that a test for impairment is required, each aircraft or ship is tested individually by comparing its carrying amount to the higher of its value in use and fair value less costs to sell.

Value in use is determined as the total discounted cash flows expected to be generated by an aircraft or ship in the future. The estimated cash flows are discounted to their present value by using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset in question. For the calculation of value in use, the weighted average discount rates ("**WACC**") for 31 December 2021 were 4.80% and 5.34% (2020: 4.80% and 4.93%) for aircraft and ships, respectively. Fair value less costs to sell is determined by the Group based on the most relevant of observable market information from independent appraisal firms. In cases where the carrying value of the aircraft exceeded the higher of value in use and fair value less costs to sell, an impairment charge is recognised.

As a result of the review, an impairment charge of RMB788 million (2020: RMB1,455 million) was recognised on 25 aircraft (2020: 42 aircraft). An impairment charge of RMB88 million (2020: nil) was recognised on 5 ships (2020: nil).

The Directors of the Company are satisfied that the net book value of property and equipment is not further impaired below the balance recorded at 31 December 2021.

Assuming the WACC increases by 50BP, the impairment will increase RMB51 million (2020: RMB75 million) for aircraft; if the WACC decrease by 50BP, then the impairment will decrease RMB42 million (2020: RMB54 million) for aircraft.

Assuming the fair value increases by 5%, the impairment will decrease RMB33 million (2020: RMB221 million) for aircraft. If the fair value decrease by 5%, the impairment will increase RMB35 million (2020: RMB223 million) for aircraft.

17 BORROWINGS

	31 December 2021	31 December 2020
Secured bank borrowings[(1)]	**29,274,916**	19,087,160
Unsecured bank borrowings	**206,812,757**	191,294,857
	236,087,673	210,382,017

	31 December 2021	31 December 2020
Carrying amount repayable:		
Within one year	**212,544,215**	177,606,029
More than one year, but not exceeding two years	**15,250,460**	23,609,722
More than two years, but not exceeding five years	**6,655,225**	8,361,171
More than five years	**1,637,773**	805,095
	236,087,673	210,382,017

(1) Secured bank borrowings

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

	31 December 2021	31 December 2020
Equipment held for operating lease businesses	**29,016,282**	18,047,343
Finance lease receivables	**7,236,082**	15,953,646
Bank deposits	**4,170,823**	–
	40,423,187	34,000,989

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

	31 December 2021	31 December 2020
Fixed-rate borrowings:		
Within one year	**173,337,893**	152,189,299
More than one year, but not exceeding five years	**494,282**	1,885,882
More than five years	**186,316**	295,939
	174,018,491	154,371,120

In addition, the Group has floating-rate borrowings which carry interest based on LPR, or LIBOR.

17 BORROWINGS (CONTINUED)

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

	31 December 2021	31 December 2020
Effective interest rates:		
Fixed-rate borrowings	**0.12% – 4.45%**	0.83% – 4.60%
Floating-rate borrowings	**LIBOR+0.30% to LIBOR+3.00%**	LIBOR+0.65%to LIBOR+3.30%

18 BONDS PAYABLE

	31 December 2021	31 December 2020
Guaranteed unsecured bonds[(1)]	**40,630,522**	41,708,209
Unguaranteed unsecured bonds	**4,415,006**	4,513,500
	45,045,528	46,221,709

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

				As at 31 December 2021		
Issuer [(2)]	**Currency**	**Fixed coupon rate**	**Maturity (Year)**	**Face value**	**Guaranteed unsecured bonds[(1)]**	**Unguaranteed unsecured bonds**
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,462,990	–	4,462,990
CDBL Funding 2	RMB	3.60%	2022	270,000	270,000	–
	HKD	1.00% to 3.30%	2022 to 2024	1,929,536	1,929,536	–
	USD	0.80% to 3.75%	2022 to 2026	19,094,903	19,094,903	–
CDBL Funding 1	USD	1.05% to 4.25%	2022 to 2027	13,070,185	13,070,185	–
Amber Circle Funding Limited	USD	3.25%	2022	6,375,700	6,375,700	–
				45,203,314	40,740,324	4,462,990

				As at 31 December 2020		
Issuer [(2)]	Currency	Fixed coupon rate	Maturity (Year)	Face value	Guaranteed unsecured bonds[(1)]	Unguaranteed unsecured bonds
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,567,430	–	4,567,430
CDBL Funding 2	RMB	3.60% to 3.80%	2021 to 2022	715,000	715,000	–
	HKD	1.35% to 3.60%	2021 to 2022	6,008,468	6,008,468	–
	USD	1.29% to 3.75%	2021 to 2022	10,113,595	10,113,595	–
CDBL Funding 1	USD	1.50% to 4.25%	2021 to 2027	12,593,057	12,593,057	–
Amber Circle Funding Limited	USD	3.25%	2022	6,524,900	6,524,900	–
				40,522,450	35,955,020	4,567,430

				As at 31 December 2020		
Issuer [2]	Currency	Floating rate	Maturity (Year)	Face value	Guaranteed unsecured bonds[1]	Unguaranteed unsecured bonds
CDBL Funding 2	USD	3mLIBOR +1.15%	2021	3,262,450	3,262,450	–
CDBL Funding 1	USD	3mLIBOR +1.25%	2021	2,609,960	2,609,960	–
				46,394,860	41,827,430	4,567,430

(1) The bonds were unconditionally and irrevocably guaranteed by CDB Leasing (International) Company Limited or CDB Aviation Lease Finance Designated Activity Company, with the benefit of a Keepwell and Asset Purchase Deed provided by the Company; or unconditionally and irrevocably guaranteed by the Hong Kong branch of China Development Bank. CDB Leasing (International) Company Limited and CDB Aviation Lease Finance Designated Activity Company are subsidiaries of the Group.

(2) Amber Circle Funding Limited, CDBL Funding 1 and CDBL Funding 2 are subsidiaries of the Group.

19 SHARE CAPITAL

	31 December 2021	31 December 2020
Registered, issued and fully paid: par value RMB1.00 per share	**12,642,380**	12,642,380

20 HEDGING AND FAIR VALUE RESERVE

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

	2021	2020
At the beginning of the year	**(1,145,885)**	(641,994)
Fair value changes on derivatives	**786,391**	(571,752)
Fair value changes on FVOCI	**(16,714)**	(5,172)
Income tax effects	**(83,701)**	73,033
At the end of the year	**(459,909)**	(1,145,885)

21 DIVIDENDS

The dividends declared in 2021 are RMB980,542,993, RMB0.7756 per 10 ordinary shares (2020: RMB1,322,140,100, RMB1.0458 per 10 ordinary shares). A dividend in respect of the year ended 31 December 2021 of RMB0.9307 per 10 ordinary shares, amounting to a total dividend of RMB1,176,626,307, is to be proposed at the annual general meeting. These financial statements do not reflect this dividend payable.

22 SEGMENT REPORTING

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

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

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

- Infrastructure leasing: mainly engaged in the leasing of transportation and energy infrastructure;

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

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

- Others: mainly engaged in the leasing of manufacturing equipment supported by national policies and commercial property.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets or liabilities, and the segment result excludes income tax expense. Segment revenue, results, assets and liabilities mainly include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Expenses of the headquarters are allocated according to the proportion of each segment's net revenue (segment's revenue deducting depreciation expenses of equipment held for operating lease businesses). Assets and liabilities of the headquarters are allocated according to the proportion of each segment's assets related to leasing business.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the years ended 31 December 2021 and 2020.

22 SEGMENT REPORTING (CONTINUED)

The operating and reportable segment information provided to the CODM during the years ended 31 December 2021 and 2020 is as follows:

	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Total
For the year ended 31 December 2021						
Segment revenue and results						
Finance lease income	985	7,282,531	625,338	1,442,746	461,886	9,813,486
Operating lease income	6,895,939	31,472	4,497,555	–	125,343	11,550,309
Segment revenue	6,896,924	7,314,003	5,122,893	1,442,746	587,229	21,363,795
Segment other income, gains and losses	779,108	342,982	745,441	50,791	33,689	1,952,011
Segment revenue and other income	7,676,032	7,656,985	5,868,334	1,493,537	620,918	23,315,806
Segment expenses	(7,363,085)	(5,480,532)	(2,972,918)	(1,843,420)	(120,285)	(17,780,240)
Profit before impairment losses and income tax	1,764,473	3,092,577	3,266,154	670,836	251,815	9,045,855
Profit before income tax	312,947	2,176,453	2,895,416	(349,883)	500,633	5,535,566
As at 31 December 2021						
Segment assets and liabilities						
Segment assets	84,344,439	162,928,034	47,592,357	34,103,137	11,194,828	340,162,795
Deferred tax assets						1,674,834
Group's total assets						341,837,629
Segment liabilities	78,580,151	147,494,800	42,563,018	31,152,687	10,118,002	309,908,658
Deferred tax liabilities						1,822,217
Group's total liabilities						311,730,875
For the year ended 31 December 2021						
Other segment information						
Depreciation of investment properties	–	–	–	–	(31,612)	(31,612)
Depreciation of property and equipment	(3,261,776)	(39,012)	(902,184)	(3,024)	(6,961)	(4,212,957)
Depreciation of right-of-use assets	(16,144)	(5,881)	(3,340)	(1,110)	(449)	(26,924)
Amortisation	(45,009)	(9,701)	(5,510)	(1,832)	(15,277)	(77,329)
Capital expenditure	14,359,947	9,871	14,007,081	1,864	753	28,379,516
Impairment losses	(1,451,526)	(916,124)	(370,738)	(1,020,719)	248,818	(3,510,289)

22 SEGMENT REPORTING (CONTINUED)

The operating and reportable segment information provided to the CODM during the years ended 31 December 2021 and 2020 is as follows (continued):

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

The largest customer of the Group contributed 4.97% of the Group's revenue for the years ended 31 December 2021 (2020: 5.21%).

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue is substantially derived from its operation in the PRC.

23 FAIR VALUES OF THE FINANCIAL INSTRUMENTS

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

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

	Group			
	As at 31 December			
	2021		2020	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Bonds payable	**45,045,528**	**45,729,239**	46,221,709	47,649,865

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

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statement of financial position approximate their fair values.

23 FAIR VALUES OF THE FINANCIAL INSTRUMENTS (CONTINUED)

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

Some of the Group's financial assets and financial liabilities are measured at fair value as at 31 December 2021 and 2020. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Financial assets/financial liabilities	Fair value as at 31 December 2021	Fair value as at 31 December 2020	Fair value hierarchy	Valuation technique(s) and key Input(s)
Currency forwards (Note 12)	Assets Liabilities	**41,000** **–**	283,719 35,904	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contractual forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps (Note 12)	Assets Liabilities	**38,018** **569,877**	– 1,380,301	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contractual interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Listed equity investments (Note 11)	Assets	**12,585**	9,214	Level 1	Open market quotations
Unlisted equity investments (Note 11)	Assets	**143,745**	207,648	Level 3	Market comparison approach. The valuation of the equity investment is based on comparing comparable listed companies in operating and financial indexes and then adjusted for non-liquidity.
Cross currency swaps (Note 12)	Assets Liabilities	**15,609** **5,068**	44,572 2	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest and exchange rates (from observable yield curves and observable forward exchange rates at the end of the reporting period) and contractual interest and exchange rates, discounted at a rate that reflects the credit risk of various counterparties.
FVOCI – bonds investment (Note 13)	Assets	**–**	955,060	Level 2	Quoted market prices from dealers or independent pricing service vendors.
FVOCI – certificates of deposit (Note 13)	Assets	**970,740**	–	Level 2	Quoted market prices from dealers or independent pricing service vendors.
Foreign exchange swap (Note 12)	Liabilities	**1,552**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contractual forward rates, discounted at a rate that reflects the credit risk of various counterparties.

24 EVENTS AFTER THE REPORTING PERIOD

On 2 March 2022, CDBL Funding 2, which a subsidiary of the Company, issued USD700,000,000 2.75 per cent. bonds due 2025 and USD250,000,000 3.125 per cent. bonds due 2027 under the USD10,000,000,000 Medium Term Note Programme, irrevocably guaranteed by CDB Leasing (International) Company Limited with the benefit of a Keepwell and Asset Purchase Deed provided by the Company.

As of this reporting date, regarding to the aircraft assets leased to Russian airlines, the management of the Group is currently following up on the possible impact of the conflict between Russia and Ukraine.

DEFINITIONS

"Airbus"	Airbus S.A.S. (Airbus), a "Société par Actions Simplifiée (SAS) (which means "simplified joint-stock company")" incorporated under French law
"Articles of Association"	Articles of Association of China Development Bank Financial Leasing Co., Ltd.
"Board" or "Board of Directors"	the board of directors of the Company
"Boeing"	The Boeing Company, a company incorporated in Delaware, the United States
"Capital Administrative Measures"	Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), issued by CBRC on June 7, 2012 and being effective from January 1, 2013
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) and its predecessor, China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CDB"	China Development Bank, established in the PRC in 1994 and restructured as a limited liability company in 2017, and the Controlling Shareholder of the Company which holds 64.40% equity interest of the Company
"China" or "the PRC"	the People's Republic of China
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company established in the PRC in 1984 and converted into a joint stock limited company on September 28, 2015, the H Shares of which are listed on the Hong Kong Stock Exchange with stock code of 1606
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
"Director(s)"	director(s) of the Company
"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi

"Group", "we" or "us"	the Company and its subsidiaries or SPVs, or the Company and any one or more of its subsidiaries or SPVs, as the context may require
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Ministry of Finance"	Ministry of Finance of the People's Republic of China
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"OEM(s)"	collectively or individually, Boeing, Airbus and other aircraft manufacturers
"PBOC"	the Central Bank of the People's Republic of China
"Reporting Period"	from January 1, 2021 to December 31, 2021
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Share(s)"	share(s) in the share capital of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"State Council"	State Council of the PRC
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisors"	supervisors of the Company
"US$", "USD" or "US dollar(s)"	United States dollar(s), the lawful currency of the United States

GLOSSARY OF TECHNICAL TERMS

"finance lease"	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risks and returns of ownership of the leased assets are transferred from the lessors to the lessees
"narrow-body aircraft"	single-aisle aircraft, such as Airbus A320 family and Boeing 737 family
"operating lease"	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risks and returns of the leased assets remain with the lessors
"SPV(s)"	special purpose vehicle(s)
"wide-body aircraft"	twin-aisle aircraft, such as Airbus A330 family and Boeing 777 family

By order of the Board
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.
MA Hong
Chairman

Shenzhen, the PRC
March 29, 2022

As at the date of this announcement, the executive Directors of the Company are Ms. MA Hong, Mr. PENG Zhong and Mr. HUANG Min; the non-executive Directors are Mr. LI Yingbao and Mr. YANG Guifang; and the independent non-executive Directors are Mr. ZHENG Xueding, Mr. XU Jin and Mr. ZHANG Xianchu.