国银金租

CHINA DEVELOPMENT BANK LEASING

國銀金融租賃股份有限公司*

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.*

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

(Stock Code: 1606)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022 together with the comparative figures for the corresponding period in 2021, 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.*

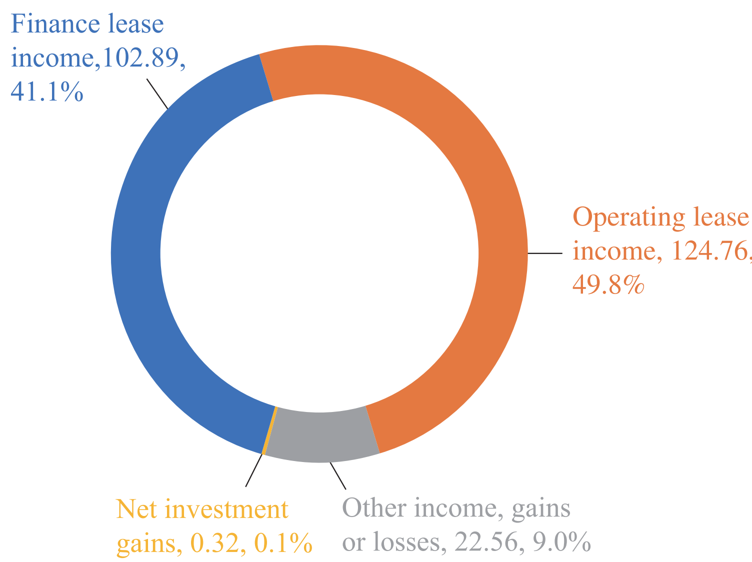
FINANCIAL HIGHLIGHTS

1. SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(RMB in thousands)	For the year ended December 31, **2022**	2021	2020	2019	2018
Finance lease income	**10,288,623**	9,813,486	9,199,844	8,287,442	7,036,316
Operating lease income	**12,475,713**	11,550,309	8,520,051	8,236,710	6,584,804
Total revenue	**22,764,336**	21,363,795	17,719,895	16,524,152	13,621,120
Net investment gains	**32,489**	87,279	41,189	220,355	211,662
Other income, gains or losses	**2,256,632**	1,864,732	1,567,632	1,598,730	1,708,528
Total revenue and other income	**25,053,457**	23,315,806	19,328,716	18,343,237	15,541,310
Total expenses	**(20,095,503)**	(17,780,240)	(14,745,139)	(14,350,476)	(12,267,089)
Of which: Depreciation and amortisation	**(5,380,735)**	(4,348,822)	(4,133,564)	(3,738,448)	(2,989,253)
Interest expenses	**(8,206,689)**	(8,087,780)	(6,980,798)	(7,167,284)	(6,863,247)
Impairment losses	**(4,256,803)**	(3,510,289)	(2,281,623)	(2,037,187)	(1,293,092)
Profit before income tax	**4,957,954**	5,535,566	4,583,577	3,992,761	3,274,221
Profit for the year	**3,351,073**	3,922,212	3,268,321	2,938,125	2,506,984
Basic and diluted earnings per Share *(RMB)*	**0.27**	0.31	0.26	0.23	0.20

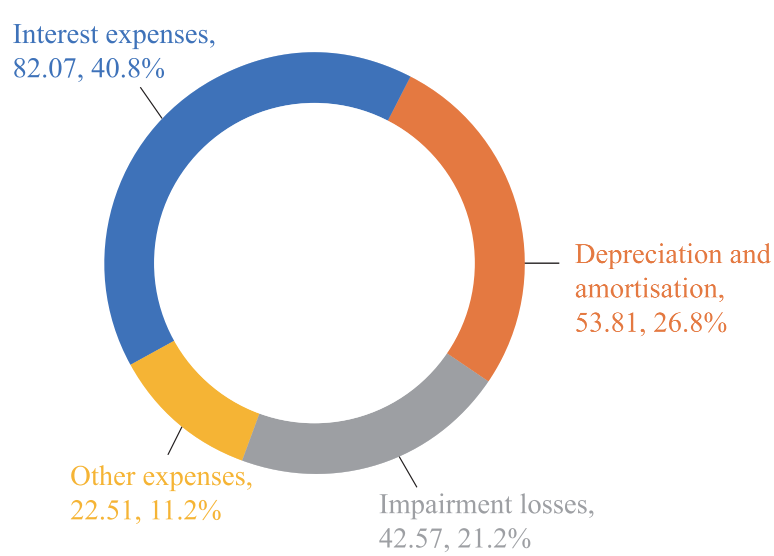
In 2022, finance lease income accounted for 41.1% of the operating income of the Group, representing a year-on-year decrease of 1.0 percentage point; operating lease income accounted for 49.8%, representing a year-on-year increase of 0.3 percentage point; other income, gains or losses accounted for 9.0%, representing a year-on-year increase of 1.0 percentage point and net investment gains accounted for 0.1%, representing a year-on-year decrease of 0.3 percentage point.

BREAKDOWN OF OPERATING INCOME IN 2022
(UNIT: RMB 00' MILLION, PERCENTAGE)



In 2022, interest expenses accounted for 40.8% of the operating expenses of the Group, representing a year-on-year decrease of 4.7 percentage points; depreciation and amortization accounted for 26.8%, representing a year-on-year increase of 2.3 percentage points; impairment losses accounted for 21.2%, representing a year-on-year increase of 1.5 percentage points; and other expenses accounted for 11.2%, representing a year-on-year increase of 0.9 percentage points.

BREAKDOWN OF OPERATING EXPENSES IN 2022
(UNIT: RMB 00'MILLION, PERCENTAGE)

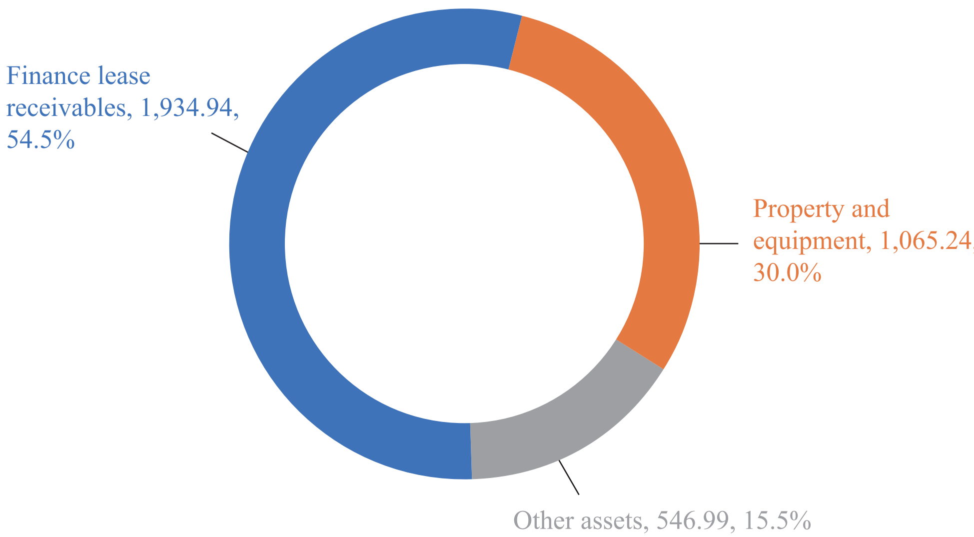


2. SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(RMB in thousands)		As of December 31,				
		2022	2021	2020	2019	2018
Total assets		**354,717,247**	341,837,629	303,329,667	261,300,668	238,066,986
Of which:	Cash and bank balances	**29,760,725**	36,833,077	34,992,986	21,528,292	23,497,845
	Accounts receivable	**3,487,733**	1,245,057	1,960,650	2,168,454	5,405,652
	Finance lease receivables	**193,494,283**	190,871,553	166,040,552	141,498,088	125,141,605
	Prepayments	**11,551,036**	11,958,595	15,829,764	14,820,598	12,332,839
	Property and equipment	**106,524,461**	92,829,721	77,088,767	73,260,791	63,038,585
Total liabilities		**320,433,802**	311,730,875	276,700,352	235,631,426	213,863,956
Of which:	Borrowings	**246,882,657**	236,087,673	210,382,017	174,135,636	157,186,898
	Bonds payable	**36,872,054**	45,045,528	46,221,709	42,811,268	38,596,346
Total equity		**34,283,445**	30,106,754	26,629,315	25,669,242	24,203,030
Net assets per share *(RMB)*		**2.71**	2.38	2.11	2.03	1.91

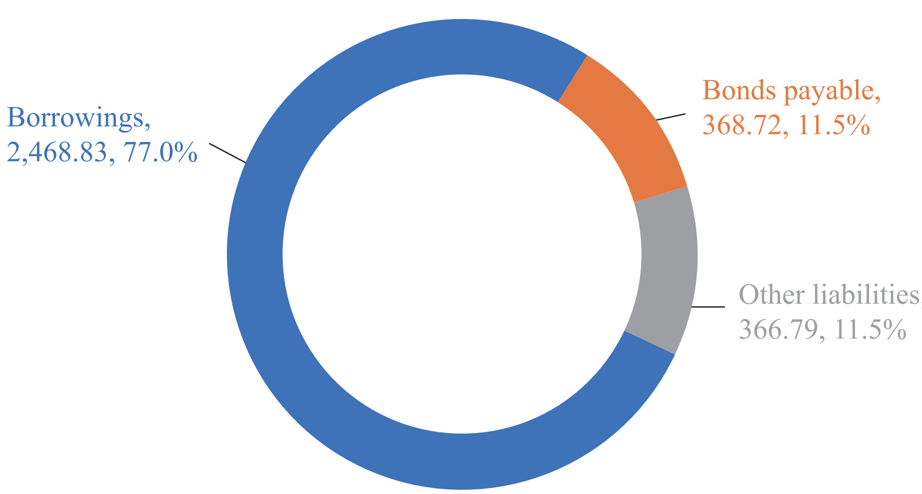
As at December 31, 2022, finance lease receivables accounted for 54.5% of the total assets of the Group, representing a decrease of 1.3 percentage points as compared with that as of the end of 2021; property and equipment accounted for 30.0%, representing an increase of 2.8 percentage points as compared with that as of the end of 2021; and other assets accounted for 15.5%, representing a decrease of 1.5 percentage points as compared with that as of the end of 2021.

BREAKDOWN OF NET BOOK VALUE OF THE TOTAL ASSETS IN 2022
(UNIT: RMB 00'MILLION, PERCENTAGE)



As at December 31, 2022, borrowings accounted for 77.0% of the total liabilities of the Group, representing an increase of 1.3 percentage points as compared with that as of the end of 2021; bonds payable accounted for 11.5%, representing a decrease of 3.0 percentage points as compared with that as of the end of 2021; and other liabilities accounted for 11.5%, representing an increase of 1.7 percentage points as compared with that as of the end of 2021.

BREAKDOWN OF NET BOOK VALUE OF THE TOTAL LIABILITIES IN 2022
(UNIT: RMB 00'MILLION, PERCENTAGE)



3. SELECTED FINANCIAL RATIOS

	For the year ended December 31,/As of December 31,				
	2022	2021	2020	2019	2018
Return on average total assets[1]	**0.96%**	1.22%	1.16%	1.18%	1.18%
Return on average equity[2]	**10.41%**	13.83%	12.50%	11.78%	10.73%
Cost-to-income ratio[3]	**9.14%**	7.89%	7.14%	8.19%	6.99%
Net profit margin before tax and impairment losses[4]	**40.48%**	42.34%	38.74%	36.49%	33.53%
Net profit margin[5]	**14.72%**	18.36%	18.44%	17.78%	18.41%
Non-performing asset ratio[6]	**0.63%**	0.67%	0.80%	0.89%	0.89%
Non-performing asset ratio of finance lease business[7]	**0.73%**	0.45%	0.54%	1.58%	1.56%
Gearing ratio[8]	**7.75 times**	8.47 times	8.36 times	7.61 times	7.15 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.

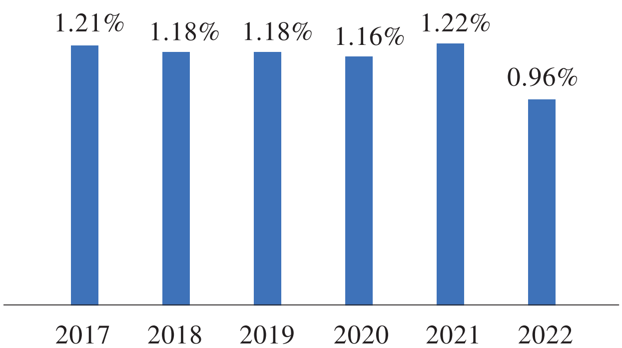
(6) Calculated based on the percentage of non-performing assets over total assets before allowance for impairment losses as of the dates indicated.

(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.

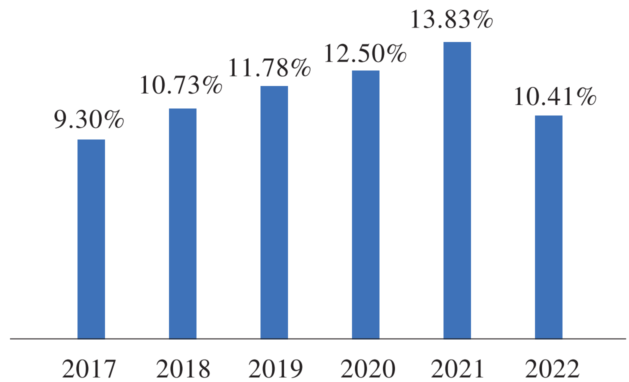
(8) Calculated by dividing net debt by total equity. Net debt is defined as total debt less cash and cash equivalents. Total debt comprises borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements and bonds payable.

In 2022, the return on average assets of the Group was 0.96%, representing a decrease of 0.26 percentage point as compared with that of the same period of last year. The return on average equity of the Group was 10.41%, representing a decrease of 3.42 percentage points as compared with that of the same period of last year, mainly because net profit showed a year-on-year decrease.

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.

	Regulatory requirement	As of December 31,				
		2022	2021	2020	2019	2018
Capital adequacy indicators [(1)]						
Core tier-one capital adequacy ratio[(2)]	≥7.5%	**9.86%**	9.40%	9.82%	10.51%	10.72%
Tier-one capital adequacy ratio [(3)]	≥8.5%	**9.86%**	9.40%	9.82%	10.51%	10.72%
Capital adequacy ratio [(4)]	≥10.5%	**12.46%**	11.93%	12.60%	11.69%	11.91%
Asset quality indicators						
Ratio of allowance to non-performing finance lease related assets [(5)]	≥150%	**573.07%**	847.80%	625.95%	269.61%	253.12%

(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

Internationally, high inflation and geopolitical conflicts continued to hit the global economy in 2022. According to the IMF, global economic growth was expected to fall back to 3.4% in 2022 from 6.2% in 2021, with the world average consumer price index rising to 8.8% from 4.7% in 2021 and global inflation reached its highest level since the 21st century. High inflation has forced central banks of major economics to raise interest rates sharply, further depressing demand and increasing downward pressure on the global economy.

Domestically, in 2022, China's economy faced triple pressures from contracting demand, supply shocks and weakening expectations, and the external environment was volatile and unsettling, bringing deepening impacts on China's economy. In the face of the complex and severe international situation and the difficult and onerous tasks of domestic reform, development and stability, China's economic aggregates reached a new level and the general economic and social situation remained stable. According to the statistics from National Bureau of Statistics of China and the PBOC, in 2022, the total national economy of China exceeded RMB120 trillion, with a preliminary accounting of RMB121.02 trillion, representing an increase of 3.0% as compared with previous year. The stock of social financing scale was RMB344.21 trillion as at the end of 2022, representing a year-on-year increase of 9.6%, of which the balance of RMB loans issued to the real economy was RMB212.43 trillion, representing a year-on-year increase of 10.9%, the strength of financial support for the real economy increased significantly, and the financing structure continued to be optimized. Overall, a package of growth stabilization policies came into force in 2022, effectively supporting the economic stabilization and steady credit expansion.

1.1.2 Industry Environment

In 2022, regulators continued to improve and optimize the regulatory policies for the financial leasing industry and further standardized the development of the industry. In early 2022, the CBIRC issued the Management Measures for the Projects Companies of Financial Leasing Companies, the Notice on Issues Related to Strengthening the Compliance Supervision of Financial Leasing Businesses of Financial Leasing Companies and other documents for leasing companies, which continued to provide direction for the business compliance, the division of regulatory responsibilities and the optimization of business structure and leasehold management in the leasing industry. Overall, the leasing industry, under the guidance of regulation, increase business innovative exploration around the origin of leasing, and continuously enhance the effectiveness of serving the real economy, and the industry has entered a new development stage of overall transformation and steady improvement.

1.2 Overview of the Company's Responses and Business Results

In 2022, facing the complex and severe internal and external environment, the Group coordinated risk control 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 and key fields, and increased the support for business fields such as strategic emerging industries, green development and inclusive finance. By doing so, the Group's business results and various indicators remained stable.

Maintaining Steady Business Results

- Total assets reached RMB354.717 billion, representing a year-on-year increase of 3.8%;
- Operating income reached RMB25.053 billion, representing a year-on-year increase of 7.5%;
- Net profit for the year was RMB3.351 billion;
- Average return on equity (ROE) and average return on total assets (ROA) were 10.41% and 0.96% respectively, reflecting a steady profitability;
- As at the end of the year, the non-performing asset ratio was 0.63%, which has been kept below 1% since its listing, showing that the asset quality has remained stable; and
- The ratio of allowance to non-performing finance lease related assets was 573.07%, and the risk offsetting ability was strong.

Steady Growth of Leasing Business

Against the backdrop of full implementation of regulatory requirements, the Group stepped up its business innovation and transformation and maintained a steady development of its leasing business as a whole, with RMB98.485 billion of new business investment for the year.

- Aircraft leasing: Passenger-to-freighter conversion projects were steadily promoted, providing new disposal solutions for old wide-body aircraft and opening up new profit growth points. The Company brought into play the advantages of global customers and market resources in aircraft leasing, launched comprehensive cooperation with The Commercial Aircraft Corporation of China, Ltd., signed an intention letter to purchase 50 C919 aircrafts.

- Infrastructure leasing: With a focus on serving the key strategic regions designated by the state, the segment achieved business deployment in seven key strategic regions, including the Yangtze River Economic Belt, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, accounting to over 80% of the segment investment. The leasing support for "carbon peak and neutrality" has been increased, with a year-on-year increase of the annual investment.

- Ship leasing: The segment dynamically adjusted asset structure and product structure, actively explored new business models for high threshold and high value-added vessels, and seized the market opportunity to vigorously develop LNG vessel chartering business. We focused on key ship types and key customers, achieving balanced development and positive interaction between operating leasing and financial leasing business.

- Inclusive finance: The segment responded to the national call on the work of freight logistics to ensure the smooth flow of traffic, and accumulated to support a total of over 4,200 freight logistics vehicles. It further increased support for the real economy and small and micro enterprises, explored diversified inclusive financial leasing products and implemented agricultural machinery leasing business. Through deepening financial technology empowerment, the C-terminal business of passenger vehicles was launched in an orderly manner, effectively practicing the development concepts of benefiting people's livelihood and promoting consumption.

Enhancing Internal Management Continuously

The year 2022 was the "Management Improvement Year" of the Group. The Group carried out a series of work of "strengthening the foundation, plugging the loopholes, filling the shortcomings and strengthening the weaknesses". Through the management improvement work throughout the year, the Group improved the internal system, optimized the working mechanism, deepened the corporate culture, further improved the management level of the Group and consolidated the foundation of the management system.

- Corporate governance: The Group newly formulated and revised a number of basic systems of corporate governance, comprehensively reviewed the Group's authorization management system, and established a top-down authorization scheme with clear boundaries of responsibilities and scientific and effective operation. The Group further strengthened the effective interface between the governance level of the Board and the management level. The Group conducted a thematic study on corporate governance optimization and proposed action plans for corporate governance improvement, laying a good foundation for subsequent improvement of corporate governance.

- Asset and liability management (ALM): The Group continuously improved the ALM system, proactively adjusted the liability structure, promoted the linkage of assets and liabilities, reduced the comprehensive financing cost and ensured the business development to be stable and far-reaching.

- Risk management: The Group continued to optimise its comprehensive risk management system to enhance its risk management and control capabilities. It improved asset quality classification management, continued to improve risk warning and monitoring tools and risk check work to enhance the ability to identify risks in a forward-looking manner and strengthened risk resolution and disposal. The non-performing asset ratio was 0.63% at the end of 2022, representing a decrease of 0.04 percentage point as compared with that at the end of the previous year, reaching the lowest level since the listing of the Group.

- Compliance management: The Group fully implemented regulatory requirements, enhanced awareness of compliance operation, solidified the foundation of compliance management, and continuously standardized the internal operation system to ensure sound operation of the Group.

- Data governance and system construction: The Group strengthened the construction of data governance system, improved the quality of data. It promoted the core leasing system, ship leasing system, inclusive leasing system and online operation of risk warning system, consolidated the foundation of the Company's digital development, and accelerated high-quality business development through digital empowerment.

Enhancing Brand Value Continuously

While achieving growth in performance, the Group has actively assumed its environmental, social and governance responsibilities, and its social influence and brand values have continued to grow. The Group deepens integrity construction, improves employee protection system, safeguards intellectual property rights, protects customers' rights and interests, supports social welfare and contributes to the rural revitalization. In 2022, the Group was awarded the "2022 (5th) China Financial Leasing Award – Leading Enterprise of High-Quality Development" by the Global Leasing Industry Competitiveness Forum, the "16th Financial Leasing Top List-Golden Banyan Tree Award – Annual Inclusive Finance Model Award" by Shenzhen Special Zone Daily, and "Outstanding Case of Green and Sustainable Finance in Shenzhen" by Shenzhen Green Finance Association and other honors. The Group received an A grade in the MSCI (Morgan Stanley Capital International) ESG rating, which was the upper-middle level in the industry.

2. FINANCIAL REVIEW

2.1 Analysis of Consolidated Statement of Profit and Loss

2.1.1 Overview of Consolidated Statement of Profit and Loss

In 2022, the Group maintained a steady increase in results, with its total revenue and other income amounting to RMB25,053.5 million, representing an increase of RMB1,737.7 million, or 7.5% as compared with that of last year. Profit for the year amounted to RMB3,351.1 million, representing a decrease of RMB571.1 million, or 14.6% as compared with that of last year, primarily due to the full impairment of the aircraft stranded in Russia and a significant increase in impairment loss on aircraft assets as a result of the impact of the conflict between Russia and Ukraine.

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

	For the year ended December 31,		
(RMB in millions, except percentages)	**2022**	2021	Change
Revenue			
Finance lease income	**10,288.6**	9,813.5	4.8%
Operating lease income	**12,475.7**	11,550.3	8.0%
Total revenue	**22,764.3**	21,363.8	6.6%
Net investment gains	**32.5**	87.3	(62.8%)
Other income, gains or losses	**2,256.7**	1,864.7	21.0%
Total revenue and other income	**25,053.5**	23,315.8	7.5%
Depreciation and amortization	**(5,380.7)**	(4,348.8)	23.7%
Staff costs	**(546.8)**	(494.8)	10.5%
Fee and commission expenses	**(51.0)**	(82.1)	(37.9%)
Interest expenses	**(8,206.7)**	(8,087.8)	1.5%
Other operating expenses	**(1,653.5)**	(1,256.4)	31.6%
Impairment losses	**(4,256.8)**	(3,510.3)	21.3%
Total expenses	**(20,095.5)**	(17,780.2)	13.0%
Profit before income tax	**4,958.0**	5,535.6	(10.4%)
Income tax expense	**(1,606.9)**	(1,613.4)	(0.4%)
Profit for the year	**3,351.1**	3,922.2	(14.6%)

2.1.2 Total Revenue

Revenue of the Group was primarily derived from finance lease income and operating lease income. In 2022, the total revenue of the Group amounted to RMB22,764.3 million, representing an increase of RMB1,400.5 million, or 6.6% as compared with that of last year, primarily due to the continuous growth in the scale of lease assets.

2.1.2.1 Finance Lease Income

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

(RMB in millions, except percentages)	**For the year ended December 31,**		
	2022	2021	Change
Finance lease income			
Aircraft leasing	**5.9**	1.0	490.0%
Infrastructure leasing	**7,392.6**	7,282.5	1.5%
Ship leasing	**656.8**	625.3	5.0%
Inclusive finance	**1,545.7**	1,442.7	7.1%
Others	**687.6**	462.0	48.8%
Total	**10,288.6**	9,813.5	4.8%

In 2022, finance lease income of the Group amounted to RMB10,288.6 million, accounting for 45.2% of the total revenue, representing an increase of RMB475.1 million, or 4.8% as compared with that of last year, primarily due to a year-on-year increase in the scale of finance lease assets.

With respect to aircraft leasing, in 2022, finance lease income from this segment of the Group amounted to RMB5.9 million, representing an increase of RMB4.9 million, or 490.0% as compared with that of last year, primarily due to the increase in the scale of finance lease business in 2022 resulting from the low base of the finance lease scale of the aircraft leasing segment.

With respect to infrastructure leasing, in 2022, finance lease income from this segment of the Group amounted to RMB7,392.6 million, representing an increase of RMB110.1 million, or 1.5% as compared with that of last year, primarily due to the increase in the average asset size of infrastructure finance leases.

With respect to ship leasing, in 2022, finance lease income from this segment of the Group amounted to RMB656.8 million, representing an increase of RMB31.5 million, or 5.0% as compared with that of last year, mainly due to the floating interest rate of some ship finance lease business was based on US dollars, and the project yield was affected by the increase in the US dollars.

With respect to inclusive finance, in 2022, finance lease income from this segment of the Group amounted to RMB1,545.7 million, representing an increase of RMB103.0 million, or 7.1% 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 2022, finance lease income from this segment of the Group amounted to RMB687.6 million, representing an increase of RMB225.6 million, or 48.8% as compared with that of last year, primarily due to the increase in the scale of business in other segments as the Group enhanced its transformation and innovation.

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:

(RMB in millions, except percentages)	**For the year ended December 31,**		
	2022	2021	Change
Operating lease income			
Aircraft leasing	**7,024.9**	6,895.9	1.9%
Infrastructure leasing	**–**	31.5	(100.0%)
Ship leasing	**5,320.5**	4,497.6	18.3%
Inclusive finance	**–**	–	–
Others	**130.3**	125.3	4.0%
Total	**12,475.7**	11,550.3	8.0%

In 2022, operating lease income of the Group amounted to RMB12,475.7 million, accounting for 54.8% of the total revenue, representing an increase of RMB925.4 million, or 8.0% as compared with that of last year, primarily due to the increase in the number of vessels and aircraft under operating leases and the increase in the scale of operating leases.

The operating lease income of the Group is mainly derived from aircraft and ship operating lease businesses. In 2022, the operating lease income generated from aircraft leasing amounted to RMB7,024.9 million, accounting for 56.3% of the total operating lease income, representing an increase of 1.9% as compared with that of last year. The leasing income from ship operating lease amounted to RMB5,320.5 million, accounting for 42.6% of the total operating lease income, representing an increase of 18.3% as compared with that of last year.

2.1.2.3 Net Investment Gains

In 2022, net investment gains of the Group amounted to RMB32.5 million, representing a decrease of RMB54.8 million or 62.8% as compared with that of last year, primarily due to the decrease in gain on transfer of finance lease assets in 2022.

2.1.2.4 Other Income, Gains or Losses

In 2022, other income, gains or losses of the Group amounted to RMB2,256.7 million, representing an increase of RMB392.0 million, or 21.0% as compared with that of last year, primarily due to the increase in the income from ship custody and interest income.

2.1.3 Cost and Expenses

In 2022, total expenses of the Group amounted to RMB20,095.5 million, representing an increase of RMB2,315.3 million, or 13.0% as compared with that of last year, primarily due to the year-on-year increase in impairment losses and depreciation and amortization.

2.1.3.1 Depreciation and Amortization

In 2022, the depreciation and amortization expenses of the Group amounted to RMB5,380.7 million, representing an increase of RMB1,031.9 million, or 23.7% as compared with that of last year, primarily due to the increase of asset depreciation expense with the increase of operating lease ship and aircraft assets.

2.1.3.2 Staff Costs

In 2022, staff costs of the Group amounted to RMB546.8 million, representing an increase of RMB52.0 million, or 10.5% as compared with that of last year, primarily due to the increase in staff costs following the growth of business scale.

2.1.3.3 Fee and Commission Expenses

In 2022, fee and commission expenses of the Group amounted to RMB51.0 million, representing a decrease of RMB31.1 million, or 37.9% as compared with that of last year, primarily due to the decrease in project supervision fees.

2.1.3.4 Interest Expenses

In 2022, interest expenses of the Group amounted to RMB8,206.7 million, representing an increase of RMB118.9 million, or 1.5% 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 2022, other operating expenses of the Group amounted to RMB1,653.5 million, representing an increase of RMB397.1 million, or 31.6% as compared with that of last year, primarily due to the increase in ship management expenses resulting from the increase in the scale of ships.

2.1.3.6 Impairment Losses

In 2022, impairment losses of the Group amounted to RMB4,256.8 million, representing an increase of RMB746.5 million, or 21.3% as compared with that of last year, primarily due to the significant increase in impairment loss on aircraft stranded in Russia as a result of the impact of the conflict between Russia and Ukraine.

2.1.4 Profit before Income Tax

In 2022, profit before income tax of the Group amounted to RMB4,958.0 million, representing a decrease of RMB577.6 million, or 10.4% as compared with that of last year, primarily due to the significant increase in impairment loss on aircraft stranded in Russia.

2.1.5 Income Tax Expense

In 2022, income tax expense of the Group amounted to RMB1,606.9 million, representing a decrease of RMB6.5 million as compared with that of last year, primarily due to the decrease in profit before income tax.

2.1.6 Profit for the Year

In 2022, profit for the year of the Group amounted to RMB3,351.1 million, representing a decrease of RMB571.1 million, or 14.6% 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:

	As of December 31,		
(RMB in millions, except percentages)	**2022**	2021	Change
Assets			
Cash and bank balances	**29,760.7**	36,833.1	(19.2%)
Financial assets at fair value through profit or loss	**131.9**	156.3	(15.6%)
Derivative financial assets	**840.8**	94.6	788.8%
Assets held for sale	**364.6**	–	100.0%
Accounts receivable	**3,487.7**	1,245.1	180.1%
Finance lease receivables	**193,494.3**	190,871.6	1.4%
Prepayments	**11,551.0**	11,958.6	(3.4%)
Financial assets at fair value through other comprehensive income	**1,465.0**	970.7	50.9%
Investment properties	**1,041.9**	904.3	15.2%
Property and equipment	**106,524.5**	92,829.7	14.8%
Deferred tax assets	**1,831.0**	1,674.8	9.3%
Right-of-use assets	**141.2**	154.5	(8.6%)
Other assets	**4,082.6**	4,144.3	(1.5%)
Total assets	**354,717.2**	341,837.6	3.8%

(RMB in millions, except percentages)	**As of December 31,** **2022**	2021	Change
Liabilities			
Borrowings	**246,882.7**	236,087.7	4.6%
Due to banks and other financial institutions	**11,230.7**	10,657.5	5.4%
Financial assets sold under repurchase agreements	**429.9**	–	100.0%
Derivative financial liabilities	**28.3**	576.5	(95.1%)
Accrued staff costs	**263.8**	204.0	29.3%
Tax payable	**769.1**	372.5	106.5%
Bonds payable	**36,872.1**	45,045.5	(18.1%)
Deferred tax liabilities	**1,541.1**	1,822.2	(15.4%)
Lease liabilities	**147.2**	172.1	(14.5%)
Other liabilities	**22,268.9**	16,792.9	32.6%
Total liabilities	**320,433.8**	311,730.9	2.8%
Total equity	**34,283.4**	30,106.7	13.9%

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, 2022, these assets accounted for 97.2% of the total assets. As of December 31, 2022, total assets of the Group amounted to RMB354,717.2 million, representing an increase of RMB12,879.6 million, or 3.8% as compared with that as of the end of last year, primarily due to the growth of the scale of leased assets.

2.2.1.1 Accounts Receivable

The Group's accounts receivable include advances for finance lease projects, operating lease receivables and other accounts receivable. Advances for finance lease projects refer to the prepayments for those finance lease projects which were contracted but had not yet met all leasing conditions. Operating lease receivables refer to the operating lease rentals receivable provided as of December 31, 2022. As of December 31, 2022, accounts receivable of the Group amounted to RMB3,487.7 million, representing an increase of RMB2,242.6 million, or 180.1% as compared with that as of the end of last year, primarily due to the increase in the balance of advances for finance lease projects.

2.2.1.2 Finance Lease Receivables

(RMB in millions, except percentages)	**As of December 31,** **2022**	2021	Change
Finance lease receivables – gross	**235,776.7**	233,660.3	0.9%
Less: unearned finance income	**(33,743.8)**	(35,198.5)	(4.1%)
Finance lease receivables – net	**202,032.9**	198,461.8	1.8%
Less: allowance for impairment losses	**(8,538.6)**	(7,590.2)	12.5%
Finance lease receivables – net value	**193,494.3**	190,871.6	1.4%

As of December 31, 2022, finance lease receivables of the Group amounted to RMB193,494.3 million, representing an increase of RMB2,622.7 million, or 1.4% as compared with that as of the end of last year, primarily due to the continuous growth in the scale of the Group's finance lease business.

2.2.1.3 Prepayments

As of December 31, 2022, balance of the prepayments of the Group amounted to RMB11,551.0 million, representing a decrease of RMB407.6 million, or 3.4% as compared with that as of the end of last year, primarily due to the transfer of prepayments to operating lease assets as the ordered aircraft and 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, 2022, equipment held for operating lease businesses of the Group amounted to RMB105,799.1 million, representing an increase of RMB13,728.8 million, or 14.9% as compared with that as of the end of last year, primarily due to the increase in the scale of aircraft and ships for operating lease.

As of December 31, 2022, property and equipment held for administrative purposes of the Group amounted to RMB725.4 million, representing a decrease of RMB34.0 million, or 4.5% 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,**		
	2022	2021	Change
Property and equipment			
Equipment held for operating lease businesses	**105,799.1**	92,070.3	14.9%
Property and equipment held for administrative purposes	**725.4**	759.4	(4.5%)
Property and equipment – net value	**106,524.5**	92,829.7	14.8%

2.2.1.5 Cash and Bank Balances

As of December 31, 2022, cash and bank balances of the Group amounted to RMB29,760.7 million, representing a decrease of RMB7,072.4 million, or 19.2% as compared with that as of the end of last year, primarily due to the Group's cutting back of its positions and improvement of capital utilization.

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, 2022, other assets of the Group amounted to RMB4,082.6 million, representing a decrease of RMB61.7 million, or 1.5% as compared with that as of the end of last year.

2.2.2 *Leased Assets*

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

(RMB in millions, except percentages)	**As of December 31,** **2022**	2021	Change
Finance lease related assets			
Finance lease receivables	**193,494.3**	190,871.6	1.4%
Accounts receivable – advances for finance lease projects	**2,460.9**	–	100.0%
Total	**195,955.2**	190,871.6	2.7%

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,** **2022**	2021	Change
Operating lease assets			
Investment properties	**1,041.9**	904.3	15.2%
Property and equipment – equipment held for operating lease businesses	**105,799.1**	92,070.3	14.9%
Total	**106,841.0**	92,974.6	14.9%

Finance lease related assets and operating lease assets of the Group represented a year-on-year increase of 2.7% and 14.9% respectively. In 2022, the balance of leased assets of the Group maintained a steady growth trend on a year-on-year basis.

2.2.3 *Total Liabilities*

As of December 31, 2022, total liabilities of the Group amounted to RMB320,433.8 million, representing an increase of RMB8,702.9 million, or 2.8% 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, 2022, the balance of borrowings of the Group amounted to RMB246,882.7 million, representing an increase of RMB10,795.0 million, or 4.6% 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, 2022, the balance of bonds payable of the Group amounted to RMB36,872.1 million, representing a decrease of RMB8,173.4 million, or 18.1% as compared with that as of the end of last year, primarily due to larger scale of 2022 bonds falling due than the scale of bonds newly issued, resulting in a year-on-year decrease in the year-end balance of bonds.

2.2.3.3 Other Liabilities

As of December 31, 2022, the balance of other liabilities of the Group amounted to RMB22,268.9 million, representing an increase of RMB5,476.0 million, or 32.6% as compared with that as of the end of last year, primarily due to the increased balance of notes payable and other payables.

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,** **2022**	2021	Change
Net cash flows from operating activities	**16,999.8**	23,707.7	(28.3%)
Net cash flows from investing activities	**(8,789.3)**	(24,124.1)	(63.6%)
Net cash flows from financing activities	**(14,466.5)**	(3,117.8)	364.0%
Net increase in cash and cash equivalents	**(6,256.0)**	(3,534.2)	77.0%

In 2022, net cash inflow from the operating activities of the Group amounted to RMB16,999.8 million, representing a decrease of 28.3% as compared with that of last year, primarily due to the decrease in the net increase of the borrowings of the Group in 2022 compared with that of 2021, which led to the decrease in net cash inflow. The net cash outflow from the investment activities of the Group amounted to RMB8,789.3 million, representing a decrease of 63.6% in net outflow as compared with that of last year, primarily due to the decrease in cash paid for the purchase of operating lease assets. In addition, in 2022, the net cash outflow from the financing activities of the Group amounted to RMB14,466.5 million, primarily due to the increase in the repayment of bonds by the Group.

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 2022, the Group steadily developed the aircraft leasing and ship leasing businesses, carried out infrastructure leasing business in an orderly manner, and continued to expand the inclusive finance business, maintaining a business growth. In 2022, the total lease financing to lessees of the Group amounted to RMB98,485.2 million, among which the lease financing to lessees in aircraft leasing, infrastructure leasing, ship leasing, inclusive finance and others were RMB14,256.3 million, RMB46,347.4 million, RMB3,484.1 million, RMB26,988.4 million and RMB7,409.0 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)	**2022**		2021	
Segment assets	**Amount**	**Proportion**	Amount	Proportion
Aircraft leasing	**93,375.0**	**26.5%**	84,344.4	24.8%
Infrastructure leasing	**154,173.3**	**43.7%**	162,928.0	47.9%
Ship leasing	**49,684.6**	**14.1%**	47,592.4	14.0%
Inclusive finance	**35,583.8**	**10.1%**	34,103.1	10.0%
Others	**20,069.6**	**5.6%**	11,194.9	3.3%
Total	**352,886.3**	**100.0%**	340,162.8	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,**			
	2022		2021	
Segment revenue and other income	**Amount**	**Proportion**	Amount	Proportion
Aircraft leasing	**7,828.0**	**31.2%**	7,676.0	32.9%
Infrastructure leasing	**7,716.7**	**30.8%**	7,657.0	32.8%
Ship leasing	**7,061.8**	**28.2%**	5,868.3	25.2%
Inclusive finance	**1,614.6**	**6.4%**	1,493.5	6.4%
Others	**832.4**	**3.4%**	621.0	2.7%
Total	**25,053.5**	**100.0%**	23,315.8	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,**	
	2022	2021
Segment profit/(loss) before income tax	**Amount**	Amount
Aircraft leasing	**(1,713.0)**	312.9
Infrastructure leasing	**3,090.3**	2,176.5
Ship leasing	**2,868.7**	2,895.4
Inclusive finance	**689.8**	(349.9)
Others	**22.2**	500.6
Total	**4,958.0**	5,535.5

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, 2022	2021
Aircraft leasing	**(24.37%)**	4.54%
Infrastructure leasing	**41.80%**	29.76%
Ship leasing	**47.99%**	56.52%
Inclusive finance	**44.63%**	(24.25%)
Others	**2.71%**	85.25%

(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, 2022	2021
Aircraft leasing	**(1.93%)**	0.35%
Infrastructure leasing	**1.95%**	1.46%
Ship leasing	**5.90%**	7.08%
Inclusive finance	**1.98%**	(1.18%)
Others	**0.14%**	4.32%

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

3.1 Aircraft Leasing

The International Air Transport Association (IATA) indicated that the air travel industry recovery continued in 2022 as the controls on COVID-19 pandemic were relaxed and people took advantage of the restoration of their freedom to travel. IATA figures show that global Revenue Passenger Kilometres (RPKs) in 2022 rose by 64.4% compared to 2021. In full year of 2022, the global RPK was at 68.5% of 2019 levels. Capacity (measured in available seat kilometers, ASK) grew by almost 40% in 2022 compared to 2021, recovering to 71.9% of 2019 levels, while maintaining industry-wide passenger load factors of 78.7%. RPK in the international aviation market rose by 152.7% in 2022 compared to the previous year, up to 62.2% of 2019 levels. RPK in the domestic aviation market rose by 10.9% compared to the prior year and was at 79.6% of the year 2019 level.

IATA predicted that in 2022 global airlines' losses were expected to be US$6.9 billion, a further decrease from the loss of US$9.7 billion incurred in June 2022, according to IATA's June outlook. This is significantly better than the losses of US$42.0 billion in 2021 and US$137.7 billion in 2020. IATA also expects the global airlines will turn around in 2023 and are expected to post a small net profit of approximately US$4.7 billion, with approximately 0.6% of net profit margin. It is the first profit since 2019 when industry net profits were US$26.4 billion with a 3.1% net profit margin.

Although the challenges that airlines will face are still complex, aviation remains an integral part of transportation systems around the world and the fundamental need for air transport in a modern, globalized world has not changed. Both Boeing and Airbus forecast that air traffic will grow at around 4% per annum by 2040.

In 2023, with an international leasing business platform and professional team, good relationships with aircraft manufactures, and a well-diversified customer network, the Group will endeavor to seize opportunities during the industry's post-pandemic recovery, continue to build a fleet comprising next-generation, mainstream narrowbody aircraft and enhance its industry competitiveness in the industry.

During 2022, the Group:

- Signed new lease transactions (including order placement, sale-lease-back, portfolio acquisition, remarketing and extension) for a total of 94 aircraft with 34 customers;

- Acquired 35 aircraft on operating lease, including 10 via direct OEM orders, 23 via sale-lease-back and 2 via portfolio acquisition;

- Signed financing transactions for US$5.6 billion; and

- Added 9 new lessees.

As of December 31, 2022, total assets of the aircraft leasing segment of the Group amounted to RMB93,375.0 million, representing an increase of 10.7% compared to December 31, 2021, and the total revenue and other income of the aircraft leasing segment amounted to RMB7,828.0 million, representing an increase of 2.0% on a year-on-year basis. The loss before income tax was RMB1,713.0 million in 2022, while compared to 2021, the profit before tax was RMB312.9 million, which is mainly due to the increase of aircraft impairment impacted by the conflict between Russia and Ukraine and the rising interest expense. In 2022, the net lease yield of the operating leased aircraft was 6.4%[1], the lease yield of the finance leased aircraft was 1.3%[2], the annual return before tax on average total aircraft leasing assets was -1.9%, a decrease of 2.3 percentage points compared to 2021.

As of December 31, 2022, the Group had a total portfolio of 386 aircraft, representing an increase of 18 aircraft compared to that as of the end of last year, consisting of 276 owned aircraft and 110 committed aircraft. Our aircraft leasing business covers 67 lessees in 39 countries and regions. As of December 31, 2022, 273 owned aircraft of the Group were held for operating lease (including 1 aircraft held of sale) and 3 owned aircraft of the Group were under finance lease. As of December 31, 2022, the weighted average age by aircraft value[3] of the Group's owned aircraft held for operating lease was 4.9 years, and the weighted average remaining lease term by aircraft value of the Group's owned aircraft held for operating lease was 8.1 years.

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, 2022, the Group's aircraft fleet consists of 73% narrowbody aircraft, 23% wide-body aircraft and 4% freighters and regional aircraft by aircraft value. As of December 31, 2022, the net book value of the Group's owned aircraft was US$10,897.9 million.

The Group's orderbook contains next-generation, liquid, narrowbody types. As of December 31, 2022, the Group has committed to purchasing 96 narrowbody aircraft under its direct OEM orders, including 35 aircraft from Boeing and 61 aircraft from Airbus. These aircraft are scheduled to be delivered between 2023 and 2026. The Group also has contractual commitments to acquire a further 10 aircraft under sale-lease-back transactions and 4 aircraft from portfolio acquisition. The aggregate future capital expenditure commitments are RMB30,788.4 million.

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

2 The calculation is lease income divided by average monthly balance of aircraft finance lease assets. As of December 31, 2022, only three finance leased aircraft remained, therefore the impact of finance lease on revenue is immaterial.

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

The following table sets forth the composition of the Group's fleet and committed aircraft as of December 31, 2022:

Aircraft Type	Owned aircraft	Committed aircraft	Total
A320-200	40	–	40
A321-200	8	–	8
A330-200	7	–	7
A330-300	21	–	21
A330-900	5	–	5
A350-900	3	–	3
A320neo	55	45	100
A321neo	28	25	53
Airbus Total	**167**	**70**	**237**
737-800	50	3	53
777-300ER	1	–	1
737 Max 8	32	37	69
787-9	2	–	2
Boeing Total	**85**	**40**	**125**
E190-100LR	20	–	20
Embraer Total	**20**	**–**	**20**
Freighters	**4**	**–**	**4**
Other	**–**	**–**	**–**
Total	**276**	**110**	**386**

During 2022, one other aircraft under finance lease was expired and exited the fleet. Two of the four Freighters are under conversion and scheduled for delivery 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.

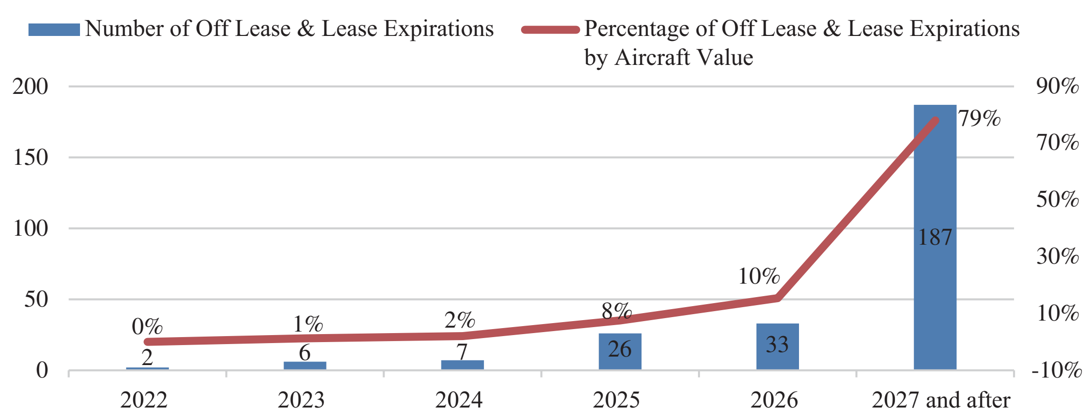
Among 110 committed aircraft as of December 31, 2022 (including aircraft under direct OEM orders, sale-lease-back and portfolio acquisition), 26 were scheduled for delivery in 2023, 41 in 2024 and 43 from 2025 onwards.

As of December 31, 2022, of the 96 aircraft committed to be purchased directly from OEMs, 22 were committed for lease, of which 17 were scheduled for delivery in 2023 and 5 in 2024.

As of December 31, 2022, the Group was committed to sale-lease-back transactions covering 10 aircraft and 4 aircraft via portfolio acquisition, of which 9 were scheduled for delivery in 2023 and 5 in 2024.

The following chart sets forth the breakdown of the number of aircraft and percentage of aircraft value balance as of December 31, 2022 of those off-lease aircraft and aircraft under operating lease with scheduled leases expiring in the future, excluding any aircraft for which the Group has a sale commitment or to be converted to finance lease or under teardown or freighter conversion.

Off Lease and Lease Expirations



During 2022, the Group signed lease extensions for 28 aircraft and new leases for 9 remarketed aircraft.

The Group sold 9 aircraft, 2 engines and other assets in total with a net book value on disposal of assets of US$449.2 million and a gain on disposal of US$65.2 million during 2022. In 2022, the Group's one aircraft under the finance lease expired. The Group's owned aircraft under operating lease was 95.9% fleet utilization due to the impact of the conflict between Russia and Ukraine.

The following table sets forth a breakdown of the Group's revenue and assets of aircraft leasing by region of lessee for 2022:

Region	Percentage of lease revenue in 2022	Percentage of aircraft value as of December 31, 2022
The PRC	25.1%	22.6%
Asia Pacific (excluding the PRC)	22.7%	24.8%
Europe	23.2%	21.5%
Americas	21.0%	21.8%
Middle East	6.0%	6.6%
Africa	2.0%	1.2%
Off-lease/Under conversion	–	1.5%
Total	**100.0%**	**100.0%**

The following table sets forth a breakdown of the Group's owned aircraft by manufacturer as of December 31, 2022:

Manufacturer	Percentage by aircraft value as of December 31, 2022
Airbus	68.6%
Boeing	28.9%
Others	2.5%
Total	**100.0%**

3.2 Infrastructure Leasing

In 2022, the Group continued to implement the strategy of coordinated regional development. It supported the deployment of the "carbon peak and carbon neutrality" policy. The Group, focusing on key national strategic regions, proactively increased support for business in key areas. In the year, new investments in infrastructure leasing segment of the Group amounted to RMB46,347.4 million.

The Group continued to improve the effectiveness of serving national infrastructure to shore up weaknesses. It focused on seven key strategic regions such as Yangtze River Delta, Yangtze River Economic Belt, Guangdong-Hong Kong-Macao Area and Beijing-Tianjin-Hebei Area to increase business investment. The annual business investment in the seven key strategic regions of infrastructure segment accounted for over 80%.

The Group implemented the national "dual carbon" strategy and continuously strengthened the effectiveness of green leasing business in supporting low-carbon recycling development. On the basis of steady development of centralized clean energy power plants, the Group continued to explore energy storage, distributed photovoltaic and other business areas to enhance the breadth and depth of its green leasing business. In the year, the Group achieved a year-on-year increase of 4% in the volume of clean energy and energy storage of investment, and developed and implemented 51 new energy power plant projects with the additional installed capacity totalling approximately 3.15GW.

The Group continued to promote a customer-centric business development model, increased its efforts in developing key customers and actively responded to their business needs. As of December 31, 2022, the Group mainly provided infrastructure leasing services to 30 provinces, autonomous regions and municipalities.

As of December 31, 2022, the total assets of the infrastructure leasing segment of the Group amounted to RMB154,173.3 million, representing a decrease of RMB8,754.7 million or 5.4% from that as of the end of the previous year. In 2022, the revenue and other income of this segment amounted to RMB7,716.7 million, representing an increase of RMB59.7 million or 0.8% over that of the previous year. The profit before tax of this segment amounted to RMB3,090.3 million, representing an increase of RMB913.8 million or 42.0% over that of corresponding period of the previous year.

3.3 Ship Leasing

In 2022, the growth of global shipping trade slowed down, and the shipping market retreated compared to the boom of high demand and high freight rates in 2021. The Baltic Dry Index (BDI) averaged 1,934 points for the year, which was not as high as the 2,943 points in 2021, but still at the second highest level in the last decade. In terms of market segmentation, the three traditional main vessel of container ships, bulk carriers and tankers showed different trends in the market in 2022. It is worth noting that the LNG carrier market is performing strongly as the demand for LNG transportation grows, and the spot market revenue keeps hitting record highs.

The Group pays close attention to the dynamic changes of the shipping market and conducts in-depth research on the development trend of market segments and actively lay out the operation and leasing business of LNG carriers with a high degree of specialization, and the fleet structure continued to be optimized. The Group's reasonable layout of different vessel types has enabled the shipping leasing segment to continue to maintain a high level of profitability, contributing to the sustainable, stable and healthy development of our business. The Group launched the professional ship management system during the year, and increased the efficiency of business decision making and asset management through digital empowerment. During the Reporting Period, the Group's 58 vessels on time charter with a capacity of over 5.4 million DWT were in good safety condition and no major safety incidents occurred throughout the year. The average RIGHTSHIP[1] star rating of all vessels was 4.1, which was higher than the requirements of the charter. During the Reporting Period, the Group completed the delivery of 8 new vessels, with new investment of RMB3,484.1 million in the ship leasing segment for the full year.

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

As of December 31, 2022, the Group had a total of 222 ships in operation, among which there were 190 ships under operating leasing, including 154 bulk carriers, 32 product tankers, 3 LNG ships and 1 luxury cruise ship; there were 32 ships under finance lease, including 8 bulk carriers, 19 container ships, 2 product tankers, 3 LNG ships. The Group had a total of 43 vessels under construction, among which, 38 vessels were under operating leasing and 5 vessels were under finance lease. In terms of vessel age, the average age of 222 vessels in operation of the Group is 6.2 years, including bulk carriers

1 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, charterers will in principle refuse to charter it.

with an average age of 5.3 years, container vessels with an average age of 10.6 years, product tankers with an average age of 7.6 years, LNG vessels with an average age of 8.5 years and luxury cruise vessels with an average age of 6.2 years. The relatively new age structure of the Group's fleet gives the Group's vessels a strong competitive advantage in terms of operating economy, safety and environmental protection. In terms of lease terms, the average lease term of the operating lease fleet is 6.1 years, including 6 years for bulk carriers, 6.9 years for product tankers, 5 years for LNG vessels and 2 years for passenger cruise ships; the average lease term of the finance lease fleet is 9.9 years, including 12 years for bulk carriers, 9.3 years for container ships, 5 years for product tankers and 11.3 years for LNG vessels. Asset structure of the Group's vessels in operation as of December 31, 2022:

Type	**Operating lease (ships)**	**Finance lease (ships)**	**Total (ships)**	**Average ship age (years)**	**Note**
Bulk carrier	154	8	162	5.3	Another 21 new ships were under construction
Container ship	–	19	19	10.6	Another 2 new ships were under construction
Product tanker	32	2	34	7.6	Another 17 new ships were under construction
LNG ship	3	3	6	8.5	Another 3 new ships were under construction
Luxury cruise ship	1	–	1	6.2	Joint leasing program
Total	**190**	**32**	**222**		

As of December 31, 2022, the total assets of the ship leasing business of the Group amounted to RMB49,684.6 million, representing an increase of RMB2,092.2 million, or 4.4% as compared with that as of the end of last year, of which the ship leasing related assets amounted to RMB44,022.3 million (the balance of finance lease related assets amounted to RMB10,078.1 million, the balance of operating lease related assets amounted to RMB30,692.3 million, and the balance of prepayments amounted to RMB3,251.9 million), and other related assets amounted to RMB5,662.3 million. In 2022, the revenue and other income of the ship leasing business of the Group amounted to RMB7,061.8 million, representing an increase of RMB1,193.5 million, or 20.3% from the same period of last year. The profit before income tax of this segment amounted to RMB2,868.7 million, representing a decrease of RMB26.7 million or 0.9% over that of corresponding period of the previous year.

3.4 *Inclusive Finance*

In 2022, the Group has deeply implemented the important spirit of the State on the development of inclusive finance and the call for financial services for the real economy, vigorously promoting the high-quality development of inclusive finance and continuously improving the coverage and service capacity of inclusive finance and has remained active in supporting the real economy and fulfilling our social responsibility. During the reporting period, the Group developed its first agricultural equipment leasing business and launched a pilot project for vehicle operation leasing, driving the rapid growth of the C-side business scale of passenger vehicles. For the year, the Group achieved RMB26,988.4 million of new investment in the inclusive finance segment.

There were 87,141 new end-users and 115,091 new vehicles in the vehicle leasing business, 3,119 new transactions and 20,667 pieces/sets of new equipment in the construction machinery leasing business, and 2,276 new transactions and 2,359 pieces of new agricultural equipment in the agricultural machinery leasing business, further strengthening the support for small and micro enterprises and the development of agriculture, rural areas and farmers. In 2023, the Group will fully implement the requirements of the policies of the State and regulators on supporting the development of new energy vehicles, steadily increasing bulk consumption such as automobiles and enhancing the capacity of financial services, and continue to improve the coverage and accessibility of inclusive financial services.

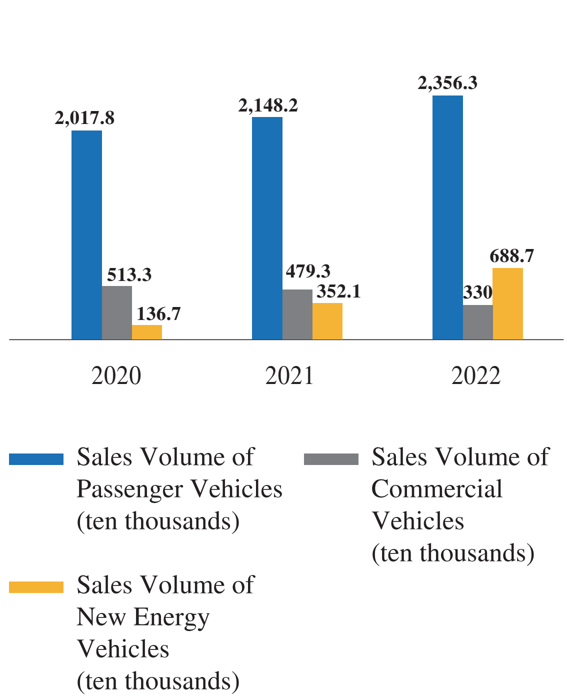
As of December 31, 2022, the total assets of the Group's inclusive finance business amounted to RMB35,583.8 million, representing an increase of RMB1,480.7 million or 4.3% from that as of the end of the previous year. Revenue and other income from inclusive finance business for the year amounted to RMB1,614.6 million, representing an increase of RMB121.1 million or 8.1% from that of the previous year. The Group's inclusive finance business achieved a profit before income tax of RMB689.8 million, representing an increase of RMB1,039.7 million over the same period of the previous year.

3.4.1 Vehicle Leasing

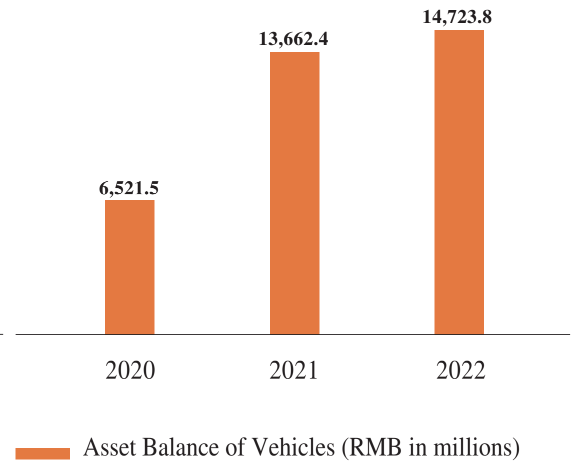
According to the statistics of China Association of Automobile Manufacturers, in 2022, the national automobile production and sales completed 27.021 million and 26.864 million units respectively, representing an increase of 3.4% and 2.1% on a year-on-year basis. Among which, the annual sales of the passenger car, although affected by the chip shortage and the spread of the pandemic and other factors, showed a "U-shaped reversal, up significantly" characteristics thanks to the purchase tax incentives and rapid growth of new energy vehicle market, recording a sales of 23.563 million units, representing a year-on-year increase of 9.7%; the annual sales of commercial vehicles, affected by the early environmental protection and overload management policy under the demand overdraft, and the slowed-down demand resulted from the impact of the pandemic, was in the market downturn of 3.3 million units, representing a decrease of 31% on a year-on-year basis; new energy vehicles continued its explosive growth, with annual sales of 6.887 million units, representing an increase of 95.6% on a year-on-year basis.

Overall, the passenger car market continued to maintain growth; the commercial vehicle market was volatile, with both production and sales were down on a year-on-year basis; new energy vehicles showed significant growth year-on-year. The industry association expects that the auto market will continue to show a stable to positive development trend in 2023.

Domestic Vehicle Sales Trend



Asset Balance of the Group's Vehicles

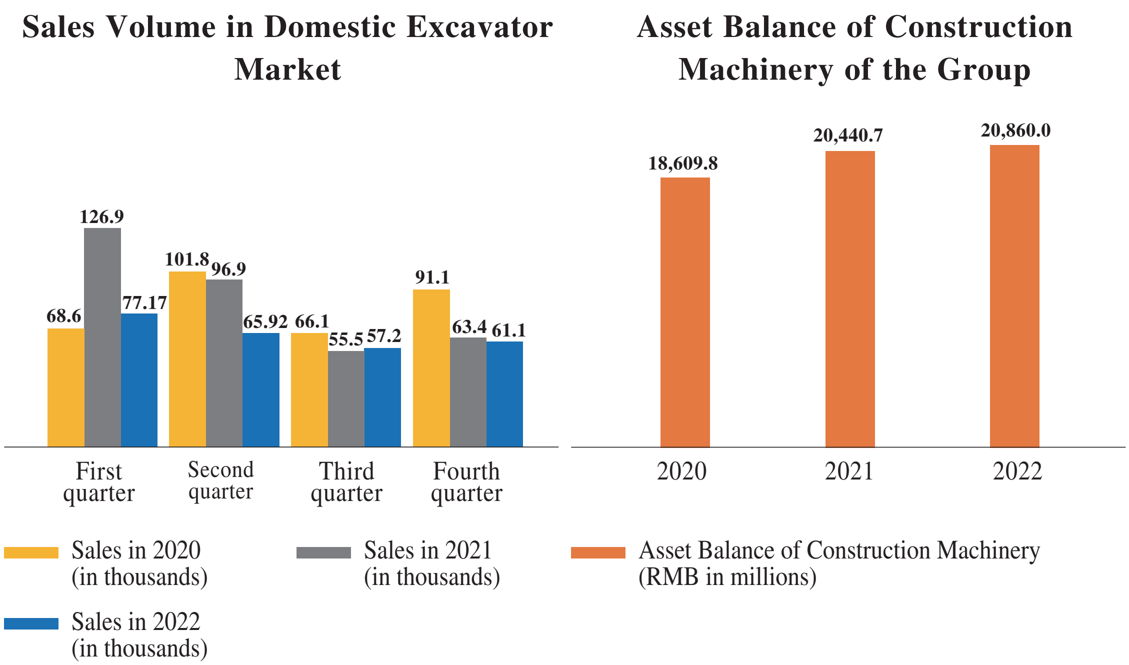


In 2022, the Group adjusted the focus of its traditional vehicle business development and strengthened model research as well as study and visit to the sub-segments of commercial vehicle to provide strong support for business transformation and innovation. The Group promoted the transformation and development of the passenger vehicles leasing business from a platform credit model to a C-end retail model. The Group drove the optimization and iteration of the big data risk control model, and continued to build a comprehensive risk control system for sustainable retail leasing business with taking big data risk control as the core and channel credit enhancement as the supplement. In 2023, the Group will continue to consolidate its existing vehicle business partnerships, continuously optimize its leasing products, accelerate its business transformation and continue to build an advanced and efficient risk control system.

As of December 31, 2022, the Group's assets related to vehicle leasing business amounted to RMB14,723.8 million, representing an increase of RMB1,061.4 million or 7.8% from December 31, 2021 and accounting for 41.4% of the assets of the inclusive finance segment, which was an improvement in the structure of the segment.

3.4.2 Construction Machinery Leasing

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



As at December 31, 2022, the Group's assets related to construction machinery leasing business amounted to RMB20,860.0 million, representing an increase of RMB419.3 million or 2.1% from December 31, 2021 and accounting for 58.6% of the assets of the inclusive finance segment.

In 2023, the Group will continue to increase the market penetration of inclusive finance business in the construction machinery industry, optimize business product solutions and to support the relief and development of small and medium-sized enterprises. The Group leverage digital management tools and capabilities, so as to provide support for business model innovation and product trials.

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 assets related to leasing business as of December 31, 2022**	**Percentage of net carrying amount of assets related to leasing business as of December 31, 2022**
Vehicle leasing	14,723.8	41.4%
Construction machinery leasing	20,860.0	58.6%
Total	**35,583.8**	**100.0%**

3.5 Others

In 2022, while focusing on its principal responsibilities and principal business, the Group continuously strengthened research and analysis on regions, industries and customers, actively promoted the innovation, transformation and development of business, seized market opportunities and improved the effectiveness of leasing services for the real economy. As of December 31, 2022, the total assets of other businesses amounted to RMB20,069.6 million, representing an increase of RMB8,874.7 million, or 79.3% as compared with that as of the end of last year, primarily because the Group increased its support for the industrial chain and supply chain while focusing on the principal business, and the asset scale of other sectors steadily increased.

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, 2022, the Group had established business relationships with 174 banks and was granted credit facilities amounting to a total of approximately RMB731.90 billion including unused credit facilities of approximately RMB455.05 billion. In 2022, 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.

In terms of RMB financing, the Group continued to explore financing channels, proactively optimized the maturity structure, and effectively controlled financing costs. In terms of USD financing, due to the commencement of the USD interest rate hike cycle and geopolitical factors, the USD benchmark interest rate rose rapidly. The Group closely followed the changes in the macroeconomic situation, made arrangements in advance and took the initiative to effectively control financing costs with multi strategies, highlighting its increasingly stable USD financing ability and resilience against risks. In terms of bonds financing, the Group timely grasped the favourable issuing opportunity before the conflict between Russia and Ukraine and the Federal Reserve's rapid interest rate hike, and issued US$700 million of 3-year senior bonds and US$250 million of 5-year senior bonds through public offering in March 2022, successfully locking in the medium-term and long-term USD financing costs. As for interest rate structure, the Group continued to maintain the original strategy for the risk management on interest rate, and actively managed the matching of assets and liabilities in terms of interest structure. As for the structure of exchange rates, the Group continued to maintain its original strategy for the risk management on exchange rates and maintained the matching of currency between assets and liabilities, which greatly reduced the impact of market exchange rate fluctuations on the Company.

In 2022, the financing sources of the Group mainly included bank borrowings and issuance of bonds. As of December 31, 2022, the Group's borrowings and bonds payable were RMB246,882.7 million and RMB36,872.1 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" so as to achieve an appropriate balance between risks and benefits.

The Group adopts the hierarchical management based on the "three layers of defence": Business lines, as the first layer of defence of comprehensive risks prevention, 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. 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 2022, 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 conducts scientific classification, value analysis and professional management and accelerates the transfer of leased assets by combining operation strategies, market environment and the features of leased properties.

In 2022, the Group improved the management system for overall risk preference, and formulated differentiated risk preference and management strategies for different types of risks and business segments, so as to enhance the refined management level. We improved risk indicators, quota and alarm management system, strengthened the construction of monitoring capability, and enhanced the forward-looking, comprehensive and proactive risk surveillance. 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, kept pace with the times to analyse topics and highlight key points, and revealed the risk situation in a timely, in-depth and objective manner. We strengthened business continuity management and monitoring, 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". 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. 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 2022, facing the complicated and changeable internal and external environment, the Group produced the plans according to the principle of "one enterprise and one policy" to effectively control the project risk, actively carried out risk investigation and strengthened the risk investigation and analysis of all major business lines of the Group.

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

	As of December 31,	
(RMB in millions)	**2022**	2021
Financial assets		
Cash and bank balances	**29,760.7**	36,833.1
Derivative financial assets	**840.8**	94.6
Accounts receivable	**3,487.7**	1,245.1
Finance lease receivables	**193,494.3**	190,871.6
Financial assets at fair value through other comprehensive income	**1,465.0**	970.7
Other financial assets	**1,469.8**	1,101.7
Total	**230,518.3**	231,116.8

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, 2022**	2021
Five-category		
Normal	**351,372.9**	341,334.7
Special mention	**17,856.3**	10,505.8
Substandard	**1,436.0**	1,386.9
Doubtful	**56.3**	417.0
Loss	**835.9**	566.4
Total assets before allowance for impairment losses	**371,557.4**	354,210.8
Non-performing assets[1]	**2,328.2**	2,370.3
Non-performing asset ratio[2]	**0.63%**	0.67%

(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:

	As of December 31,	
(RMB in millions, except percentages)	**2022**	2021
Five-category		
Normal	**189,463.1**	188,006.5
Special mention	**13,564.5**	9,560.0
Substandard	**665.4**	359.0
Doubtful	**–**	–
Loss	**829.6**	536.3
Finance lease related assets before allowance for impairment losses	**204,522.6**	198,461.8
Non-performing finance lease related assets(1)	**1,495.0**	895.3
Non-performing asset ratio of finance lease business(2)	**0.73%**	0.45%

(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, 2022, the non-performing assets of the Group amounted to RMB2,328.2 million, representing a decrease of RMB42.1 million as compared with that as of the end of last year, while the non-performing asset ratio was 0.63%, representing a decrease of 0.04 percentage point as compared with that as of the end of last year. As of December 31, 2022, the non-performing finance lease related assets of the Group amounted to RMB1,495.0 million, representing an increase of RMB599.7 million as compared with that as of the end of last year, while the non-performing asset ratio of finance lease business was 0.73%, representing an increase of 0.28 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. We took measures to mitigate risks at various stages of the entire business process 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 December 31, 2022:

(RMB in millions, except percentages)	**Aircraft leasing**	**Infrastructure leasing**	**Ship leasing**	**Inclusive finance**	**Others**	**Total**
Five-category						
Normal	472.6	136,853.1	12,095.0	23,322.0	16,720.4	189,463.1
Special mention	–	4,120.0	–	9,444.5	–	13,564.5
Substandard	–	665.4	–	–	–	665.4
Doubtful	–	–	–	–	–	–
Loss	–	646.1	3.3	13.2	167.0	829.6
Finance lease related assets before allowance for impairment losses	472.6	142,284.6	12,098.3	32,779.7	16,887.4	204,522.6
Non-performing finance lease related assets	–	1,311.5	3.3	13.2	167.0	1,495.0
Non-performing asset ratio of finance lease business	–	0.92%	0.03%	0.04%	0.99%	0.73%

In 2022, the assets of the Group's existing aircraft finance lease projects were of good quality. The amount of non-performing assets and the ratio of non-performing assets of infrastructure leasing segment and ship leasing segment increased compared with those of 2021. 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 2021. The Group has maintained a relatively 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, 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

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, 2022:

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

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

(RMB in millions)	**As of December 31, 2022**	2021
Neither overdue nor impaired	**200,459.9**	197,414.1
Overdue but not impaired	**–**	–
Impaired	**1,573.0**	1,047.7
	202,032.9	198,461.8
Less: allowance for impairment losses	**(8,538.6)**	(7,590.2)
Total	**193,494.3**	190,871.6

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, 2022, the balance of finance lease transactions for the largest single client of the Group accounted for 10.69% of the net capital while the balance of finance lease transactions for the largest single group client accounted for 14.38% 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, 2022**	2021
Degree of concentration of single client financing(1)	**10.69%**	13.74%
Degree of concentration of single group client financing(2)	**14.38%**	10.74%

(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, 2022, in terms of finance lease related assets before allowance for impairment losses, the total financing raised by the top ten single clients amounted to RMB28,479.0 million, accounting for 13.92% 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, 2022:

(RMB in millions, except percentages)	**Business segment**	**Financing amount**	**Percentage of finance lease related assets before allowance for impairment losses**
Client A	Infrastructure	4,531.7	2.22%
Client B	Integrated circuit manufacturing	4,496.3	2.20%
Client C	Ship	4,141.6	2.02%
Client D	Infrastructure	2,485.0	1.22%
Client E	Shipping port	2,364.8	1.16%
Client F	Infrastructure	2,357.6	1.15%
Client G	Ship	2,300.2	1.12%
Client H	Infrastructure	1,990.0	0.97%
Client I	Solar power	1,970.8	0.96%
Client J	Infrastructure	1,841.0	0.90%
Total		**28,479.0**	**13.92%**

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,**			
	2022		2021	
	Amount	**Percentage**	Amount	Percentage
Aircraft leasing	**472.6**	**0.2%**	314.6	0.2%
Infrastructure leasing	**142,284.6**	**70.4%**	146,083.1	73.6%
Ship leasing	**11,011.8**	**5.5%**	12,349.3	6.2%
Inclusive finance	**32,779.7**	**16.3%**	30,870.6	15.6%
Vehicle	**13,468.9**	**6.7%**	12,265.1	6.2%
Construction machinery	**19,310.8**	**9.6%**	18,605.5	9.4%
Others	**15,484.2**	**7.6%**	8,844.2	4.4%
Commercial property	**34.0**	**0.0%**	76.5	0.0%
Other sectors	**15,450.2**	**7.6%**	8,767.7	4.4%
Total	**202,032.9**	**100.0%**	198,461.8	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, and liabilities are financing in Renminbi. Hence, there is no significant foreign exchange risk exposure.

As of the end of 2022, the Group's foreign exchange risk exposure in US dollar-denominated against Renminbi-denominated that affected future profit or loss amounted to US$212.1 million. The Group effectively managed the foreign exchange risk through exposure monitoring, settlement in a statement and financial derivative hedging and other means, and recorded an exchange gain of RMB127.5 million throughout the year of 2022.

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

As of December 31, 2022, 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 RMB182,924.6 million in 2022. According to the market liquidity situation, the Group arranged financing plans in a reasonable and orderly manner, further optimized the liquidity management mechanism, and gradually optimized the liquidity reserve system to achieve sound liquidity situation and further improved the liquidity risk management capability.

5.4 Other Risks

5.4.1 Operational Risk

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

In 2022, 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 2022.

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 working of information technology of the Group.

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

5.4.3 Reputational Risk

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

In 2022, 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 further improved its reputation risk management related regulations and operational procedures in accordance with regulatory requirements. Secondly, the Group conducted regular self-inspection, investigation and assessment of reputational risks in accordance with the regulatory and reputational risk management requirements of the Group. Thirdly, 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. Fourthly, it carried out special response deployment for important nodes, carried out special monitoring on sensitive public the Group was concerned about, and formulated response plans in advance. Fifthly, 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. In spreading the operating results to the market, the Group proactively demonstrated its acts such as providing financial assistance to enterprises, green leasing, national shipbuilding and shared mobility as well as accountability such as volunteering against the "epidemic" and providing financial relief to enterprises, and created a good reputation environment. During 2022, 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 Group, or the Group suffers business losses in the country or region, or the Group is subject to other losses, due to economic, political and social changes and events in the country or region.

In 2022, the Group further strengthened country risk management. First, we improved the country risk management framework, according to the Group's country risk management measures, implemented policies for country risk management. Second, we regularly 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 enhanced the pertinence of country risk management, and carried out the impact analysis on country risk for specific countries, such as Russia and Ukraine.

6. CAPITAL MANAGEMENT

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

In 2022, 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 Group'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, according to the regulatory requirements and the Group's future development plan, formulate the 2022-2025 Capital Plan for CDB Leasing. 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 2022, 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 were well implemented.

On 7 June 2012, the CBIRC issued the Capital Administrative Measures, which came into effect on 1 January 2023. As of December 31, 2022, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 9.86%, 9.86% and 12.46%, respectively, which were higher than those required by the regulatory requirements.

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

		As of December 31,	
(RMB in millions, except percentages)	**Regulatory requirement**	**2022**	2021
Net capital:			
Net core tier-one capital		**33,548.5**	30,511.4
Net tier-one capital		**33,548.5**	30,511.4
Net capital		**42,386.0**	38,727.6
Capital adequacy ratio:			
Core tier-one capital adequacy ratio	≥7.5%	**9.86%**	9.40%
Tier-one capital adequacy ratio	≥8.5%	**9.86%**	9.40%
Capital adequacy ratio	≥10.5%	**12.46%**	11.93%

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 2022, the capital expenditures of the Group amounted to RMB17,671.6 million, which were mainly used for the purchase of ships and aircraft. The Group financed the capital expenditures through cash from operating activities, bank borrowings and global offering of bonds.

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

	For the year ended December 31,	
(RMB in millions)	**2022**	2021
Capital Expenditures	**17,671.6**	28,379.5

8. PLEDGE OF ASSETS

As of December 31, 2022, equipment held for operating lease businesses (net), finance lease receivables (net), accounts receivable (net) and deposits amounting to RMB39,890.0 million, RMB2,727.3 million, RMB464.5 million and RMB2,262.7 million respectively, were pledged to banks for financing from banks and long-term payable. The total collateral assets as aforesaid accounted for 12.8% of total assets.

9. HUMAN RESOURCES

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

As of December 31, 2022, there was a total of 568 full-time employees providing related services to the Group. The Group has a team of high-quality talents, and approximately 93% of the Group's employees had university bachelor's degrees or above.

The Group adheres to people-oriented that people are the first resource for the development of the Group, and human resource management is the core competitiveness of the Group. We adhere to the market orientation, establish a perfect and efficient organizational structure and effective incentive and restraint mechanism. We adhere to the integrity of innovation, explore the state-owned enterprise human resource management of modernization, scientific, professional path, and promote the Group's human resource management reform measures to further deepen the implementation.

For the years ended December 31, 2022 and December 31, 2021, our staff costs were RMB546.8 million and RMB494.8 million, respectively, which accounted for approximately 2.2% and 2.1%, respectively, of the total revenue and other income of the Group in the same year.

10. INDUSTRIAL REGULATIONS

In 2022, the CBIRC continued to guide financial leasing companies to return to their roots and focus on their main business, enhance compliance awareness and concepts, strengthen risk management and internal control, and further play the characteristic function of "financial + financing" to better serve the real economy and achieve high-quality development. In 2022, the Group fully implemented the new development concept, focused on the dynamics of external supervision, effectively improved the forward-looking effectiveness of internal control compliance work, analysed and studied the focus of industrial compliance risk, and continued to strengthen the Group's compliance operation and help improve the quality and efficiency of serving the real economy. 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, 2022**
Capital adequacy ratio	Above 10.5%	**12.46%**
Tier-one capital adequacy ratio	Above 8.5%	**9.86%**
Core tier-one capital adequacy ratio	Above 7.5%	**9.86%**
Degree of concentration of single client financing	Not more than 30%	**10.69%**
Degree of concentration of single group client financing	Not more than 50%	**14.38%**
Ratio of a single related client (1)	Not more than 30%	**1.16%**
Ratio of all related parties (2)	Not more than 50%	**2.61%**
Ratio of a single related Shareholder (3)	Not more than 100%	**38.31%**
Ratio of interbank lending (4)	Not more than 100%	**26.50%**
Ratio of allowance to non-performing finance lease related assets	Above 150%	**573.07%**
Ratio of allowance to total finance lease related assets (5)	Above 2.5%	**4.19%**
Investment in fixed-income securities (6)	Not more than 20%	**3.54%**

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

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

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

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

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

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

11. PROSPECTS

In 2023, the global economy will face the dual pressure of slowing growth and high inflation stickiness. According to the forecast of the International Monetary Fund, the global economic growth rate will drop to 2.9%, and global inflation will remain high for a long time.

Internationally, the global politics and economics are facing increasing uncertainties. The persistence of high inflation in the developed economies including the United States, Europe and the United Kingdom will exceed expectations, and monetary policy will be forced to accelerate contraction, which may trigger economic recession and capital market turmoil. Domestically, China's economy is still facing the triple pressure of demand contraction, supply shock and weakening expectations, but such pressure will be eased compared to 2022. The Chinese government work report pointed out that the main expected goal of China's development in 2023 is to increase the GDP by approximately 5%. On the whole, China's economy is expected to continue to return to its potential growth rate in 2023, and the momentum of economic growth will be switched.

In 2023, the development opportunities and challenges of the financial leasing industry coexist. On the one hand, under the background of China's expansion of domestic demand and the accelerated implementation of major projects in the "14th Five-Year Plan", corresponding leasing business opportunities may arise. On the other hand, China's regulatory policies in 2023 are expected to continue to guide the leasing industry back to its roots, support green and low-carbon circular development, and better serve the real economy. Leasing companies need to continue to strengthen the tracking, analysis and judgment of policies, markets, industries and regions, seize development opportunities, and promote business innovation and transformation.

Looking forward to 2023, the Group will stick to the origin of leasing, focus on its main responsibilities and principal businesses, give full play to its unique advantages in leasing, and serve the development of the real economy. We will accelerate innovation and transformation, optimize business layout, enhance professional development capabilities, improve asset and liability management system and comprehensive risk management system, improve operation quality and efficiency, promote sustainable, steady and healthy development of the Group, and strive to become a pioneer in the high-quality development of the financial leasing industry.

OTHER INFORMATION

Corporate Governance Practice

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

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

According to code provision B.2.2 of the Corporate Governance Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. As disclosed in the Company's announcement dated October 31, 2022, the term of the second session of the Board and the Board of Supervisors had expired on November 11, 2022. As the nomination of candidates for Directors and Supervisors of the third session of the Board and the Board of Supervisors has not been completed, the election of the Board and the Board of Supervisors is still in proactive preparation, and in order to ensure the continuity of the relevant work of the Company, the election of the Board and the Board of Supervisors will be postponed. The term of the Directors of the second session of the Board and the Supervisors of the second session of the Board of Supervisors will be extended till the election of the third session of the Board and the Board of Supervisors at a general meeting of the Company, and the term of each special committee of the Board, the Board of Supervisors and the senior management of the Company will be correspondingly extended. The Company will determine relevant matters as soon as possible, actively promote the process of election of the Board and the Board of Supervisors, and fulfil its corresponding obligations of information disclosure in a timely manner.

According to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. Following the resignation of Mr. Peng Zhong as the vice chairman, executive director, the president of the Company and a member of the strategic decision committee of the Board, a member of the risk management and internal control committee of the Board and a member of the remuneration committee of the Board on December 9, 2022, Ms. Ma Hong, an executive Director and chairwoman of the Board, has temporarily performed the duties of the president of the Company to ensure the normal operation and management of the Company. The Company will identify suitable candidates to fill the vacancies of the vice chairman, executive director and the president as soon as possible.

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

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

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

Final Dividend

The Board recommended to distribute a final dividend of RMB0.7952 per 10 shares (inclusive of tax) for the year ended December 31, 2022. The net profit of the Group for the year ended December 31, 2022 amounted to approximately RMB3,351,073 thousand, and the total amount of profit distribution amounted to approximately RMB1,005,322 thousand, which accounted for 30% of the net profit of the Group for the year 2022. 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 2022, 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 relevant closure of register of members, as well as the payment date for the final dividend and the closure of register of members.

Purchase, Sale or Redemption of Listed Securities

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

Review of Annual Results

The consolidated financial statements of the Group for the year ended December 31, 2022 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, 2022. The figures in respect of the Group's results for the year ended December 31, 2022 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, 2022.

Publication of Annual Report

The annual report of the Company for the year ended December 31, 2022 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 December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31, 2022	2021
Revenue		
Finance lease income	**10,288,623**	9,813,486
Operating lease income	**12,475,713**	11,550,309
Total revenue	**22,764,336**	21,363,795
Net investment gains	**32,489**	87,279
Other income, gains or losses	**2,256,632**	1,864,732
Total revenue and other income	**25,053,457**	23,315,806
Depreciation and amortisation	**(5,380,735)**	(4,348,822)
Staff costs	**(546,785)**	(494,793)
Fee and commission expenses	**(51,015)**	(82,056)
Interest expenses	**(8,206,689)**	(8,087,780)
Other operating expenses	**(1,653,476)**	(1,256,500)
Net impairment losses on financial assets	**(1,226,596)**	(2,443,087)
Net impairment losses on other assets	**(3,030,207)**	(1,067,202)
Total expenses	**(20,095,503)**	(17,780,240)
Profit before tax	**4,957,954**	5,535,566
Income tax expense	**(1,606,881)**	(1,613,354)
Profit for the year attributable to owners of the Company	**3,351,073**	3,922,212
Earnings per share attributable to owners of the Company		
(expressed in RMB Yuan per share)		
– Basic	**0.27**	0.31
– Diluted	**0.27**	0.31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31,	
	2022	2021
Profit for the year	**3,351,073**	3,922,212
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Gains/(losses) on financial assets at fair value through other comprehensive income, net of tax	**904**	(12,536)
Gains/(losses) on cash flow hedges, net of tax	**1,155,597**	698,512
Currency translation differences	**845,743**	(150,205)
Total other comprehensive income for the year, net of tax	**2,002,244**	535,771
Total comprehensive income for the year attributable to owners of the Company	**5,353,317**	4,457,983

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	As at December 31, 2022	2021
Assets		
Cash and bank balances	**29,760,725**	36,833,077
Financial assets at fair value through profit or loss (FVTPL)	**131,894**	156,330
Derivative financial assets	**840,778**	94,627
Financial assets at fair value through other comprehensive income (FVOCI)	**1,464,986**	970,740
Accounts receivable	**3,487,733**	1,245,057
Finance lease receivables	**193,494,283**	190,871,553
Assets held-for-sale	**364,578**	–
Prepayments	**11,551,036**	11,958,595
Investment properties	**1,041,945**	904,310
Property and equipment	**106,524,461**	92,829,721
Right-of-use assets	**141,184**	154,492
Deferred tax assets	**1,831,030**	1,674,834
Other assets	**4,082,614**	4,144,293
Total assets	**354,717,247**	341,837,629
Liabilities		
Borrowings	**246,882,657**	236,087,673
Due to banks and other financial institutions	**11,230,725**	10,657,467
Financial assets sold under repurchase agreements	**429,914**	–
Derivative financial liabilities	**28,283**	576,497
Accrued staff costs	**263,800**	203,957
Bonds payable	**36,872,054**	45,045,528
Tax payable	**769,122**	372,472
Lease liabilities	**147,234**	172,141
Deferred tax liabilities	**1,541,095**	1,822,217
Other liabilities	**22,268,918**	16,792,923
Total liabilities	**320,433,802**	311,730,875

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	As at December 31,	
	2022	2021
Equity		
Share capital	**12,642,380**	12,642,380
Capital reserve	**2,418,689**	2,418,689
Hedging and fair value reserve	**696,592**	(459,909)
Translation reserve	**506,969**	(338,774)
General reserve	**6,792,264**	6,235,767
Retained earnings	**11,226,551**	9,608,601
Total equity	**34,283,445**	30,106,754
Total liabilities and equity	**354,717,247**	341,837,629

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022
(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 January 1, 2022	**12,642,380**	**2,418,689**	**(459,909)**	**(338,774)**	**6,235,767**	**9,608,601**	**30,106,754**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**3,351,073**	**3,351,073**
Other comprehensive income for the year	**–**	**–**	**1,156,501**	**845,743**	**–**	**–**	**2,002,244**
Total comprehensive income for the year	**–**	**–**	**1,156,501**	**845,743**	**–**	**3,351,073**	**5,353,317**
Dividends	**–**	**–**	**–**	**–**	**–**	**(1,176,626)**	**(1,176,626)**
Appropriation to general reserve	**–**	**–**	**–**	**–**	**556,497**	**(556,497)**	**–**
As at December 31, 2022	**12,642,380**	**2,418,689**	**696,592**	**506,969**	**6,792,264**	**11,226,551**	**34,283,445**
As at January 1, 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 December 31, 2021	12,642,380	2,418,689	(459,909)	(338,774)	6,235,767	9,608,601	30,106,754

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31,	
	2022	2021
OPERATING ACTIVITIES		
Profit before tax	**4,957,954**	5,535,566
Adjustments for:		
Bonds payable interest expenses	**1,282,767**	1,446,828
Lease liabilities interest expenses	**7,154**	8,285
Depreciation and amortisation	**5,380,735**	4,348,822
Net impairment losses on financial assets	**1,226,596**	2,443,087
Net impairment losses on other assets	**3,030,207**	1,067,202
Amortisation income of lease discount liabilities	**(36,932)**	(34,227)
Gains on disposal of equipment held for operating lease businesses	**(613,236)**	(554,810)
Losses on disposal of property and equipment held for administrative purposes	**33**	–
Gains on disposal of finance lease receivables	**(28,639)**	(102,186)
Realised losses from derivatives	**–**	5,591
Realised gains from FVOCI	**(27,823)**	(43,537)
Unrealised fair value changes in derivatives	**(463)**	(7,679)
Unrealised fair value changes in FVTPL	**24,437**	60,532
Foreign exchange (gains)/losses from derivatives	**170,962**	(118,621)
Operating cash flows before movements in working capital	**15,373,752**	14,054,853
Decrease in mandatory reserve deposits with central bank	**41,320**	33,174
(Increase)/decrease in accounts receivable	**(582,316)**	257,300
Increase in finance lease receivables	**(735,802)**	(26,835,927)
(Increase)/decrease in other assets	**(4,814,470)**	278,625
Increase in borrowings	**5,609,793**	26,523,289
Increase in due to banks and other financial institutions	**214,030**	9,761,720
Increase in financial assets sold under repurchase agreements	**429,914**	–
Increase in accrued staff costs	**59,843**	48,263
Increase in other liabilities	**3,228,878**	528,511
Cash flows from operating activities	**18,824,942**	24,649,808
Income taxes paid	**(1,825,135)**	(942,076)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**16,999,807**	23,707,732

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31,	
	2022	2021
INVESTING ACTIVITIES		
Change in pledged and restricted bank deposits	**1,495,067**	(5,820,686)
Purchase of FVOCI	**(1,956,433)**	(969,393)
Proceeds from disposal/maturity of FVTPL	**(151,337)**	326,464
Proceeds from disposal/maturity of FVOCI and others	**1,519,854**	1,101,393
Proceeds from disposal of property and equipment	**4,246,568**	5,788,462
Purchase of property and equipment	**(13,942,972)**	(24,550,354)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(8,789,253)**	(24,124,114)
FINANCING ACTIVITIES		
Proceeds from issue of bonds	**10,477,391**	12,887,521
Repayments of bonds	**(22,176,178)**	(13,548,070)
Bond issuance cost	**(43,523)**	(39,953)
Bond interest paid	**(1,356,437)**	(1,465,569)
Dividends paid	**(1,321,541)**	(918,834)
Decrease in lease liabilities	**(46,171)**	(32,902)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(14,466,459)**	(3,117,807)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(6,255,905)**	(3,534,189)
Effects of foreign exchange changes	**719,940**	(413,232)
Cash and cash equivalents at beginning of the year	**30,196,765**	34,144,186
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**24,660,800**	30,196,765
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	**10,721,473**	10,118,370
Interest paid, exclusive bonds payable interest expenses	**(6,783,207)**	(6,681,066)
Net interest received	**3,938,266**	3,437,304

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 December 25, 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 September 8, 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 September 28, 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 July 11, 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 July 29, 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 December 27, 2019, the Company repurchased and then cancelled 687,024,000 H share at the price of US$0.2863 per share from Three Gorges Capital Holdings (HK) Co., Ltd (三峽資本控股(香港)有限公司). Meanwhile, the Company issued 687,024,000 non-tradable domestic stocks to China Three Gorges Corporation Co., Ltd. (中國長江三峽集團有限公司) at the same price as the repurchased price. These changes have no effect on the total share capital of the Company.

The Company and its subsidiaries (the "**Group**") are principally engaged in aircraft leasing, ship leasing, infrastructure leasing, inclusive finance leasing, transfers of finance lease assets and lease-related financial business.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 New and amended standards and interpretations

2.2.1 New and amended standards and interpretations have been adopted

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018 – 2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*

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

Amendments to IFRS 3: Reference to the Conceptual Framework

Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date.

The Group has applied the amendments prospectively to business combinations that occurred on or after January 1, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss.

The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after January 1, 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after January 1, 2021, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at January 1, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to IFRSs 2018 – 2020: Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 1, 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

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

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

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

		Effective for annual periods beginning on or after
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*	January 1, 2024
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*	January 1, 2023
Amendments to IAS 8	*Definition of Accounting Estimates*	January 1, 2023
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	January 1, 2023

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

Amendments to IFRS 16

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after January 1, 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2

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

Amendments to IAS 8

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

Amendments to IAS 12

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have significant impact on the Group's financial statements.

2.3 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	5%	3 to 5 years
Leasehold improvements	0%	The life of the lease

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

	Estimated residual value rates	Estimated useful life
Aircraft	15%	7 to 30 years
Aircraft – Buyer furnish equipment (BFE)	0%	The life of the lease
Ships	10%-15%	8 to 25 years
Special equipment	5%	8 to 10 years

2.5 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 is determined by the open market quotations. And those instruments are classified as level 1. As level 2, the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

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

- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves;
- for currency forwards – present value of future cash flows based on forward exchange rates at the balance sheet date;
- for foreign currency options – option pricing models (e.g. Black Scholes model); and
- for other financial instruments – discounted cash flow analysis.

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

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

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

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

2.5.5 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 December 31,	
	2022	2021
Finance lease income [1]	**10,288,623**	9,813,486
Operating lease income	**12,475,713**	11,550,309
	22,764,336	21,363,795

(1) The Group recognised finance lease income of approximately RMB5,624 thousand and RMB19,264 thousand from non-performing finance lease receivables for the years of 2022 and 2021, respectively.

4 NET INVESTMENT GAINS

	Year ended December 31,	
	2022	2021
Realised gains from financial assets at fair value through other comprehensive income	**27,823**	43,537
Realised gains from disposal of finance lease receivables	**28,639**	102,186
Realised losses from derivatives	**–**	(5,591)
Unrealised fair value change of derivatives	**463**	7,679
Unrealised fair value change of financial assets at fair value through profit or loss	**(24,436)**	(60,532)
	32,489	87,279

5 OTHER INCOME, GAINS OR LOSSES

	Year ended December 31,	
	2022	2021
Interest income from deposits with financial institutions	**469,020**	317,587
Gains on disposal of assets held for operating lease businesses, net	**613,236**	554,810
Government grants and incentives [1]	**91,390**	195,489
Management and commission fee income	**872,295**	657,526
Foreign exchange gains, net	**127,524**	72,489
Consulting fee income	**726**	1,315
Others	**82,441**	65,516
	2,256,632	1,864,732

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

Pursuant to relevant documents published by Shenzhen Government in the PRC, the Group received government grants and incentives from Shenzhen Government in the years of 2022 and 2021, respectively, for encouraging the development of the financial industry. Such grants have been recognised as income when received.

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

6 INTEREST EXPENSES

	Year ended December 31,	
	2022	2021
Borrowings	**6,766,071**	6,457,709
Bonds payable	**1,282,767**	1,446,828
Due to banks and other financial institutions	**263,760**	222,479
Financial assets sold under repurchase agreements	**18,100**	29,185
Deposits from lessees	**327**	812
Others	**117,437**	63,801
Less: Interest capitalised on qualifying assets [(1)]	**(241,773)**	(133,034)
	8,206,689	8,087,780

[(1)] Interest capitalised on qualifying assets in 2022 included RMB241,773 thousand (2021: RMB133,034 thousand) on prepayments.

7 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended December 31,	
	2022	2021
Finance lease receivables	**1,242,130**	1,874,927
Accounts receivable	**(332,716)**	353,103
Straightline lease asset	**311,383**	209,776
Others	**5,799**	5,281
	1,226,596	2,443,087

8 NET IMPAIRMENT LOSSES ON OTHER ASSETS

	Year ended December 31,	
	2022	2021
Equipment held for operating lease businesses	**3,027,853**	878,897
Investment properties	**–**	118,219
Repossessed assets	**–**	28,573
Assets held for sale	**–**	41,513
Aircraft supplementary assets	**2,354**	–
	3,030,207	1,067,202

9 INCOME TAX EXPENSE

	Year ended December 31, **2022**	2021
Current income tax		
– PRC enterprise income tax	**2,182,954**	949,137
– Income tax in other countries	**9,133**	7,769
Deferred income tax	**(598,141)**	636,760
Under provision in prior year	**12,935**	19,688
	1,606,881	1,613,354

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

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

	Year ended December 31, **2022**	2021
Profit before tax	**4,957,954**	5,535,566
Tax at the statutory tax rate of 25%	**1,239,489**	1,383,892
Tax effect of expenses not deductible for tax purpose	**18,474**	34,400
Under provision in prior year	**12,935**	19,688
Tax losses and deductible temporary difference not recognised	**108,920**	37,294
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	**227,063**	138,080
Income tax expense for the year	**1,606,881**	1,613,354

10 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Year ended December 31, **2022**	2021
Earnings:		
Profit attributable to owners of the Company *(RMB'000)*	**3,351,073**	3,922,212
Number of shares:		
Weighted average number of shares in issue *('000)*	**12,642,380**	12,642,380
Basic earnings per share *(RMB Yuan)*	**0.27**	0.31

Basic earnings per share amounts are calculated by dividing the profit attributable to owners of the Company by the weighted average numbers of ordinary shares in issue during the years ended December 31, 2022 and 2021, respectively.

Diluted earnings per share amounts are the same as basic earnings per share amounts due to the absence of dilutive potential ordinary share in the years of 2022 and 2021, respectively.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2022	December 31, 2021
Measured at fair value:		
Equity investment, listed	**14,034**	12,585
Equity investment, unlisted	**117,860**	143,745
	131,894	156,330

12 DERIVATIVE FINANCIAL INSTRUMENTS

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

	December 31, 2022		
		Fair value	
	Contractual/ Notional amount	**Assets**	**Liabilities**
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	**17,396,951**	**797,740**	**–**
Derivatives not under hedge accounting:			
Currency forwards	**139,292**	**–**	**(1,280)**
Cross currency swaps	**6,496,079**	**22,947**	**(27,003)**
Foreign exchange swaps	**905,398**	**20,091**	**–**
	24,937,720	**840,778**	**(28,283)**

	December 31, 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)

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.

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

Hedge ineffectiveness can arise from:

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

	Outstanding notional amounts	**Assets/ (Liabilities)**	**USD interest rates (p.a.)**	**Foreign currency rates**	**Maturity (Year)**
December 31, 2022					
Cash flow hedge					
Interest rate swaps (1)					
USD	**17,396,951**	**797,740**	**0.2680% to 3.2030%**	**–**	**2023 to 2028**

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

(1) The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from related borrowings and bonds payable which are pegged to USD London Inter-bank Offered Rates ("**LIBOR**"). Under these interest rate swaps, the Group receives floating interest pegged to USD LIBOR and pays fixed interest. These hedges are classified as cash flow hedges and the effective part of the fair value changes of these interest rate swaps is recognized in hedging reserve, amounting to RMB1,172,025 thousand in 2022 (2021: RMB736,894 thousand), and the hedge ineffectiveness is recognized in profit or loss, which is immaterial in 2022 and 2021.

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

Interest rate benchmark reform

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

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

As at December 31, 2022

	Nominal amount	**Weighted average remaining maturity (Years)**
Interest rate swaps:		
USD LIBOR (3 months)	**17,197,067**	**2.3**
USD LIBOR (6 months)	**199,884**	**0.9**
	17,396,951	

As at December 31, 2021

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

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2022	December 31, 2021
Measured at fair value:		
Certificates of deposit	**1,464,986**	970,740

14 ACCOUNTS RECEIVABLE

	December 31, 2022	December 31, 2021
Operating lease receivables (1)	**1,719,859**	2,338,378
Advances for finance lease projects (2)	**2,489,752**	–
Other accounts receivable	**67,463**	13,902
	4,277,074	2,352,280
Less: Allowance for impairment losses		
– Allowance for operating lease receivables	**(756,502)**	(1,107,223)
– Allowances for advances for finance lease projects	**(28,791)**	–
– Allowances for other accounts receivable	**(4,048)**	–
	(789,341)	(1,107,223)
	3,487,733	1,245,057

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

	December 31, 2022	December 31, 2021
On demand/Deferred	**308,283**	888,792
Overdue within 1 month	**278,452**	60,076
Overdue 1 to 2 months	**28,062**	28,417
Overdue 2 to 3 months	**12,527**	29,966
Overdue over 3 months	**336,033**	223,904
	963,357	1,231,155

(2) The advances for finance lease projects arise from situations where the Group has already made payments to lessees but the leased assets are under construction and the Group does not obtain the ownership of such leased assets. Relevant contracts will take effect once the construction of such leased assets is completed and the terms of corresponding lease contract commences upon signing off between the lessees and the Group. The advances for finance lease projects will then be transferred to finance lease receivables. Thus, ageing analysis of such advances was considered not meaningful.

The advances for finance lease projects with a carrying amount of approximately RMB464,480 thousand were pledged as collateral for the Group's bank borrowings as at December 31, 2022 (December 31, 2021: nil) (Note 17).

Movements of accounts receivable between stages for the years of 2022 and 2021 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Gross amount					
Amount as at January 1, 2022	**–**	**–**	**–**	**2,352,280**	**2,352,280**
New assets originated/(repayment)	**2,443,814**	**–**	**–**	**(675,197)**	**1,768,617**
Written-off	**–**	**–**	**–**	**(72,211)**	**(72,211)**
Effect of foreign currency exchange differences	**45,938**	**–**	**–**	**182,450**	**228,388**
Amount as at December 31, 2022	**2,489,752**	**–**	**–**	**1,787,322**	**4,277,074**

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Gross amount					
Amount as at January 1, 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 December 31, 2021	–	–	–	2,352,280	2,352,280

Movements of allowance for impairment losses during the years of 2022 and 2021 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Allowance for impairment losses					
Amount as at January 1, 2022	**–**	**–**	**–**	**1,107,223**	**1,107,223**
Net increase/(decrease) (1)	**28,367**	**–**	**–**	**–**	**28,367**
Charged/(recovered) for the year (2)	**–**	**–**	**–**	**(361,083)**	**(361,083)**
Written-off	**–**	**–**	**–**	**(72,211)**	**(72,211)**
Effect of foreign currency exchange differences	**424**	**–**	**–**	**86,621**	**87,045**
Amount as at December 31, 2022	**28,791**	**–**	**–**	**760,550**	**789,341**

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

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

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

15 FINANCE LEASE RECEIVABLES

	December 31, 2022	December 31, 2021
Finance lease receivables		
Not later than one year	**60,829,809**	58,571,300
Later than one year and not later than five years	**130,697,442**	121,976,649
Later than five years	**44,249,417**	53,112,339
Gross amount of finance lease receivables	**235,776,668**	233,660,288
Less: Unearned finance income	**(33,743,782)**	(35,198,445)
Present value of minimum finance lease receivables	**202,032,886**	198,461,843
Less: Allowance for impairment losses	**(8,538,603)**	(7,590,290)
Carrying amount of finance lease receivables	**193,494,283**	190,871,553
Present value of minimum finance lease receivables		
Not later than one year	**51,311,657**	48,995,907
Later than one year and not later than five years	**112,880,748**	103,715,411
Later than five years	**37,840,481**	45,750,525
	202,032,886	198,461,843

The Group entered into finance lease arrangements for certain of its aircraft, ships, equipment for infrastructure, transport and construction vehicle. The term range of finance leases is from 1 to 18 years.

The finance lease receivables with a carrying amount of approximately RMB2,727,320 thousand were pledged as collateral for the Group's bank borrowings as at December 31, 2022 (December 31, 2021: RMB6,026,467 thousand) (Note 17).

As at December 31, 2022, finance lease receivables with the carrying value of approximately RMB7,729,097 thousand were fully recognised under factoring arrangements entered into by the Group (as at December 31, 2021: RMB1,209,614 thousand).

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

Movements between stages for the years of 2022 and 2021 within finance lease receivables are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Present value of minimum finance lease receivables				
Amount as at January 1, 2022	**178,257,871**	**19,144,924**	**1,059,048**	**198,461,843**
Movement within stages:				
Move to stage 1	**2,026,760**	**(2,026,760)**	**–**	**–**
Move to stage 2	**(10,813,324)**	**10,813,324**	**–**	**–**
Move to stage 3	**–**	**(665,422)**	**665,422**	**–**
Net assets originated/(repayment)	**3,127,937**	**166,279**	**(28,655)**	**3,265,561**
Written-off/transfer out	**–**	**(550,552)**	**(215,663)**	**(766,215)**
Effect of foreign currency exchange differences	**1,045,362**	**11,475**	**14,860**	**1,071,697**
Amount as at December 31, 2022	**173,644,606**	**26,893,268**	**1,495,012**	**202,032,886**

	Stage 1	Stage 2	Stage 3	Total
Present value of minimum finance lease receivables				
Amount as at January 1, 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 December 31, 2021	178,257,871	19,144,924	1,059,048	198,461,843

Movements of allowance for impairment losses on finance lease receivables during the years of 2022 and 2021 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for impairment losses				
Amount as at January 1, 2022	**3,085,915**	**3,504,853**	**999,522**	**7,590,290**
Movement within stages:				
Move to stage 1	**245,076**	**(245,076)**	**–**	**–**
Move to stage 2	**(309,870)**	**309,870**	**–**	**–**
Move to stage 3	**–**	**(367,150)**	**367,150**	**–**
Net increase/(decrease) [1]	**(115,002)**	**(123,574)**	**(9,704)**	**(248,280)**
Charged/(recovered) for the year [2]	**668,152**	**489,382**	**332,876**	**1,490,410**
Written-off/transfer out	**–**	**(147,548)**	**(215,663)**	**(363,211)**
Effect of foreign currency exchange differences	**53,437**	**9,138**	**6,819**	**69,394**
Amount as at December 31, 2022	**3,627,708**	**3,429,895**	**1,481,000**	**8,538,603**

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at January 1, 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 December 31, 2021	3,085,915	3,504,853	999,522	7,590,290

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

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

16 PROPERTY AND EQUIPMENT

	December 31, 2022	December 31, 2021
Equipment held for operating lease businesses	**105,799,049**	92,070,297
Property and equipment held for administrative purposes	**725,412**	759,424
	106,524,461	92,829,721

Equipment held for operating lease businesses

	Aircraft	Ships	Special equipment	Total
Cost				
As at January 1, 2022	**82,403,395**	**28,270,238**	**264,035**	**110,937,668**
Additions	**13,015,080**	**4,570,969**	**65,133**	**17,651,182**
Transfer from finance lease receivables	**–**	**550,552**	**–**	**550,552**
Disposals/written-off	**(3,701,526)**	**(671,062)**	**(264,035)**	**(4,636,623)**
Foreign currency translation	**7,940,326**	**2,044,602**	**–**	**9,984,928**
As at December 31, 2022	**99,657,275**	**34,765,299**	**65,133**	**134,487,707**
Accumulated depreciation				
As at January 1, 2022	**(13,957,441)**	**(1,756,134)**	**(187,633)**	**(15,901,208)**
Charged for the year	**(3,626,478)**	**(1,597,652)**	**(1,033)**	**(5,225,163)**
Disposals/written-off	**260,083**	**305,853**	**187,631**	**753,567**
Foreign currency translation	**(1,408,398)**	**(458,944)**	**–**	**(1,867,342)**
As at December 31, 2022	**(18,732,234)**	**(3,506,877)**	**(1,035)**	**(22,240,146)**
Accumulated impairment				
As at January 1, 2022	**(2,641,731)**	**(324,432)**	**–**	**(2,966,163)**
Charged for the year	**(2,953,231)**	**(74,622)**	**–**	**(3,027,853)**
Transfer from finance lease receivables	**–**	**(147,548)**	**–**	**(147,548)**
Disposals/written-off	**67,340**	**61,527**	**–**	**128,867**
Foreign currency translation	**(345,825)**	**(89,990)**	**–**	**(435,815)**
As at December 31, 2022	**(5,873,447)**	**(575,065)**	**–**	**(6,448,512)**
Net carrying amount				
As at January 1, 2022	**65,804,223**	**26,189,672**	**76,402**	**92,070,297**
As at December 31, 2022	**75,051,594**	**30,683,357**	**64,098**	**105,799,049**

	Aircraft	Ships	Special equipment	Total
Cost				
As at January 1, 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 December 31, 2021	82,403,395	28,270,238	264,035	110,937,668
Accumulated depreciation				
As at January 1, 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 December 31, 2021	(13,957,441)	(1,756,134)	(187,633)	(15,901,208)
Accumulated impairment				
As at January 1, 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 December 31, 2021	(2,641,731)	(324,432)	–	(2,966,163)
Net carrying amount				
As at January 1, 2021	62,527,594	13,624,817	146,714	76,299,125
As at December 31, 2021	65,804,223	26,189,672	76,402	92,070,297

As at December 31, 2022, the equipment held for operating lease businesses of the Group with net book values of approximately RMB38,797,903 thousand (December 31, 2021: RMB29,016,282 thousand) and RMB1,092,143 thousand (December 31, 2021: RMB1,060,935 thousand) were pledged as collateral for the Group's bank borrowings (Note 17) and long-term payables, respectively.

Property and equipment held for administrative purposes

	Buildings	**Computers and electronic equipment**	**Motor vehicles**	**Office equipment**	**Leasehold improvements**	**Total**
Cost						
As at January 1, 2022	**786,158**	**33,921**	**5,472**	**19,066**	**71,627**	**916,244**
Additions	**–**	**30,116**	**–**	**42,345**	**35**	**72,496**
Transfer from investment properties	**2,781**	**–**	**–**	**–**	**–**	**2,781**
Disposals/written-off	**(73,340)**	**(3,321)**	**–**	**(261)**	**(14,787)**	**(91,709)**
Foreign currency translation	**–**	**1,100**	**–**	**633**	**4,647**	**6,380**
As at December 31, 2022	**715,599**	**61,816**	**5,472**	**61,783**	**61,522**	**906,192**
Accumulated depreciation						
As at January 1, 2022	**(89,466)**	**(17,675)**	**(3,865)**	**(14,192)**	**(31,622)**	**(156,820)**
Charged for the year	**(10,229)**	**(17,690)**	**(601)**	**(4,764)**	**(3,017)**	**(36,301)**
Transfer from investment properties	**(270)**	**–**	**–**	**–**	**–**	**(270)**
Disposals/written-off	**298**	**–**	**–**	**–**	**14,787**	**15,085**
Foreign currency translation	**–**	**(832)**	**–**	**(443)**	**(1,199)**	**(2,474)**
As at December 31, 2022	**(99,667)**	**(36,197)**	**(4,466)**	**(19,399)**	**(21,051)**	**(180,780)**
Net carrying amount						
As at January 1, 2022	**696,692**	**16,246**	**1,607**	**4,874**	**40,005**	**759,424**
As at December 31, 2022	**615,932**	**25,619**	**1,006**	**42,384**	**40,471**	**725,412**

	Buildings	Computers and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
Cost						
As at January 1, 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 December 31, 2021	786,158	33,921	5,472	19,066	71,627	916,244
Accumulated depreciation						
As at January 1, 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 December 31, 2021	(89,466)	(17,675)	(3,865)	(14,192)	(31,622)	(156,820)
Net carrying amount						
As at January 1, 2021	730,854	6,186	2,371	6,379	43,852	789,642
As at December 31, 2021	696,692	16,246	1,607	4,874	40,005	759,424

As at December 31, 2022, the carrying value of property and equipment of the Group for which registration was not completed amounted to approximately RMB7,445 thousand (December 31, 2021: RMB7,987 thousand). However, this registration process does not affect the rights of the Group to these assets.

For the year ended December 31, 2022, in accordance with IAS 36 Impairment of Assets, aircraft and ships were tested for indicators of impairment. To aid in this assessment, the Group sought valuations from independent aircraft appraisal firms. These appraisers make assumptions and estimates with respect to the future valuations of aircraft and ships. For the purpose of recognition and measurement of an impairment loss, if it is determined that a test for impairment is required, each aircraft or ship is tested individually by comparing its carrying amount to the higher of its value in use and fair value less costs to sell.

Value in use is determined as the total discounted cash flows expected to be generated by an aircraft or ship in the future. The estimated cash flows are discounted to their present value by using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset in question. For the calculation of value in use, the weighted average discount rates ("WACC") for December 31, 2022 were 6.30% and 6.57% (2021: 4.80% and 5.34%) for aircraft and ships, respectively. Fair value less costs to sell is determined by the Group based on the most relevant of observable market information from independent appraisal firms. In cases where the carrying value of the aircraft exceeded the higher of value in use and fair value less costs to sell, an impairment charge is recognised.

As a result of the review, an impairment charge of RMB2,953 million (2021: RMB788 million) was recognised on 41 aircraft (2021: 25 aircraft), including the impairment charge for 9 aircraft trapped in Russia. An impairment charge of RMB75 million (2021: RMB88 million) was recognised on 7 ships (2021: 5 ships).

Due to Russia-Ukraine conflict began in February 2022, the USA, the European Union and other countries imposed sanctions on Russia. The Group terminated the leasing of 15 aircraft with Russian airlines and of which 6 aircraft have been successfully repossessed. As at 31 December 2022, there are still 9 aircraft remained detained in Russia, the Group believes that it is unlikely to be able to repossess those aircraft from Russia in the foreseeable future, if ever. The Group has recognized an impairment losses of RMB2,414 million on these assets during the period ended 31 December 2022. As at 31 December 2022, the Group has filed claims under its relevant insurances and is pursuing those claims for the agreed values of the aircraft as defined in the relevant policies.

The Directors of the Company are satisfied that the net book value of property and equipment is not further impaired below the balance recorded at December 31, 2022.

As at December 31, 2022, assuming the WACC increases by 50BP, the impairment will increase RMB74 million (2021: RMB51 million) for aircraft; if the WACC decrease by 50BP, then the impairment will decrease RMB96 million (2021: RMB42 million) for aircraft.

As at December 31, 2022, assuming the current market value increases by 5%, the impairment will decrease RMB156 million and RMB25 million (2021: RMB33 million and RMB81 million) for aircraft and ship, respectively. If the current market value decrease by 5%, the impairment will increase RMB127 million and RMB30 million (2021: RMB35 million and RMB27 million) for aircraft and ship, respectively.

17 BORROWINGS

	December 31, 2022	December 31, 2021
Secured bank borrowings [(1)]	**32,333,829**	28,099,086
Factoring financing [(2)]	**7,104,143**	1,175,830
Unsecured bank borrowings	**207,444,685**	206,812,757
	246,882,657	236,087,673

	December 31, 2022	December 31, 2021
Carrying amount repayable:		
Within one year	**187,670,246**	212,544,215
More than one year, but not exceeding two years	**44,300,211**	15,250,460
More than two years, but not exceeding five years	**12,333,935**	6,655,225
More than five years	**2,578,265**	1,637,773
	246,882,657	236,087,673

(1) Secured bank borrowings

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

	December 31, 2022	December 31, 2021
Equipment held for operating lease businesses	**38,797,903**	29,016,282
Finance lease receivables	**2,727,320**	6,026,467
Accounts receivable	**464,480**	–
Bank deposits	**2,262,687**	4,170,823
	44,252,390	39,213,572

(2) The Group entered into finance lease receivables factoring arrangements and has recognised the cash received for the transfer as factoring financing, which was approximately RMB7,104,143 thousand as at December 31, 2022 (December 31, 2021: RMB1,175,830 thousand).

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

	December 31, 2022	December 31, 2021
Fixed-rate borrowings:		
Within one year	**145,544,303**	173,337,893
More than one year, but not exceeding five years	**22,210,656**	494,282
More than five years	**527,622**	186,316
	168,282,581	174,018,491

In addition, the Group has floating-rate borrowings which carry interest based on LPR, LIBOR, Secured Overnight Financing Rate ("**SOFR**") or Term SOFR.

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

	December 31, 2022	December 31, 2021
Effective interest rates:		
Fixed-rate borrowings	**1.45% – 5.95%**	0.12% – 4.45%
Floating-rate borrowings	**1M LIBOR+0.37% to 6M LIBOR+2.80%**	3M LIBOR+0.30% to 3M LIBOR+3.00%

18 BONDS PAYABLE

	December 31, 2022	December 31, 2021
Guaranteed unsecured bonds	**32,043,941**	40,630,522
Unguaranteed unsecured bonds	**4,828,113**	4,415,006
	36,872,054	45,045,528

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

				As at December 31, 2022		
			Maturity (Year)	**Face value**	**Guaranteed unsecured bonds [(1)]**	**Unguaranteed unsecured bonds**
Issuer	Currency	Fixed coupon rate				
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,875,220	–	4,875,220
CDBL Funding 2 [(3)]	RMB	3.05% to 3.40%	2023 to 2024	900,000	900,000	–
	HKD	1.20% to 1.40%	2023 to 2024	1,161,251	1,161,251	–
	USD	1.20% to 3.125%	2023 to 2027	14,333,147	14,333,147	–
CDBL Funding 1 [(3)]	USD	1.50% to 4.25%	2023 to 2027	13,441,678	13,441,678	–
				34,711,296	29,836,076	4,875,220
Issuer	Currency	Floating rate				
CDBL Funding 2 [(3)]	USD	SOFR + Margin ranging from 0.85% to 1.00%	2023 to 2025	2,298,318	2,298,318	–
				37,009,614	32,134,394	4,875,220

Issuer	Currency	Fixed coupon rate	Maturity (Year)	As at December 31, 2021 Face value	Guaranteed unsecured bonds [2]	Unguaranteed unsecured bonds
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,462,990	–	4,462,990
CDBL Funding 2 [3]	RMB	3.60%	2022	270,000	270,000	–
	HKD	1.00% to 3.30%	2022 to 2024	1,929,536	1,929,536	–
	USD	0.80% to 3.75%	2022 to 2026	19,094,903	19,094,903	–
CDBL Funding 1 [3]	USD	1.05% to 4.25%	2022 to 2027	13,070,185	13,070,185	–
Amber Circle Funding Limited [3]	USD	3.25%	2022	6,375,700	6,375,700	–
				45,203,314	40,740,324	4,462,990

(1) As at December 31, 2022, the bonds were unconditionally and irrevocably guaranteed by CDB Leasing (International) Company Limited or CDB Aviation Lease Finance Designated Activity Company, with the benefit of a Keepwell and Asset Purchase Deed provided by the Company. CDB Leasing (International) Company Limited and CDB Aviation Lease Finance Designated Activity Company are subsidiaries of the Group.

(2) As at December 31, 2021, the bonds were unconditionally and irrevocably guaranteed by CDB Leasing (International) Company Limited or CDB Aviation Lease Finance Designated Activity Company, with the benefit of a Keepwell and Asset Purchase Deed provided by the Company; or unconditionally and irrevocably guaranteed by the Hong Kong branch of China Development Bank.

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

19 SHARE CAPITAL

	December 31, 2022	December 31, 2021
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:

	2022	2021
At the beginning of the year	**(459,909)**	(1,145,885)
Fair value changes on derivatives	**1,316,119**	786,391
Fair value changes on FVOCI	**1,205**	(16,714)
Income tax effects	**(160,823)**	(83,701)
At the end of the year	**696,592**	(459,909)

21 DIVIDENDS

The dividends declared in 2022 are approximately RMB1,176,626 thousand, RMB0.9307 per 10 ordinary shares (2021: approximately RMB980,543 thousand, RMB0.7756 per 10 ordinary shares). A dividend in respect of the year ended December 31, 2022 of RMB0.7952 per 10 ordinary shares, amounting to a total dividend of approximately RMB1,005,322 thousand, is to be proposed at the annual general meeting. These financial statements do not reflect this dividend payable.

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

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

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the years ended December 31, 2022 and 2021.

The operating and reportable segment information provided to the CODM during the years ended December 31, 2022 and 2021 is as follows:

	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Total
For the year ended December 31, 2022						
Segment revenue and results						
Finance lease income	**5,883**	**7,392,675**	**656,819**	**1,545,694**	**687,552**	**10,288,623**
Operating lease income	**7,024,856**	**–**	**5,320,528**	**–**	**130,329**	**12,475,713**
Segment revenue	**7,030,739**	**7,392,675**	**5,977,347**	**1,545,694**	**817,881**	**22,764,336**
Segment other income, gains and losses	**797,214**	**324,025**	**1,084,439**	**68,880**	**14,563**	**2,289,121**
Segment revenue and other income	**7,827,953**	**7,716,700**	**7,061,786**	**1,614,574**	**832,444**	**25,053,457**
Segment expenses	**(9,540,996)**	**(4,626,374)**	**(4,193,127)**	**(924,730)**	**(810,276)**	**(20,095,503)**
Profit before impairment losses and income tax	**1,183,602**	**3,748,079**	**3,308,544**	**770,720**	**203,812**	**9,214,757**
Profit before income tax	**(1,713,043)**	**3,090,326**	**2,868,659**	**689,844**	**22,168**	**4,957,954**
As at December 31, 2022						
Segment assets and liabilities						
Segment assets	**93,374,950**	**154,173,322**	**49,684,606**	**35,583,779**	**20,069,560**	**352,886,217**
Deferred tax assets						**1,831,030**
Group's total assets						**354,717,247**
Segment liabilities	**88,914,136**	**136,995,921**	**43,600,152**	**31,561,302**	**17,821,196**	**318,892,707**
Deferred tax liabilities						**1,541,095**
Group's total liabilities						**320,433,802**
For the year ended December 31, 2022						
Other segment information						
Depreciation of investment properties	**–**	**–**	**–**	**–**	**(31,282)**	**(31,282)**
Depreciation of property and equipment	**(3,631,266)**	**(16,525)**	**(1,607,721)**	**(3,210)**	**(2,742)**	**(5,261,464)**
Depreciation of right-of-use assets	**(16,823)**	**(5,556)**	**(3,386)**	**(1,079)**	**(574)**	**(27,418)**
Amortisation	**(33,602)**	**(8,269)**	**(5,039)**	**(1,606)**	**(12,055)**	**(60,571)**
Capital expenditure	**13,023,301**	**56,613**	**4,574,881**	**10,997**	**5,854**	**17,671,646**
Impairment losses	**(2,896,645)**	**(657,753)**	**(439,885)**	**(80,876)**	**(181,644)**	**(4,256,803)**

	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Total
For the year ended December 31, 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 December 31, 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 December 31, 2021						
Other segment information						
Depreciation of investment properties	–	–	–	–	(31,612)	(31,612)
Depreciation of property and equipment	(3,261,776)	(39,012)	(902,184)	(3,024)	(6,961)	(4,212,957)
Depreciation of right-of-use assets	(16,144)	(5,881)	(3,340)	(1,110)	(449)	(26,924)
Amortisation	(45,009)	(9,701)	(5,510)	(1,832)	(15,277)	(77,329)
Capital expenditure	14,359,947	9,871	14,007,081	1,864	753	28,379,516
Impairment losses	(1,451,526)	(916,124)	(370,738)	(1,020,719)	248,818	(3,510,289)

The largest customer of the Group contributed 4.00% of the Group's revenue for the years ended December 31, 2022 (2021: 4.97%).

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

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 December 31,			
	2022		2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Bonds payable	**36,872,054**	**35,399,151**	45,045,528	45,729,239

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

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 December 31, 2022 and 2021. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

		Fair value as at			
	Financial assets/financial liabilities	**December 31, 2022**	December 31, 2021	**Fair value hierarchy**	**Valuation technique(s) and key Input(s)**
Currency forwards (Note 12)	Assets Liabilities	**–** **1,280**	41,000 –	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contractual forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps (Note 12)	Assets Liabilities	**797,740** **–**	38,018 569,877	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contractual interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Listed equity investments (Note 11)	Assets	**14,034**	12,585	Level 1	Open market quotations

	Financial assets/financial liabilities	Fair value as at December 31, 2022	December 31, 2021	Fair value hierarchy	Valuation technique(s) and key Input(s)
Unlisted equity investments (Note 11)	Assets	**117,860**	143,745	Level 3	Market comparison approach. The valuation of the equity investment is based on comparing comparable listed companies in operating and financial indexes and then adjusted for non-liquidity.
Cross currency swaps (Note 12)	Assets Liabilities	**22,947** **27,003**	15,609 5,068	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest and exchange rates (from observable yield curves and observable forward exchange rates at the end of the reporting period) and contractual interest and exchange rates, discounted at a rate that reflects the credit risk of various counterparties.
FVOCI – certificates of deposit (Note 13)	Assets	**1,464,986**	970,740	Level 2	Quoted market prices from dealers or independent pricing service vendors.
Foreign exchange swap (Note 12)	Assets Liabilities	**20,091** **–**	– 1,552	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contractual forward rates, discounted at a rate that reflects the credit risk of various counterparties.

24 EVENTS AFTER THE REPORTING PERIOD

As of the date of the report, there are no subsequent event that require disclosure.

DEFINITIONS

"Airbus"	Airbus S.A.S. (Airbus), a "Société par Actions Simplifiée (SAS) (which means "simplified joint-stock company")" incorporated under French law
"Articles of Association"	the articles of association of China Development Bank Financial Leasing Co., Ltd.
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"Boeing"	The Boeing Company, a company incorporated in Delaware, the United States
"Capital Administrative Measures"	Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), issued by CBIRC on June 7, 2012 and being effective from January 1, 2013
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) and its predecessor, China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CDB" or "China Development Bank"	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
"CDB Aviation"	CDB Aviation Lease Finance DAC (國銀航空金融租賃有限公司)
"China" or the "PRC"	the People's Republic of China
"Company" or "CDB Leasing"	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company established in the PRC in 1984 and converted into a joint stock limited company on September 28, 2015, the H Shares of which are listed on the Hong Kong Stock Exchange with stock code of 1606
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Corporate Governance Code"	the Corporate Governance Code 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
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars
"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, 2022 to December 31, 2022
"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)
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	supervisor(s) of the Company
"US$", "USD" or "US dollars"	United States dollar(s), the lawful currency of the United States

GLOSSARY OF TECHNICAL TERMS

"finance lease"	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risks and returns of ownership of the leased assets are transferred from the lessors to the lessees
"finance lease related assets"	leased assets under finance leases, consisting of finance lease receivable and accounts receivable (advances for finance lease projects)
"Fitch"	Fitch Ratings Ltd.
"Moody's"	Moody's Investors Service, Inc.
"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 company
"Standard & Poor's"	S&P Global Ratings
"wide-body aircraft"	twin-aisle aircraft, such as Airbus A330 family and Boeing 777 family

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

Shenzhen, the PRC
March 17, 2023

As at the date of this announcement, the executive Directors of the Company are Ms. MA Hong 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.