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**国银租赁**

CHINA DEVELOPMENT BANK LEASING

**國銀金融租賃股份有限公司\***

**CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.\***

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

**(Stock Code: 1606)**

## **Announcement on Interim Results for the Six Months Ended June 30, 2016**

The board of directors of China Development Bank Financial Leasing Co., Ltd. hereby announces the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended June 30, 2016, together with comparative figures for the same period of 2015, which shall be read in conjunction with the management discussion and analysis below.

\* *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 Consolidated Statements of Comprehensive Income

<i>(RMB in thousands)</i>	<b>For the six months ended June 30,</b>		For the year ended
	<b>2016</b>	2015	December 31, 2015
Finance lease income	<b>2,667,623</b>	3,115,788	5,994,754
Operating lease income	<b>2,652,495</b>	2,272,062	4,646,164
<b>Total revenue</b>	<b><u>5,320,118</u></b>	<b><u>5,387,850</u></b>	<b><u>10,640,918</u></b>
Net investment gains	<b>2,530</b>	5,039	77,209
Other income, gains or losses	<b>212,866</b>	139,785	263,162
<b>Total revenue and other income</b>	<b><u>5,535,514</u></b>	<b><u>5,532,674</u></b>	<b><u>10,981,289</u></b>
<b>Total expenses</b>	<b><u>(4,206,863)</u></b>	<b><u>(4,275,514)</u></b>	<b><u>(9,681,663)</u></b>
Of which: Depreciation and amortization	<b>(1,174,035)</b>	(985,226)	(2,034,732)
Interest expense	<b>(2,319,601)</b>	(2,672,742)	(5,055,233)
Impairment losses	<b>(474,349)</b>	(373,029)	(2,008,170)
<b>Profit before income tax</b>	<b>1,328,651</b>	1,257,160	1,299,626
<b>Profit for the period</b>	<b><u>1,103,609</u></b>	<b><u>1,010,056</u></b>	<b><u>1,052,506</u></b>
<b>Basic and diluted earnings per share (RMB)</b>	<b>0.12</b>	0.11	0.11

## 2. Summary Consolidated Statements of Financial Position

<i>(RMB in thousands)</i>	As at <b>June 30,</b> <b>2016</b>	As at December 31, 2015
<b>Total assets</b>	<b><u>154,434,365</u></b>	<b><u>155,695,092</u></b>
Of which: Cash and bank balances	<b>5,502,666</b>	6,313,850
Accounts receivable	<b>11,304,246</b>	13,827,135
Finance leases receivable	<b>81,295,213</b>	80,945,115
Prepayments	<b>7,623,856</b>	6,862,803
Property and equipment	<b><u>44,386,450</u></b>	<u>42,248,688</u>
<b>Total liabilities</b>	<b><u>138,369,800</u></b>	<b><u>140,702,176</u></b>
Of which: Borrowings	<b>103,325,467</b>	102,494,469
Notes payable	<b><u>14,138,944</u></b>	<u>13,834,811</u>
<b>Net assets</b>	<b><u>16,064,565</u></b>	<b><u>14,992,916</u></b>
<b>Net assets per share (RMB)</b>	<b>1.69</b>	1.58

### 3. Selected Financial Ratios

	For the six months ended June 30,/ as at June 30,		For the year ended December 31,/ as at December 31,
	2016	2015	2015
Return on average total assets <sup>(1)</sup>	<b>1.42%</b>	1.45%	0.71%
Return on average equity <sup>(2)</sup>	<b>14.21%</b>	13.97%	7.26%
Net interest margin of finance lease business <sup>(3)</sup>	<b>2.54%</b>	2.66%	2.61%
Net lease yield of operating lease business <sup>(4)</sup>	<b>8.34%</b>	8.29%	8.56%
Cost-to-income ratio <sup>(5)</sup>	<b>4.15%</b>	4.03%	5.05%
Non-performing asset ratio <sup>(6)</sup>	<b>1.12%</b>	1.67%	1.39%
Non-performing asset ratio of finance lease business <sup>(7)</sup>	<b>1.45%</b>	2.57%	2.21%
Allowance to non-performing finance lease related assets <sup>(8)</sup>	<b>168.41%</b>	100.80%	150.47%
Core tier-one capital adequacy ratio <sup>(9)</sup>	<b>10.17%</b>	10.83%	9.54%
Tier-one capital adequacy ratio <sup>(10)</sup>	<b>10.17%</b>	10.83%	9.54%
Capital adequacy ratio <sup>(11)</sup>	<b>10.76%</b>	10.84%	10.23%
Credit ratings			
Standard & Poor	<b>A+</b>	A+	A+
Moody	<b>A1</b>	A1	A1
Fitch	<b>A+</b>	A+	A+

<sup>(1)</sup> Calculated by dividing net profit for the period by average balance of total assets at the beginning and the end of the period on an annualized basis.

<sup>(2)</sup> Calculated by dividing net profit for the period by average balance of total shareholders' equity at the beginning and the end of the period on an annualized basis.

<sup>(3)</sup> Calculated by dividing net interest income by monthly average balance of the finance lease related assets for finance lease business on an annualized basis.

<sup>(4)</sup> Calculated by dividing net lease income of operating lease business by monthly average balance of total operating lease assets on an annualized basis. Net lease income of operating lease business is calculated as the difference between operating lease income and interest expense of operating lease business on an annualized basis.

<sup>(5)</sup> Calculated by dividing the sum of the depreciation and amortization expenses of property and equipment held for administrative purposes, staff costs and other operating expenses by total revenue and other income.

- (6) Non-performing asset ratio is the percentage of non-performing assets over total assets before allowance for impairment losses as at the applicable dates.
- (7) 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 at the applicable dates.
- (8) Calculated by dividing allowance for impairment losses on finance lease related asset by non-performing finance lease related assets.
- (9) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.
- (10) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.
- (11) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.

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

	Regulatory requirements	As at June 30, 2016 (before taking into account of proceeds from Global Offering)	As at December 31, 2015 (before taking into account of proceeds from Global Offering)	As at December 31, 2014
<b>Capital adequacy indicators<sup>(1)</sup></b>				
Core tier-one capital adequacy ratio <sup>(2)</sup>	≥6.7% <sup>(3)</sup>	<b>10.17%</b>	9.54%	10.03%
Tier-one capital adequacy ratio <sup>(4)</sup>	≥7.7% <sup>(3)</sup>	<b>10.17%</b>	9.54%	10.03%
Capital adequacy ratio <sup>(5)</sup>	≥9.7% <sup>(3)</sup>	<b>10.76%</b>	10.23%	10.34%
<b>Asset quality indicators</b>				
Allowance to non-performing finance lease related assets <sup>(6)</sup>	≥150% <sup>(3)</sup>	<b>168.41%</b>	150.47%	127.48%

(1) Calculated based on the Capital Administrative Measures published by CBRC on June 7, 2012, which became effective on January 1, 2013 and replaced the Administrative Measures for Capital Adequacy Ratio of Commercial Banks (CBRC Order [2014] No. 2 (《商業銀行資本充足率管理辦法》(中國銀監會令2014年第2號))).

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

(3) Indicates requirements to be met by the end of 2016.

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Business Situation

In the first half of 2016, the global economy continued to experience a weak recovery after international financial crisis, with the major economies showing increasingly divergent trend. The developed economies, represented by the United States and the Eurozone, continued to make a moderate recovery, while the pressure of inflation downward still existed due to a lack of strong momentum. On the other hand, economies in the emerging markets performed in a diverging manner. Since the second quarter of 2016, with commodity prices rising and capital outflows slowing down, some economies in emerging markets had made improvement, while those economies with relatively poor fundamentals and monotonous economic structure were still facing a relatively large downward pressure<sup>1</sup>. In July 2016, the International Monetary Fund lowered again its forecast on the growth of global economy for the second half of 2016 by 0.1% to 3.1%<sup>2</sup>. Along with continuous downturn of international trade growth, financial and large commodity markets experiencing volatility, geopolitical risks increasing, and the occurrence of hot issues such as “Brexit” and the Federal Reserve increasing interest rates, the global economy will encounter many uncertainties.

In the first half of 2016, Chinese economy remained in the reasonable range, maintaining overall stability while making steady progress and facing difficulties. “Overall stability” was mainly reflected in the stable economic growth, with a year-on-year GDP growth of 6.7% for the first half of 2016, which continues to maintain within a range considered appropriate and shows a significant stabilized trend. As the growth of global economic slowed down, China’s economic growth was among the best compared with the major economies. “Steady progress” was mainly reflected in the new progress achieved in the supply-side structural reforms and further improvement made in economic structure. As the optimization of the industrial structure continued, tertiary industry continued to develop rapidly. Further optimization of the demand structure resulted in a contribution of 73.4% to the economic growth by final consumption expenditure, representing an increase of 13.2 percentage points as compared to that of the same period of last year. In regional structure, the late-coming advantages of the Central and Western China continued to show strength<sup>3</sup>. “Difficulties faced while stability” were mainly reflected by the fact that Chinese economy was in a critical stage of structural adjustment, transformation and upgrading, with the pains associated with structural adjustment persisting and the real economy still facing various challenges. However, as the supply-side structural reforms are persistently pushed on, as well as with the coordination of proactive fiscal policies and prudent monetary policies, Chinese economy will remain in a development trend of steady progress.

<sup>1</sup> PBOC, Report on Chinese Monetary Policy Implementation for the Second Quarter of 2016, August 5, 2016.

<sup>2</sup> International Monetary Fund, World Economic Outlook, July 19, 2016.

<sup>3</sup> National Bureau of Statistics of China, Overall Stability and Steady Progress of National Economy for the First Half of the Year, July 15, 2016.

In September 2015, the General Office of the State Council promulgated the “Guiding Opinions on Accelerating the Development of Financial Leasing Industry (Guo Ban Fa [2015] No. 68)” (《關於加快融資租賃業發展的指導意見（國辦發[2015]68號）》) and “Guiding Opinions on Promoting the Sound Development of Financial Leasing Industry (Guo Ban Fa [2015] No. 69)” (《關於促進金融租賃行業健康發展的指導意見（國辦發[2015]69號）》). Since then, these guidelines have further promoted the development of China’s leasing industry, resulting in a rapid growth in the number of leasing companies, their registered capital, asset size, number of employees, etc. Simultaneously, with increasing competition, leasing companies need to seek innovation and development in product structure design, customer resources, market positioning and business models, and to establish a professional edge with its own characteristics in order to meet the challenges of market competition.

## **2. Company’s Responses**

In the first half of 2016, in the face of complex macroeconomic situation, the Group’s overall strategy was to ensure development, prevent risks, increase revenue and strengthen its foundation. Under the premise of protecting its assets, the Group achieved stable business growth through accelerating and optimizing its business deployment, deepening reforms, innovation and business transformation, as well as strengthening risk prevention.

With respect to business arrangement, the “twin-driver” business development model with Aircraft Leasing and Infrastructure Leasing as our core businesses has become clearer. New businesses in the first half of 2016 were mainly in core low-risk sectors such as Aircraft Leasing and Infrastructure Leasing. Meanwhile, the Group proactively adjusted its strategies in Shipping, Commercial Vehicle and Construction Machinery Leasing as well as Other Leasing Business segments in order to achieve safer business growth. Innovative business models were adopted in the Commercial Vehicle Leasing segment to push forward the development of new energy urban public transport business. In addition, the Group completed sales of five aircraft in the first half of 2016, resulting in a great year-on-year increase of income from aircraft sales. Meanwhile, the Group completed on one hand the planned lease renewal of several aircraft with core airline clients and on the other hand contracting the sublease of one aircraft from one airline to another stronger airline. Further, major progress in the establishment of the international aircraft leasing team took place, thereby further enhancing the Group’s asset management capabilities.

With respect to financing, the Group was successfully listed on the Hong Kong Stock Exchange on July 11, 2016, laying a sound foundation for its future development. In debt financing, the Group continued to expand its direct financing channels including asset securitization and issue of bonds. The Group also timely adjusted its financing strategies according to the global financial market conditions, further optimized its debt structure and reduced its comprehensive funding costs of domestic and foreign currencies, therefore supporting its business development with improved financing conditions.

In the first half of 2016, the Group put more efforts on risk management and control, and the disposal of non-performing assets, achieving positive results. As at June 30, 2016, the Group's non-performing assets ratio was 1.12%, which is lower than 1.67% in the same period of 2015, and also lower than 1.39% at the end of 2015, leading to an improvement of its asset quality.

### **3. Performance Outlook**

In the second half of 2016, the global economy will still be in a period of adjustment with continuing divergence and volatility. With emerging de-globalization and trade protectionism, geopolitics becomes more complex and the impacts of "Brexit" will continue. There are still uncertainties in the pace and strength of the Federal Reserve's upcoming monetary policies and many other unstable factors. Chinese economy is at a critical period of transition from old to new growth drivers, structural adjustment, transformation and upgrading, but its characteristics of strong resilience, great potential and ample room for maneuver remain unchanged<sup>4</sup>. With the ongoing supply-side structural reforms, Chinese economy maintained an overall stability while making steady progress in the first half of 2016 and are likely to persist such trend.

In the second half of 2016, the Group will focus on the following aspects, leveraging its listing as an excellent opportunity and enhancing its corporate values as a core element. Firstly, on the basis of consolidating its existing advantageous businesses, the Group will optimize its business deployment and innovate profit models. According to principle of "twin-driver, taking selective and appropriate measures, focusing on earnings, and strengthening risk control", the Group will strengthen its business development, consolidate and expand the market share of its advantageous business segments, innovate business models and explore business areas all under the premise of risk control. Secondly, the Group will strengthen its risk management and improve its internal control systems by enhancing its overall risk management and control systems in line with the best practices of listed companies. Thirdly, the Group will enhance its asset and liability structure to promote cost reduction and efficiency improvement. With respect to asset management, the Group will take advantage of asset management in adjusting and guiding in business development, and enhance its asset structure by operating asset securitization business. With respect to liabilities, the Group will continue deepening its cooperation with a wider spectrum of financial institutions to broaden its financing channels and improving the proportion of direct financing to reduce the comprehensive financing cost of domestic and foreign currencies. Fourthly, the Group will upgrade the allocation of resources and continue to improve its competitive strength.

<sup>4</sup> PBOC, Report on Chinese Monetary Policy Implementation for the Second Quarter of 2016 August 5, 2016.



## 4. Analysis on Income Statement

### 4.1. Analysis on Income Statement (Overview)

In the first half of 2016, revenue of the Group basically commensurate with its costs and expenses and its results made steady improvement. Total revenue and other income amounted to RMB5,535.5 million, representing a slight increase of 0.1% as compared with RMB5,532.7 million for the same period of last year. Net profit of the Group for the first half of 2016 amounted to RMB1,103.6 million, representing an increase of 9.3% as compared with RMB1,010.1 million for the same period of last year, due primarily to (1) the stable revenue from leasing business; (2) a decrease in interest expenses to some extent; and (3) gains on sales of certain aircraft held for operating lease and electronic equipment of the Group. The above increase was partially offset by increase in depreciation and amortization as well as impairment losses.

The following table sets forth the income statement of the Group for the six months ended June 30, 2016 and comparative figures for the same period of last year.

	For the six months ended June 30,		Change
	2016	2015	
<i>(RMB in millions)</i>			
Revenue			
Finance lease income	2,667.6	3,115.8	(14.4%)
Operating lease income	2,652.5	2,272.1	16.7%
<b>Total revenue</b>	<b>5,320.1</b>	<b>5,387.9</b>	<b>(1.3%)</b>
Net investment gains	2.5	5.0	(50.0%)
Other income, gains or losses	212.9	139.8	52.3%
<b>Total revenue and other income</b>	<b>5,535.5</b>	<b>5,532.7</b>	<b>0.1%</b>
Depreciation and amortization	(1,174.0)	(985.2)	19.2%
Staff costs	(50.6)	(39.5)	28.1%
Fee and commission expenses	(22.6)	(34.6)	(34.7%)
Interest expense	(2,319.6)	(2,672.8)	(13.2%)
Other operating expenses	(165.8)	(170.4)	(2.7%)
Impairment losses	(474.3)	(373.0)	27.2%
<b>Total expenses</b>	<b>(4,206.9)</b>	<b>(4,275.5)</b>	<b>(1.6%)</b>
<b>Profit before income tax</b>	<b>1,328.6</b>	<b>1,257.2</b>	<b>5.7%</b>
Income tax expense	(225.0)	(247.1)	(8.9%)
<b>Net profit</b>	<b>1,103.6</b>	<b>1,010.1</b>	<b>9.3%</b>

## 4.2. Revenue

For the first half of 2016, total revenue of the Group amounted to RMB5,320.1 million, representing a decrease of 1.3% as compared with RMB5,387.9 million for the same period of last year, due primarily to a decrease in finance lease income, which was partially offset by an increase in operating lease income.

Revenue of the Group was primarily derived from (1) finance lease income and (2) operating lease income. For the first half of 2016, finance lease income and operating lease income amounted to RMB2,667.6 million and RMB2,652.5 million respectively, representing a decrease of 14.4% and an increase of 16.7% as compared to those of the same period of last year, respectively.

### 4.2.1. Finance lease income

The following table sets forth the segment finance lease income of the Group for the periods indicated:

	For the six months ended June 30,		Change
	2016	2015	
<i>(RMB in millions)</i>			
<b>Finance lease income</b>			
Aircraft Leasing	<b>106.3</b>	105.3	0.9%
Infrastructure Leasing	<b>1,628.0</b>	1,712.1	(4.9%)
Ship, Commercial Vehicle and Construction Machinery Leasing	<b>503.2</b>	614.6	(18.1%)
Other Leasing Business	<b>430.1</b>	683.8	(37.1%)
<b>Total</b>	<b><u>2,667.6</u></b>	<b><u>3,115.8</u></b>	<b><u>(14.4%)</u></b>

For the first half of 2016, finance lease income of the Group amounted to RMB2,667.6 million, accounting for 50.1% of total revenue and representing a decrease of 14.4% as compared with RMB3,115.8 million for the same period of last year, due primarily to the lower interest rate of finance lease projects resulting from the reduction of the benchmark interest rates by the PBOC for five times from January 2015 to June 2016, amounting to 125 base points in aggregate and a decrease of 17.3% on a weighted average basis. Nevertheless, the net interest spread of finance lease business of the Group remained stable due primarily to a decrease in funding costs corresponding to the decrease in interest rate of finance lease projects.

With respect to Aircraft Leasing, for the first half of 2016, finance lease income of the Group amounted to RMB106.3 million, representing an increase of 0.9% as compared with RMB105.3 million for the same period of last year, due primarily to the new aircraft finance lease projects in the first half of 2016, which was partially offset by the decrease in finance lease interest rates.

With respect to Infrastructure Leasing, for the first half of 2016, finance lease income of the Group amounted to RMB1,628.0 million, representing a decrease of 4.9% as compared with RMB1,712.1 million for the same period of last year, due primarily to the lower interest rate of finance lease projects resulting from reduction in the benchmark interest rates, which was partially offset by an increase in the amount of lease financing provided to lessees in the Infrastructure Leasing business.

With respect to Ship, Commercial Vehicle and Construction Machinery Leasing, for the first half of 2016, finance lease income of the Group amounted to RMB503.2 million, representing a decrease of 18.1% as compared with RMB614.6 million for the same period of last year, due primarily to the lower interest rate of finance lease projects resulting from reduction in the benchmark interest rates. Moreover, the size of this segment decreased as affected by market conditions.

With respect to Other Leasing Business, for the first half of 2016, finance lease income of the Group amounted to RMB430.1 million, representing a decrease of 37.1% as compared with RMB683.8 million for the same period of last year, due primarily to (1) the Group's proactive control over the growth of lease business scale of this segment; (2) a further reduction of assets of this segment resulting from disposal of certain non-performing assets; and (3) the decrease of interest rates of finance lease projects resulting from the reduction of benchmark interest rates.

#### 4.2.2. *Operating Lease Income*

The following table sets forth the segment operating lease income of the Group for the periods indicated:

	<b>For the six months ended June 30,</b>		<b>Change</b>
	<b>2016</b>	<b>2015</b>	
<i>(RMB in millions)</i>			
<b>Operating lease income</b>			
Aircraft Leasing	<b>2,535.6</b>	2,201.7	15.2%
Infrastructure Leasing	<b>63.8</b>	59.8	6.7%
Ship, Commercial Vehicle and Construction Machinery Leasing	<b>43.0</b>	–	–
Other Leasing Business	<b>10.1</b>	10.6	(4.7%)
<b>Total</b>	<b><u>2,652.5</u></b>	<b><u>2,272.1</u></b>	<b><u>16.7%</u></b>

For the first half of 2016, operating lease income of the Group amounted to RMB2,652.5 million, accounting for 49.9% of total revenue and representing an increase of 16.7% as compared with RMB2,272.1 million for the same period of last year, due primarily to an increase of aircraft for operating lease in light of expansion of Aircraft Leasing business and the stable gross lease yield.

#### 4.2.3. *Net Investment Gains*

For the first half of 2016, net investment gains of the Group amounted to RMB2.5 million, representing a decrease of 50.0% as compared with RMB5.0 million for the same period of last year, due primarily to an increase in unrealized fair value incurred by appreciation of fixed-income products invested under asset management schemes of the Group. Meanwhile, it was also due to losses on non-deliverable foreign exchange forwards bought for hedging against foreign exchange risk. Despite such loss, exchange gains or losses still recorded a gain of RMB20.7 million.

#### 4.2.4. *Other Income, Gains or Losses*

For the first half of 2016, other income and gains of the Group amounted to RMB212.9 million, representing an increase of 52.3% as compared with RMB139.8 million for the same period of last year, due primarily to gains on sale of aircraft held for operating lease and certain electronic equipment.

### 4.3. *Costs and Expenses*

For the first half of 2016, total expenses of the Group amounted to RMB4,206.9 million, representing a decrease of 1.6% as compared with RMB4,275.5 million for the same period of last year, due primarily to a decrease in interest expense, which was mainly because of the lower interest rate of interest-bearing liabilities resulting from reduction in the benchmark interest rates and sufficient liquidity of US dollar market. Such decrease in expenses was partially offset by the increase in depreciation and amortization due to an increase in operating lease assets and impairment losses.

#### 4.3.1. *Depreciation and Amortization*

For the first half of 2016, depreciation and amortization of the Group amounted to RMB1,174.0 million, representing an increase of 19.2% as compared with RMB985.2 million for the same period of last year, due primarily to an increase in operating lease assets, in particular those for Aircraft Leasing.

#### 4.3.2. *Staff Costs*

For the first half of 2016, staff costs of the Group amounted to RMB50.6 million, representing an increase of 28.1% as compared with RMB39.5 million for the same period of last year, due primarily to an increase in the headcounts and corresponding increase in employees' remuneration and welfare.

#### 4.3.3. *Fee and Commission Expenses*

For the first half of 2016, fee and commission expenses of the Group amounted to RMB22.6 million, representing a decrease of 34.7% as compared with RMB34.6 million for the same period of last year, due primarily to a decrease of bank charges and a decrease of business collaboration fee paid to China Development Bank Corporation.

#### **4.3.4. Interest Expense**

For the first half of 2016, interest expense of the Group amounted to RMB2,319.6 million, representing a decrease of 13.2% as compared with RMB2,672.8 million for the same period of last year, due primarily to the lower market interest rate resulting from reduction in the benchmark interest rates and sufficient liquidity of US dollar market. Meanwhile, such decrease also results from the lower overall funding costs due to Group's proactive adjustment of financing strategies.

#### **4.3.5. Other Operating Expenses**

For the first half of 2016, other operating expenses of the Group amounted to RMB165.8 million, representing a decrease of 2.7% as compared with RMB170.4 million for the same period of last year.

#### **4.3.6. Impairment Losses**

For the first half of 2016, impairment losses of the Group amounted to RMB474.3 million, representing an increase of 27.2% as compared with RMB373.0 million for the same period of last year. It is due primarily to the Group's proactive increase in allowance to non-performing finance lease related assets from 100.80% as at June 30, 2015 to 168.41% as at June 30, 2016 for prudence sake, in satisfaction of the regulatory requirements of the CBRC on allowance of 150.00% before December 31, 2016.

### **4.4. Profit before Income Tax**

For the first half of 2016, profit before income tax of the Group amounted to RMB1,328.6 million, representing an increase of 5.7% as compared with RMB1,257.2 million for the same period of last year.

#### 4.5. Net Interest Margin of Finance Lease Business

The following table sets forth, among others, interest income, interest expense, net interest income and net interest margin of finance lease business of the Group for the periods indicated:

<i>(RMB in millions, except percentages)</i>	<b>For the six months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Finance lease business</b>		
Interest income <sup>(1)</sup>	<b>2,667.6</b>	3,115.8
Interest expense <sup>(2)</sup>	<b>1,454.2</b>	1,900.9
Net interest income	<b>1,213.4</b>	1,214.9
Average balance of finance lease related assets	<b>95,565.2</b>	91,453.9
Net interest margin of finance lease business <sup>(3)</sup>	<b>2.54%</b>	2.66%

<sup>(1)</sup> Interest income represents finance lease income.

<sup>(2)</sup> Interest expense is the cost of interest-bearing liabilities of finance lease business of the Group. In the segments involving both finance lease and operating lease business, interest expense of finance lease business is calculated by the total interest expense times the proportion of the average monthly balance of finance lease related assets to the average monthly balance of leased assets in the segment.

<sup>(3)</sup> Calculated by dividing net interest income by the average monthly balance of total interest-earning assets for finance lease business on an annualized basis.

For the first half of 2016, net interest margin of finance lease business of the Group slightly decreased from 2.66% for the same period of last year to 2.54%, due primarily to (1) the time lag between the decrease in funding costs of the Group and the lease yield under the declining interest rates, and (2) the Group's preference of less risky lease projects in light of its risk appetite.

#### **4.6. Net Lease Yield and Profit Margin before Income Tax of Operating Lease Business**

The following table sets forth the net lease yield and profit margin before income tax of operating lease business of the Group for the periods indicated:

	<b>For the six months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Net lease yield <sup>(1)</sup>	<b>8.34%</b>	8.29%
Profit margin before income tax <sup>(2)</sup>	<b>19.90%</b>	18.79%

<sup>(1)</sup> Calculated by dividing the net lease income of operating lease business by the monthly average balance of total operating lease assets on an annualized basis. Net lease income of operating lease business is calculated as the difference between operating lease income and the interest expense of operating lease business. In the segments involving both finance lease and operating lease business, interest expense of operating lease business is calculated by total interest expense times the proportion of monthly average balance of operating lease assets to average balance of leased assets in the segment.

<sup>(2)</sup> Calculated by dividing profit before income tax of operating lease business by operating lease income on an annualized basis. In the segments involving both finance lease and operating lease business, the interest expense of operating lease business is calculated by total interest expense times the proportion of monthly average balance of operating lease assets to average balance of leased assets in the segment. Staff cost, fee and commission expenses and other operating expenses of the operating lease business are calculated by total staff cost, fee and commission expenses and other operating expenses times the proportion of operating lease income to total revenue.

In the first half of 2016, both net lease yield and profit margin before income tax of the Group's operating lease business increased, due primarily to a decrease of funding costs in US dollars, which is the Group's principal financing currency of operating lease business during this period.

#### **4.7. Income Tax Expense**

For the first half of 2016, income tax expense of the Group decreased by 8.9% from RMB247.1 million for the same period of last year to RMB225.0 million, due primarily to the fact that a large portion of taxable income for the period was derived from subsidiaries located in countries applying low tax rates.



## 5. Analysis on Balance Sheet

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

	June 30, 2016	December 31, 2015	Change
<i>(RMB in millions)</i>			
<b>Assets</b>			
Cash and bank balances	5,502.7	6,313.9	(12.8%)
Placement to banks and other financial institutions	200.0	1,100.0	(81.8%)
Financial assets at fair value through profit or loss	1,609.2	1,558.6	3.2%
Derivative financial assets	0.1	2.0	(95.0%)
Accounts receivable	11,304.2	13,827.1	(18.2%)
Finance leases receivable	81,295.2	80,945.1	0.4%
Prepayments	7,623.9	6,862.8	11.1%
Available-for-sale financial assets	281.6	122.4	130.1%
Investment properties	366.4	376.2	(2.6%)
Property and equipment	44,386.5	42,248.7	5.1%
Deferred tax assets	576.3	703.1	(18.0%)
Other assets	1,288.3	1,635.2	(21.2%)
<b>Total assets</b>	<b>154,434.4</b>	<b>155,695.1</b>	<b>(0.8%)</b>
<b>Liabilities</b>			
Borrowings	103,325.5	102,494.5	0.8%
Due to banks and other financial institutions	6,000.0	4,900.0	22.4%
Financial assets sold under repurchase agreements	3,514.0	5,922.3	(40.7%)
Derivative financial liabilities	573.5	435.9	31.6%
Accrued staff costs	7.2	33.5	(78.5%)
Tax payable	24.0	242.0	(90.1%)
Notes payable	14,138.9	13,834.8	2.2%
Deferred tax liabilities	332.5	266.9	24.6%
Other liabilities	10,454.2	12,572.3	(16.8%)
<b>Total liabilities</b>	<b>138,369.8</b>	<b>140,702.2</b>	<b>(1.7%)</b>
<b>Total equity</b>	<b>16,064.6</b>	<b>14,992.9</b>	<b>7.1%</b>

## 5.1. Total Assets

The principal components of the Group's assets were accounts receivable, finance leases receivable, prepayments and property and equipment, collectively representing 93.6% of the Group's total assets as at June 30, 2016. As at June 30, 2016, total assets of the Group amounted to RMB154,434.4 million, representing a decrease of 0.8% as compared with RMB155,695.1 million as at the end of last year, due primarily to disposals of certain non-performing asset portfolios in the first half of 2016.

### 5.1.1. Accounts Receivable

As at June 30, 2016, accounts receivable of the Group amounted to RMB11,304.2 million, representing a decrease of 18.2% from RMB13,827.1 million as at December 31, 2015, due primarily to transfer of the Group's certain advances for finance lease projects to finance leases receivable upon commencement of leases and conclusion of some projects.

### 5.1.2. Finance Leases Receivable

	June 30, 2016	December 31, 2015	Change
<i>(RMB in millions)</i>			
Finance leases receivable – gross	<b>104,754.7</b>	104,171.4	0.6%
Less: Unearned finance income	<b>(21,405.0)</b>	(20,262.8)	5.6%
Finance leases receivable – net	<b>83,349.7</b>	83,908.6	(0.7%)
Less: Allowance for impairment losses	<b>(2,054.5)</b>	(2,963.5)	(30.7%)
Finance leases receivable – carrying value	<b><u>81,295.2</u></b>	<u>80,945.1</u>	<u>0.4%</u>

As at June 30, 2016, finance leases receivable of the Group amounted to RMB81,295.2 million, representing an increase of 0.4% from RMB80,945.1 million as at December 31, 2015, due primarily to the increase in finance lease business in the first half of 2016, which was partially offset by disposals of non-performing assets.

### 5.1.3. Prepayments

As at June 30, 2016, prepayments of the Group amounted to RMB7,623.9 million, representing an increase of 11.1% from RMB6,862.8 million as at December 31, 2015, due primarily to the increase in prepayments for aircraft purchase.

#### 5.1.4. Property and Equipment

As at June 30, 2016, equipment held for operating lease of the Group amounted to RMB43,979.2 million, representing an increase of 5.0% from RMB41,871.0 million as at December 31, 2015, due primarily to the expansion of its aircraft fleet.

As at June 30, 2016, property and equipment held for administrative purpose of the Group amounted to RMB407.3 million, representing an increase of 7.8% from RMB377.7 million as at December 31, 2015, due primarily to the increase in construction in progress of its new office building.

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

	<b>June 30,</b>	December 31,	
	<b>2016</b>	2015	Change
<i>(RMB in millions)</i>			
<b>Property and equipment</b>			
Equipment held for operating lease businesses	<b>43,979.2</b>	41,871.0	5.0%
Property and equipment held for administrative purpose	<u><b>407.3</b></u>	<u>377.7</u>	<u>7.8%</u>
<b>Property and equipment – carrying value</b>	<u><b>44,386.5</b></u>	<u>42,248.7</u>	<u>5.1%</u>

#### 5.1.5. Cash and Bank Balances

As at June 30, 2016, cash and bank balances of the Group were RMB5,502.7 million, representing a decrease of 12.8% from RMB6,313.9 million as at December 31, 2015, due primarily to reduction in the liquidity reserve resulting from our enhanced liquidity management and stronger liquidity management capability.

#### 5.1.6. Placement to Banks and Other Financial Institutions

As at June 30, 2016, placement to banks and other financial institutions of the Group was RMB200.0 million, representing a decrease of RMB900.0 million from RMB1,100.0 million as at December 31, 2015, due primarily to the volatility of balance resulting from the short-term nature of the interbank borrowing.

### 5.1.7. Financial Assets at Fair Value through Profit or Loss

As at June 30, 2016, financial assets at fair value through profit and loss of the Group was RMB1,609.2 million, representing an increase of 3.2% from RMB1,558.6 million as at December 31, 2015, due primarily to changes in fair value of fixed-income products invested through asset management schemes by the Group.

### 5.1.8. Other assets

Other assets primarily included interest receivable, other receivables, prepaid expenses, deductible value-added tax and land use rights. As at June 30, 2016, other assets of the Group decreased by 21.2% to RMB1,288.3 million from RMB1,635.2 million as at December 31, 2015, due primarily to the refund of aircraft prepayments from Bombardier Aerospace and a decrease in deductible value-added tax in the first half of 2016.

## 5.2. Lease Assets

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

	<b>June 30,</b>	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>	<b>Change</b>
<i>(RMB in millions)</i>			
<b>Finance lease related assets</b>			
Finance leases receivable	<b>81,295.2</b>	80,945.1	0.4%
Accounts receivable – advances for finance lease projects	<b>10,337.0</b>	12,845.6	(19.5%)
<b>Total</b>	<b><u>91,632.2</u></b>	<b><u>93,790.7</u></b>	<b><u>(2.3%)</u></b>

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

<i>(RMB in millions)</i>	<b>June 30,</b> <b>2016</b>	December 31, 2015	Change
<b>Operating lease assets</b>			
Investment properties	<b>366.4</b>	376.2	(2.6%)
Property and equipment – equipment held for operating lease	<b>43,979.2</b>	41,871.0	5.0%
<b>Total</b>	<b>44,345.6</b>	42,247.2	5.0%

### 5.3. Liabilities

As at June 30, 2016, total liabilities of the Group amounted to RMB138,369.8 million, representing a decrease of RMB2,332.4 million or 1.7% as compared with RMB140,702.2 million as at December 31, 2015.

#### 5.3.1. Borrowings

As at June 30, 2016, the balance of borrowings of the Group amounted to RMB103,325.5 million, representing an increase of 0.8% as compared with RMB102,494.5 million as at December 31, 2015.

#### 5.3.2. Due to Banks and Other Financial Institutions

The Group is a member of the interbank lending market in China and is able to obtain interbank lending with a term within three months. As at June 30, 2016, the balance of the Group's due to banks and other financial institutions was RMB6,000.0 million, representing an increase of 22.4% as compared with RMB4,900.0 million as at December 31, 2015.

#### 5.3.3. Notes Payable

As at June 30, 2016, the balance of notes payable of the Group amounted to RMB14,138.9 million, representing an increase of 2.2% as compared with RMB13,834.8 million as at December 31, 2015, due primarily to the influence of fluctuation in exchange rates on the balance of notes denominated in US dollars.

#### 5.3.4. Other Liabilities

As at June 30, 2016, the balance of other liabilities of the Group amounted to RMB10,454.2 million, representing a decrease of RMB2,118.1 million or 16.8% as compared with RMB12,572.3 million as at December 31, 2015, due primarily to conclusion of certain transactions of lease assets.

### 6. Analysis on Statement of Cash Flow

	For the six months ended June 30,		Change
	2016	2015	
<i>(RMB in millions)</i>			
Net cash flow from operating activities	<b>2,288.6</b>	974.5	134.8%
Net cash flow from investing activities	<b>(3,587.4)</b>	(1617.9)	121.7%
Net cash flow from financing activities	<b>(228.0)</b>	(218.8)	4.2%
<b>Net decrease in cash and cash equivalents</b>	<b><u>(1,526.8)</u></b>	<b><u>(862.2)</u></b>	<b><u>77.1%</u></b>

For the first half of 2016, net cash inflow from operating activities of the Group amounted to RMB2,288.6 million, representing an increase of 134.8% as compared to that of the same period of last year, due primarily to the increase of working capital in the first half of year 2016. For the same period, net cash outflow from investing activities of the Group amounted to RMB3,587.4 million, representing an increase of 121.7% as compared to that of the same period of last year, due primarily to purchases of aircraft held for operating lease. Furthermore, for the first half of 2016, net cash outflow from financing activities of the Group amounted to RMB228.0 million, representing an increase of 4.2% as compared to that of the same period of last year, due primarily to payment of notes interest.

## 7. Business Overview

The Group's business segments include Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business. In the first half of 2016, we set Aircraft Leasing and Infrastructure Leasing as two core segments, adopted a prudent approach for Ship, Commercial Vehicle and Construction Machinery Leasing and proactive control over the expansion of Other Leasing Business, which further optimized the business structure.

The following table sets forth the segment revenue and other income for the periods indicated:

Segment revenue and other income	For the six months ended June 30,			
	2016		2015	
	<i>(RMB in millions, except percentages)</i>			
	Amount	Percentage	Amount	Percentage
Aircraft Leasing	2,812.5	50.8%	2,370.8	42.9%
Infrastructure Leasing	1,723.1	31.1%	1,833.5	33.1%
Ship, Commercial Vehicle and Construction Machinery Leasing	553.5	10.0%	621.9	11.2%
Other Leasing Business	446.4	8.1%	706.5	12.8%
<b>Total</b>	<b>5,535.5</b>	<b>100.0%</b>	<b>5,532.7</b>	<b>100.0%</b>

For the first half of 2016, finance lease income of the Group were derived from all segments and amounted to RMB2,667.6 million in total, representing a decrease of 14.4% as compared to that of the same period of last year. For the first half of 2016, operating lease income of the Group, which was mainly derived from Aircraft Leasing business and to a less extent from Ship Leasing business, amounted to RMB2,652.5 million, representing an increase of 16.7% as compared to that of the same period of last year.

The following table sets forth the business segment assets for the dates indicated:

<b>Business segment assets</b>	<b>June 30, 2016</b>		December 31, 2015	
	<b>Amount</b>	<b>Percentage</b>	Amount	Percentage
Aircraft Leasing	<b>58,637.1</b>	<b>38.1%</b>	55,788.3	36.0%
Infrastructure Leasing	<b>60,618.5</b>	<b>39.4%</b>	60,660.9	39.2%
Ship, Commercial Vehicle and Construction				
Machinery Leasing	<b>19,922.9</b>	<b>12.9%</b>	20,070.1	12.9%
Other Leasing Business	<b>14,679.6</b>	<b>9.6%</b>	18,472.7	11.9%
<b>Total</b>	<b><u>153,858.1</u></b>	<b><u>100.0%</u></b>	<b><u>154,992.0</u></b>	<b><u>100.0%</u></b>

## **7.1. Overview of business segments**

### *7.1.1. Aircraft Leasing*

Aircraft Leasing is one of the core business segments of the Group. In the first half of 2016, the Group continued to expand its owned aircraft portfolio, business scale and client network, and to enhance its trading capability and industry experience. As at June 30, 2016, total assets of the Aircraft Leasing segment of the Group amounted to RMB58,637.1 million, representing an increase of 5.1% as compared to that as at December 31, 2015, and the total revenue and other income of the Aircraft Leasing segment amounted to RMB2,812.5 million, representing an increase of 18.6% as compared to that of the same period of last year. Furthermore, as at June 30, 2016, the asset of Aircraft Leasing segment accounted for 38.1% of the total segment assets of the Group, representing an increase of 2.1 percentage points as compared to that as at December 31, 2015. The revenue and other income of the Aircraft Leasing segment accounted for 50.8% of the total revenue and other income of the Group, representing an increase of 7.9 percentage points as compared to that of the same period of last year.



In the first half of 2016, the Group delivered 14 aircraft, 12 of which were under operating leases. As at June 30, 2016, the Group had a portfolio of 409 aircraft, consisting of 184 owned aircraft, 11 managed aircraft and 214 committed aircraft. As at June 30, 2016, 147 owned aircraft of the Group were under operating leases and 37 were under finance leases. As at June 30, 2016, the average age of the Group's aircraft fleet on operating lease was 4.7 years. Meanwhile, the weighted average remaining lease term by asset balance of the Aircraft Leasing segment of the Group was 5.6 years. The Group's owned aircraft portfolio consisted primarily of narrow-body aircraft, including Airbus A320 family and Boeing 737-800, and wide-body aircraft, including the Airbus A330 and Boeing 777.

The Group continued to enhance its capabilities of managing, releasing and selling aircraft. In the first half of 2016, it sold five aircraft in total and recorded a good gain in intermediary businesses. During the same period, the Group completed lease contract extension for nine aircraft as planned and facilitated the sublease for an aircraft from one established airline client with a changing business model to a stronger airline in need of this aircraft type. The Group's owned aircraft portfolio maintained a 100% fleet utilization and had no unscheduled lease terminations, delivery failures nor credit losses.

The profitability of the Aircraft Leasing business of the Group was further increased. In the first half of 2016, the annualized return on segmental total assets before tax<sup>5</sup> of the Aircraft Leasing segment was 2.26%, which increased by 0.25 percentage point from 2.01% in 2015.

In the first half of 2016, the Group continued to operate its aircraft business on a global scale which covered 41 airline clients in 22 countries including the PRC, Asia-Pacific (excluding the PRC), Europe, the Middle East, Africa and Latin America.

The following table sets forth a breakdown of the Group's percentage of lease revenue and percentage of underlying lease assets of Aircraft Lease by region of leasee for the first half of 2016:

<b>Region</b>	<b>Percentage of lease revenue for the first half of 2016</b>	<b>Percentage of underlying lease assets as at June 30, 2016</b>
PRC	49.14%	55.71%
Asia Pacific (excluding the PRC)	18.06%	16.65%
Europe	19.74%	16.26%
Middle East and Africa	8.75%	7.05%
Latin America	4.31%	4.33%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>5</sup> Calculated by dividing the profit before tax of the segment in 2016 by balance of total assets of the segment as at June 30, 2016 on an annualized basis.

The following table provides details regarding our aircraft portfolio by type of manufacture:

<b>Manufacturer</b>	<b>Percentage by net book value as at June 30, 2016</b>	<b>Percentage by net book value as at December 31, 2015</b>
Airbus	<b>58.3%</b>	58.6%
Boeing	<b>33.6%</b>	32.9%
Others	<b>8.1%</b>	8.5%
<b>Total</b>	<b><u>100%</u></b>	<b><u>100.0%</u></b>

### *7.1.2. Infrastructure Leasing*

Infrastructure Leasing is one of the core business segments of the Group. In the first half of 2016, the Group put greater efforts on the development of new infrastructure leasing which increased the investment and helped the Group achieve significantly higher business volume in this segment as compared to that of the same period of last year. New lessees under the Infrastructure Leasing segment were mainly state-owned enterprises directly owned or funded by provincial governments and municipal governments. The Infrastructure Leasing segment includes the leasing of transportation infrastructure (toll roads, rail transit), urban infrastructure (municipal facilities, affordable housing) and energy infrastructure as classified by type of leased assets. As at June 30, 2016, total assets of the Infrastructure Leasing segment amounted to RMB60,618.5 million, which decreased by 0.07% as compared with that as at December 31, 2015 and accounted for 39.4% of the total segment assets of the Group, continuing to maintain a relatively high proportion. As at June 30, 2016, the weighted average remaining lease term by asset balance of the Infrastructure Leasing segment was 7.8 years.

The profitability of the Infrastructure Leasing segment was further increased with good asset quality. In the first half of 2016, total revenue and other income of this segment amounted to RMB1,723.1 million. The annualized return on segmental total assets before tax was 2.16%, which increased by 0.15 percentage point as compared with 2.01% in 2015. Meanwhile, as at June 30, 2016, there were no non-performing assets in the Infrastructure Leasing segment of the Group.

### *7.1.3. Ship, Commercial Vehicle and Construction Machinery Leasing*

In the first half of 2016, the Group focused on optimizing its business mix, carrying out business model innovation, selecting quality leased assets and offering lease financing to high quality customers. As at June 30, 2016, total assets of Ship, Commercial Vehicle and Construction Machinery Leasing segment amounted to RMB19,922.9 million, which decreased by RMB147.2 million or 0.7% as compared with that as at December 31, 2015. In the first half of 2016, total revenue and other income of Ship, Commercial Vehicle and Construction Machinery Leasing segment amounted to RMB553.5 million, which decreased by 11.0% as compared to that of the same period of last year. The annualized return on segmental total assets before tax was 0.75%, improving the profitability of this segment.

In respect of ship leasing business, for the first half of 2016, the Group continued to conduct its ship leasing business across the world in a prudent manner, and selected high-technology and energy-saving mainstream ships as leased assets. Target customers mainly included large state-owned shipping groups and their subsidiaries, as well as high quality international shipping enterprises. In the first half of 2016, the Group completed the delivery of two container ships. As at June 30, 2016, the Group owned and leased 45 vessels of different types, and provided ship leasing services to 38 domestic and overseas customers. The average age of our owned vessel fleet was 6.9 years. The assets related to Ship Leasing business amounted to RMB11,298.6 million, which increased by RMB846.8 million or 8.1% as compared to that as at December 31, 2015, representing approximately 56.7% of the segment assets of the Ship, Commercial Vehicle and Construction Machinery Leasing business.

In respect of commercial vehicle leasing business, the Group actively promoted the development of new-energy buses business in the first half of 2016, and successfully established in-depth cooperation with several domestic large public transportation companies. As at June 30, 2016, the assets related to Commercial Vehicle Leasing business of the Group amounted to RMB1,695.4 million, which decreased by RMB85.9 million or 5.3% as compared to that as at December 31, 2015, representing 8.5% of the segment assets of the Ship, Commercial Vehicle and Construction Machinery Leasing business.

In respect of construction machinery leasing business, the Group focused on strengthening and enhancing cooperation with key manufacturers, exploring innovative business model, and deepening its business development. As at June 30, 2016, the assets related to Construction Machinery Leasing of the Group amounted to RMB6,928.9 million, which decreased by RMB1,079.9 million or 13.5% as compared to that as at December 31, 2015, representing 34.8% of the segment assets of the Ship, Commercial Vehicle and Construction Machinery Leasing business.

#### *7.1.4. Other Leasing Business*

In the first half of 2016, the Group actively controlled the growth in scale of the Other Leasing Business segment, actively prevented and mitigated operational risks in the Other Leasing Business segment, and achieved satisfactory results.

As at June 30, 2016, total assets of the Other Leasing Business segment amounted to RMB14,679.6 million, which decreased by RMB3,793.1 million or 20.5% as compared with that as at December 31, 2015.

## **7.2. Financing**

In the first half of 2016, due to its high credit ratings (“A+” by Standard & Poor’s, “A1” by Moody’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 for business development. Meanwhile, under the complex and ever-changing macroeconomic condition in domestic and overseas markets, the Group timely adjusted its financing strategies based on such macroeconomic trend, further optimized its debt structure, and maintained an appropriate financing cost. On July 11, 2016, the Group was successfully listed on the Hong Kong Stock Exchange, which was expected to further enhance the financing capability of the Group.

In the first half of 2016, in respect of our financing activities, the Group actively implemented measures in response to the changes in interest rates and exchange rates. Through proactive adjustment of financing strategies and structure, the financing costs of the Group decreased significantly. In the first half of 2016, the average cost of interest-bearing liabilities of the Group was 3.62%, which decreased by 102 basis points as compared to that of the same period of last year. In respect of exchange rates, the Group continued to maintain its original strategy on exchange rates risk management and the close matching of assets and liabilities in terms of currency type.

In the first half of 2016, the major financing sources of the Group include bank borrowings, issue of notes, interbank lending and sales under repurchase agreements. As at June 30, 2016, the Group’s borrowings, notes payable, due to banks and other financial institutions, and financial assets sold under repurchase agreements were RMB103,325.5 million, RMB14,138.9 million, RMB6,000.0 million and RMB3,514.0 million, respectively.

### **7.3. Human Resources**

As at June 30, 2016, the Group had 205 employees in total. The Group has a team of high-quality talent with bachelor's degree or above. As at June 30, 2016, approximately 92% of the Group's employees had bachelor's degrees or above. In the first half of 2016 and 2015, the Group incurred employees' remuneration of RMB50.6 million and RMB39.5 million respectively, representing 0.91% and 0.71% of the Group's total revenue and other income for the respective periods.

The Group continued to improve its ranking system for employees and merit-based promotion mechanism. Through a competitive and fair remuneration and welfare system as well as comprehensive appraisal and incentive mechanism, it developed and cultivated a professional and competent business management team to support development of the Group, seeking the unity of the values of employees, the Group and its Shareholders and enhancing the employees' loyalty.

## **8. Capital Management**

The Group's major objectives of capital management are: to comply with the capital requirements set by the regulatory authorities of the banking industry in which the entities within the Group operates; to safeguard the Group's ability to continue as a going concern so as to provide returns for Shareholders; and to maintain a strong capital base to support its business development. In accordance with relevant regulations promulgated by the CBRC, capital adequacy, leveraging ratio and the utilization of regulatory capital are closely monitored by the management of the Group. In the first half of 2016, the Group managed its capital through different means, such as increasing the capital of the Group through financing of listing and replenishing tier-two capital by increasing the proportion of provision for asset impairment loss. The Group was listed on the main board of the Hong Kong Stock Exchange on July 11, 2016. Net proceeds raised from Global Offering amounted to HK\$6,135.9 million (including over-allotment option, net of underwriting commissions and relevant expenses), which were fully utilized for strengthening the capital base of the Group.

On June 7, 2012, the CBRC issued the Capital Administrative Measures, which came into effect on January 1, 2013. In order to ensure the successful implementation of the Capital Administrative Measures, the CBRC issued the Notice on Arranging Related Matters in the Transitional Period of Carrying out Capital Management Measures of Commercial Banks (Provisional) (《關於實施〈商業銀行資本管理辦法(試行)〉過渡期安排相關事項的通知》) on November 30, 2012, which stipulated the requirement on annual capital adequacy ratio during the transitional period.

<i>(RMB in millions)</i>	<b>Regulatory requirement</b>	<b>June 30, 2016 (before taking into account of proceeds from Global Offering)</b>	<b>June 30, 2016 (after taking into account of proceeds from Global Offering)</b>	December 31, 2015 (before taking into account of proceeds from Global Offering)
<b>Net capital:</b>				
Net core tier-one capital		<b>16,052.2</b>	<b>21,338.4</b>	14,981.0
Net tier-one capital		<b>16,052.2</b>	<b>21,338.4</b>	14,981.0
Net capital		<b><u>16,981.5</u></b>	<b><u>22,267.8</u></b>	<u>16,064.5</u>
<b>Capital adequacy ratio:</b>				
Core tier-one capital adequacy ratio	≥6.7% <sup>6</sup>	<b>10.17%</b>	<b>13.51%</b>	9.54%
Tier-one capital adequacy ratio	≥7.7% <sup>6</sup>	<b>10.17%</b>	<b>13.51%</b>	9.54%
Capital adequacy ratio	≥9.7% <sup>6</sup>	<b>10.76%</b>	<b>14.10%</b>	10.23%

## 9. Capital expenditure

For the first half of 2016, the capital expenditures of the Group amounted to RMB3,873.0 million, which were mainly used for the purchase of aircraft. The Group intended to finance capital expenditures through cash from operating activities, bank borrowings and net proceeds from the Global Offering:

The following table sets forth the capital expenditures for the periods indicated.

<i>(RMB in millions)</i>	<b>For the six months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Capital expenditures	<b><u>3,873.0</u></b>	<u>580.4</u>

<sup>6</sup> Capital requirement to be fulfilled by the end of 2016.

## **10. Risk Management**

The Group assumes various risks in business operations, including interest rate risk, exchange rate risk, credit risk and liquidity risk. In order to maintain balance between risk and return and minimize potential adverse effects on its financial performance, the Group continuously identifies, evaluates and monitors risks.

### ***10.1. 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 increase as a result of fluctuation in market interest rates, but may reduce or create losses in the event that unexpected movements arise. Therefore, the Group primarily manages the interest rate risk through controlling the repricing of the leased assets and its corresponding liabilities.

Most of the Group's operating lease businesses receive fixed rate rents, while the corresponding bank borrowings carry interest at floating rates. The Group hedges the cash flow volatility risk as the result of the interest rate fluctuation through interest rate swap contracts, as a cash flow hedging strategy. The Group switches the floating rate into fixed rate through interest rate swap contract to effectively match the future fixed rental income, and keeps the interest spread stable.

The rent income from RMB-denominated leasing businesses of the Group floats with the changes in PBOC benchmark interest rates. Due to the rate cut in PBOC benchmark interest rates during the second half of 2015, there was a downward trend in both lease yield and financing cost ratio for the Group's lease business in the first half of 2016. As the response of the debt market was slightly lagged behind the interest rate cut by the PBOC, the decline in RMB financing cost ratio was slightly lagged behind the decline in leasing yield while the decreasing ranges are overall similar. Therefore interest margin remained stable and the Group was able to manage interest rate risk effectively.

## ***10.2. Exchange Rate Risk***

Exchange rate risk refers to the risk of losses in our overall income and economic value resulting from an adverse movement in exchange rates. Our exchange rate risk primarily arises from the profits generated from our overseas SPCs, which are denominated in foreign currencies.

Our strategy for exchange rate risk management is to match the currencies of assets and liabilities actively in daily operations. We identify and measure the impact of exchange rate changes on our operations through exposure analysis, sensitivity analysis and other instruments, and hedge net exchange rate exposure through currency derivatives instruments. Most of the aircraft and ships under the finance and operating lease businesses of the Group are purchased in US dollars and the corresponding finance leases receivable and operating lease assets are denominated in US dollars, the major capital sources of which are bank borrowings denominated in US dollars from domestic and overseas banks, as well as bonds denominated in US dollars. Apart from Aircraft Leasing business and Ship Leasing business, other leasing business segments of the Group are substantially denominated in Renminbi. Hence, there is no significant currency risk exposure.

As at June 30, 2016, the net risk exposure for assets denominated in US dollars affecting the profit and loss of the Group amounted to US\$155.2 million. In the first half of 2016, the Group realized an exchange gain of RMB20.7 million resulting from the appreciation of US dollars.

## ***10.3. Credit Risk***

Credit risk refers to the risk that the counterparty fails to meet its contractual obligations at the due date. Credit risk is considered as one of the most significant risks to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from leasing business.

The Group exercises credit risk management by industry. The Group strengthens credit risk control and management through measures including industry research, credit rating and monitoring lessees' business status. Meanwhile, the Group further improved the risk warning and limits management and processes, methodology and standards of credit rating. The Group established risk-based pricing models and preliminarily completed the frameworks of models of loss given default and risk cost pricing plan. It also conducted on site inspection of leased items after leasing to promptly discover and identify risks for better risk warning and on-going standardization and enhancement of management after leased.



The Group employs a range of policies and practices to mitigate credit risk. The most typical of these is the taking of collateral, margin deposits and guarantees by third parties. The Group provides guidelines on acceptable types of collateral, which mainly includes civil aircraft and engines, vessels, machinery and equipment, highway toll rights, land use rights, properties and others. Moreover, the Group manages its credit risk through prepayments for most of the aircraft leases.

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

<i>(RMB in millions)</i>	<b>June 30,</b> <b>2016</b>	December 31, 2015
<b>Financial assets</b>		
Cash and bank balances	<b>5,502.6</b>	6,313.9
Placement to banks and other financial institutions	<b>200.0</b>	1,100.0
Financial assets at fair value through profit and loss	<b>1,609.2</b>	1,558.6
Derivative financial assets	<b>0.1</b>	2.0
Accounts receivable	<b>11,304.2</b>	13,827.1
Finance leases receivable	<b>81,295.2</b>	80,945.1
Other financial assets	<b>219.7</b>	416.4
	<hr/>	<hr/>
<b>Total</b>	<b><u>100,131.0</u></b>	<b><u>104,163.1</u></b>

The following table sets forth overdue finance leases receivable of the Group:

<i>(RMB in millions)</i>	<b>June 30, 2016</b>	December 31, 2015
Neither overdue nor impaired	<b>80,479.0</b>	80,376.0
Overdue but not impaired	<b>1,512.3</b>	1,385.7
Impaired	<b>1,358.5</b>	2,146.9
	<b>83,349.8</b>	83,908.6
Less: Allowances for impairment losses	<b>(2,054.6)</b>	(2,963.5)
<b>Total</b>	<b>81,295.2</b>	80,945.1

Concentration of lessees in a single sector or a single region, or of similar economic nature will create a corresponding increase in credit risk to which the lessor is exposed to. An analysis of finance leases receivable of the Group by industry is set out below:

<i>(RMB in millions)</i>	<b>June 30, 2016</b>		December 31, 2015	
	Amount	Percentage	Amount	Percentage
<b>Aircraft Leasing</b>	<b>3,348.8</b>	<b>4.0%</b>	2,937.5	3.5%
<b>Infrastructure Leasing</b>	<b>49,674.1</b>	<b>59.7%</b>	48,179.2	57.4%
Transportation infrastructure	<b>23,688.9</b>	<b>28.4%</b>	29,008.0	34.6%
Urban infrastructure	<b>22,025.7</b>	<b>26.4%</b>	14,305.0	17.0%
Energy infrastructure	<b>3,959.5</b>	<b>4.9%</b>	4,866.2	5.8%
<b>Ship, Commercial Vehicle and Construction Machinery Leasing</b>				
Machinery Leasing	<b>18,135.7</b>	<b>21.7%</b>	17,557.9	20.9%
Ship	<b>9,459.5</b>	<b>11.3%</b>	8,272.4	9.9%
Commercial vehicle	<b>1,897.7</b>	<b>2.3%</b>	1,724.9	2.0%
Construction machinery	<b>6,778.5</b>	<b>8.1%</b>	7,560.6	9.0%
<b>Other Leasing</b>				
Business	<b>12,191.2</b>	<b>14.6%</b>	15,234.0	18.2%
Commercial property	<b>4,004.8</b>	<b>4.8%</b>	5,022.4	6.0%
Other sectors	<b>8,186.4</b>	<b>9.8%</b>	10,211.6	12.2%
<b>Total</b>	<b>83,349.8</b>	<b>100.0%</b>	83,908.6	100.0%

As finance leases receivable of the Group was distributed among sectors, there was no relevant significant credit risk.

The Group's asset quality classification system is based on Governing Principles on the Risk-based Classification of Non-banking Financial Institutions Assets (Provisional) (《非銀行金融機構資產風險分類指導原則(試行)》) issued by the CBRC on February 5, 2004, Guidelines on the Risk-based Classification of Loan (《貸款風險分類指引》) issued by the CBRC on April 4, 2007, and Operation Guidelines on the Five-category Asset Quality Classification of Non-banking Financial Institutions in Shenzhen (Provisional) (《深圳市非銀行類金融機構資產質量五級分類操作指引(試行)》) issued by Shenzhen CBRC in November, 2004. In addition, the Group formulated its provisioning policies for financial assets in accordance with the statutory requirements relating to the asset quality classification of the China banking system, international accounting standards and the accompanying guidance.

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

<i>(RMB in millions)</i>	<b>June 30,</b>	December 31,
	<b>2016</b>	2015
<b>Five-category</b>		
Normal	<b>149,134.4</b>	151,208.9
Special mention	<b>6,016.5</b>	5,515.7
Substandard	<b>969.5</b>	1,423.7
Doubtful	<b>779.5</b>	779.4
Loss	<b>1.1</b>	0.6
	<hr/>	<hr/>
<b>Total assets before allowance for impairment losses</b>	<b>156,901.0</b>	158,928.3
Non-performing assets	<b>1,750.1</b>	2,203.7
Non-performing asset ratio	<b>1.12%</b>	1.39%
	<hr/> <hr/>	<hr/> <hr/>

Non-performing assets of the Group decreased to RMB1,750.1 million as at June 30, 2016 from RMB2,204.2 million as at December 31, 2015. Non-performing asset ratio of the Group decreased to 1.12% as at June 30, 2016 from 1.39% as at December 31, 2015, due primarily to disposals of non-performing asset portfolios and strengthened credit risk control in the first half of 2016. In terms of new business, the Group follows the principle of rigorous selection of sectors and customers. For existing business, the Group takes measures to mitigate risk at various stages of leasing business including post-lease management and collateral management in order to strengthen credit risk management.

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

<i>(RMB in millions)</i>	<b>June 30, 2016</b>	December 31, 2015
<b>Five-category</b>		
Normal	<b>87,994.4</b>	90,803.2
Special mention	<b>4,567.0</b>	4,071.0
Substandard	<b>777.4</b>	1,423.7
Doubtful	<b>580.5</b>	722.6
Loss	<b>0.6</b>	0.6
	<hr/>	<hr/>
<b>Finance lease related assets</b>	<b>93,919.9</b>	97,021.1
Non-performing finance lease related assets	<b>1,358.5</b>	2,146.9
Non-performing asset ratio of finance lease business	<b>1.45%</b>	2.21%
	<hr/> <hr/>	<hr/> <hr/>

Non-performing finance lease related assets of the Group decreased to RMB1,358.5 million as at June 30, 2016 from RMB2,146.9 million as at December 31, 2015. Non-performing asset ratio of finance lease business of the Group decreased to 1.45% as at June 30, 2016 from 2.21% as at December 31, 2015.

The following table sets forth, as at June 30, 2016, the distribution of the Group's finance leases receivable related to the portfolios by segment and the five-category classification:

<i>(RMB in millions)</i>	<b>Aircraft Leasing</b>	<b>Infrastructure Leasing</b>	<b>Ship, Commercial Vehicle and Construction Machinery Leasing</b>	<b>Other Leasing Business</b>	<b>Total</b>
<b>Five-category</b>					
Normal	3,454.8	57,551.1	16,242.1	10,746.4	87,994.4
Special mention	188.3	402.7	2,211.1	1,764.9	4,567.0
Substandard	–	–	300.0	477.4	777.4
Doubtful	–	–	117.8	462.7	580.5
Loss	–	–	–	0.6	0.6
Finance lease related assets	3,643.1	57,953.8	18,871.0	13,452.0	93,919.9
Non-performing finance lease related assets	–	–	417.7	940.8	1,358.5
Non-performing asset ratio of finance lease business	<u>0.00%</u>	<u>0.00%</u>	<u>2.21%</u>	<u>6.99%</u>	<u>1.45%</u>

#### ***10.4. Liquidity Risk***

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management target is to ensure sufficient capital resources at any time to meet the repayment needs of matured liabilities, as well as to seize new investment opportunities.

The Group implements the following procedures to manage liquidity risk: proactive managing the maturity profile of its assets and liabilities, maintaining appropriate liquidity provision for mitigating the liquidity risk; and obtaining diversified funding via multiple channels, thereby preserving sufficient funds to purchase assets and repay debts.

In the first half of 2016, liquidity of the Group remained strong.

## **11. Pledge of Assets**

As at June 30, 2016, finance leases receivable, properties and equipment for operating lease and bank deposits of the Group, amounting to RMB3,631.2 million, RMB27,966.7 million and RMB308.9 million respectively, were pledged to banks to acquire bank loans, accounting for 20.7% of total assets in aggregate.

## **12. Use of Net Proceeds From the Initial Public Offering**

The Group was listed on the Hong Kong Stock Exchange on July 11, 2016. The net proceeds from the Global Offering, including over-allotment and net of underwriting commissions and relevant expenses, amounted to HK\$6,135.9 million. The Group will use such proceeds according to the disclosure in the Prospectus.

## **OTHER INFORMATION**

### **Corporate Governance Practices**

The Group has committed to maintain 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 in Appendix 14 of the Hong Kong Listing Rules as its own code of corporate governance.

During the period from the Listing Date to August 26, 2016, the Company has complied with all code provisions set out in the Corporate Governance Code and adopted most of the recommended best practices.

### **Model Code for Securities Transactions by Directors and Supervisors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Listing Rules as its code of conduct for securities transactions of the Company applicable for all Directors and Supervisors. The Company has also formulated guidelines on trading of the Company's securities by relevant employees (as defined under the Hong Kong Listing Rules), with stricter standards than those set out in the Model Code being implemented. Having made specific enquiries to all Directors and Supervisors in respect of the compliance of the Model Code, all Directors and Supervisors confirmed that they have complied with the standards under the Model Code during the period from the Listing Date to August 26, 2016. Having made specific enquiries to relevant employees in respect of the compliance of the guidelines on their trading of the Company's securities, the Company is not aware of any incompliance matter.

## **Interim Dividend**

The Board has not made any resolution on whether to propose interim dividend declaration for the six months ended June 30, 2016 to the Shareholders. The Company will convene a separate Board meeting as soon as practicable to confirm whether to propose interim dividend declaration for the six months ended June 30, 2016 to the Shareholders and relevant matters.

## **Purchase, Sale or Redemption of Listed Securities**

During the period from the Listing Date to August 26, 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company or its subsidiaries.

## **Review of Interim Results**

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June, 2016 have been reviewed by the Audit Committee of the Board and PricewaterhouseCoopers, the auditor of the Group.

## **Publication of Interim Report**

The interim report of the Company for the six months ended June 30, 2016 will be published on the websites of the Company ([www.cdb-leasing.com](http://www.cdb-leasing.com)) and the HKEX news of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) in due course.

## **INTERIM CONDENSED FINANCIAL STATEMENTS AND NOTES**

### **REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION**

#### **TO THE BOARD OF DIRECTORS OF CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.**

*(incorporated in Shenzhen, China with limited liability)*

#### **Introduction**

We have reviewed the interim condensed consolidated financial information set out on pages 42 to 98, which comprise the interim condensed consolidated statement of financial position of China Development Bank Financial Leasing Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2016 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated information is not prepared, in all material respects, in accordance with IAS 34.



## **Other matters**

The interim condensed consolidated financial information includes comparative information as required by IAS 34. The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2015. The comparative information for the interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 June 2015 has not been audited or reviewed.

## **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong

26 August 2016

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2016</b>	2015
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>			
Finance lease income	5	<b>2,667,623</b>	3,115,788
Operating lease income	5	<b>2,652,495</b>	2,272,062
<b>Total revenue</b>		<b>5,320,118</b>	5,387,850
Net investment gains	6	<b>2,530</b>	5,039
Other income, gains or losses	7	<b>212,866</b>	139,785
<b>Total revenue and other income</b>		<b>5,535,514</b>	5,532,674
Depreciation and amortisation	8	<b>(1,174,035)</b>	(985,226)
Staff costs	9	<b>(50,624)</b>	(39,465)
Fee and commission expenses	10	<b>(22,649)</b>	(34,607)
Interest expense	11	<b>(2,319,601)</b>	(2,672,742)
Other operating expenses	12	<b>(165,605)</b>	(170,445)
Impairment losses	13	<b>(474,349)</b>	(373,029)
<b>Total expenses</b>		<b>(4,206,863)</b>	(4,275,514)
<b>Profit before income tax</b>		<b>1,328,651</b>	1,257,160
Income tax expense	14	<b>(225,042)</b>	(247,104)
<b>Profit for the period attributable to owners of the Company</b>		<b>1,103,609</b>	1,010,056
<b>Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share)</b>			
<b>–Basic and diluted</b>	15	<b>0.12</b>	0.11

The notes on pages 49 to 98 form an integral part of this interim consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2016</b>	2015
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the period</b>		<b>1,103,609</b>	1,010,056
<b>Other comprehensive income (expense):</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Cash flow hedges			
Net fair value changes during the period		<b>(91,530)</b>	50,559
Income tax impact		<b>15,390</b>	(13,085)
		<hr/>	<hr/>
Subtotal		<b>(76,140)</b>	37,474
		<hr/>	<hr/>
Translation reserve		<b>44,180</b>	(6,059)
		<hr/>	<hr/>
<b>Total other comprehensive income for the period, net of tax</b>		<b>(31,960)</b>	31,415
		<hr/>	<hr/>
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>1,071,649</b>	1,041,471
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 49 to 98 form an integral part of this interim consolidated financial information.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
<b>Assets</b>			
Cash and bank balances	16	5,502,666	6,313,850
Placement to banks and other financial institutions		200,000	1,100,000
Financial assets at fair value through profit or loss	17	1,609,222	1,558,638
Derivative financial assets	18	86	1,991
Accounts receivable	19	11,304,246	13,827,135
Finance leases receivable	20	81,295,213	80,945,115
Prepayments	21	7,623,856	6,862,803
Available-for-sale financial assets	22	281,582	122,440
Investment properties		366,397	376,206
Property and equipment	23	44,386,450	42,248,688
Deferred tax assets	24	576,281	703,141
Other assets	25	1,288,366	1,635,085
<b>Total assets</b>		<b>154,434,365</b>	<b>155,695,092</b>
<b>Liabilities</b>			
Borrowings	26	103,325,467	102,494,469
Due to banks and other financial institutions		6,000,000	4,900,000
Financial assets sold under repurchase agreements	35	3,514,000	5,922,300
Derivative financial liabilities	18	573,531	435,851
Accrued staff costs	27	7,214	33,507
Tax payable		24,005	242,042
Notes payable	28	14,138,944	13,834,811
Deferred tax liabilities	24	332,477	266,949
Other liabilities	29	10,454,162	12,572,247
<b>Total liabilities</b>		<b>138,369,800</b>	<b>140,702,176</b>

	<i>Note</i>	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
<b>Equity</b>			
Share capital	30	<b>9,500,000</b>	9,500,000
Capital reserve		<b>274,786</b>	274,786
Hedging reserve	31	<b>(432,644)</b>	(356,504)
Translation reserve		<b>35,260</b>	(8,920)
General reserves	32	<b>2,158,646</b>	2,158,646
Retained profits	33	<b>4,528,517</b>	3,424,908
<b>Total equity</b>		<b>16,064,565</b>	14,992,916
<b>Total liabilities and equity</b>		<b>154,434,365</b>	155,695,092

The notes on pages 49 to 98 form an integral part of this interim consolidated financial information.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Equity attributable to owners of the Group						
	Paid-in capital/Share capital <i>Note</i> RMB'000	Capital reserve RMB'000	Hedging reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000	Retained profits RMB'000	Total equity RMB'000
<b>At 1 January 2015</b>	8,000,000	24,516	(305,742)	(139,664)	2,551,072	3,880,044	14,010,226
Profit for the period	-	-	-	-	-	1,010,056	1,010,056
Other comprehensive income (expense) for the period	-	-	37,474	(6,059)	-	-	31,415
Total comprehensive income (expense) for the period	-	-	37,474	(6,059)	-	1,010,056	1,041,471
Dividends recognised as distribution	-	-	-	-	-	(149,798)	(149,798)
<b>At 30 June 2015</b>	<u>8,000,000</u>	<u>24,516</u>	<u>(268,268)</u>	<u>(145,723)</u>	<u>2,551,072</u>	<u>4,740,302</u>	<u>14,901,899</u>
<b>At 1 January 2016</b>	<u>9,500,000</u>	<u>274,786</u>	<u>(356,504)</u>	<u>(8,920)</u>	<u>2,158,646</u>	<u>3,424,908</u>	<u>14,992,916</u>
Profit for the period	-	-	-	-	-	1,103,609	1,103,609
Other comprehensive (expense) income for the period	-	-	(76,140)	44,180	-	-	(31,960)
Total comprehensive (expense) income for the period	-	-	(76,140)	44,180	-	1,103,609	1,071,649
<b>At 30 June 2016</b>	<u>9,500,000</u>	<u>274,786</u>	<u>(432,644)</u>	<u>35,260</u>	<u>2,158,646</u>	<u>4,528,517</u>	<u>16,064,565</u>

The notes on pages 49 to 98 form an integral part of this interim consolidated financial information.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		<b>Unaudited</b>	
	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Operating activities</b>			
Profit before income tax		<b>1,328,651</b>	1,257,160
Adjustments for:			
Notes payable interest expenses	11	<b>236,798</b>	222,569
Depreciation and amortisation	8	<b>1,174,035</b>	985,226
Impairment losses	13	<b>474,349</b>	373,029
Gains on disposal of equipment held for operating lease businesses	7	<b>(99,774)</b>	(18,575)
Realised losses (gains) from derivatives	6	<b>46,563</b>	(7,052)
Unrealised fair value change from derivatives	6	<b>1,491</b>	2,013
Unrealised fair value changes in financial assets at fair value through profit or loss	6	<b>(50,584)</b>	–
Operating cash flows before movements in working capital		<b>3,111,529</b>	2,814,370
Decrease in accounts receivable		<b>2,373,279</b>	264,439
(Increase) decrease in finance leases receivable		<b>(674,837)</b>	1,807,021
Decrease in other assets		<b>335,566</b>	78,744
Increase (decrease) in borrowings		<b>830,998</b>	(3,503,065)
Increase in due to banks and other financial institutions		<b>1,100,000</b>	1,400,000
Decrease in financial assets sold under repurchase agreements		<b>(2,408,300)</b>	(1,208,100)
Decrease in accrued staff costs		<b>(26,293)</b>	(15,340)
Increase in other liabilities		<b>(2,118,085)</b>	(214,289)
Cash from operations		<b>2,523,857</b>	1,423,780
Income taxes paid		<b>(235,301)</b>	(449,320)
<b>Net cash from operating activities</b>		<b>2,288,556</b>	974,460

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2016</b>	<b>2015</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Investing activities</b>			
Change in pledged and restricted bank deposits		<b>184,345</b>	266,851
Purchase of available-for-sale financial assets		<b>(159,142)</b>	–
Disposal of property and equipment		<b>1,526,680</b>	18,575
Purchases of property and equipment		<b>(5,139,238)</b>	(1,903,372)
<b>Net cash used in investing activities</b>		<b>(3,587,355)</b>	(1,617,946)
<b>Financing activities</b>			
Notes interest paid		<b>(228,040)</b>	(218,749)
<b>Net cash paid in financing activities</b>		<b>(228,040)</b>	(218,749)
Net decrease in cash and cash equivalents		<b>(1,526,839)</b>	(862,235)
Cash and cash equivalents at beginning of the period		<b>6,815,628</b>	5,461,840
Cash and cash equivalents at end of the period	36	<b>5,288,789</b>	4,599,605
<b>Net cash from operating activities include:</b>			
<b>Interest received</b>		<b>2,715,396</b>	3,185,595
Interest paid, exclusive notes payable interest expenses		<b>(2,082,803)</b>	(2,450,173)
<b>Net interest received</b>		<b>632,593</b>	735,422

The notes on pages 49 to 98 form an integral part of this interim consolidated financial information.



## **NOTE TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

### **1 GENERAL INFORMATION**

The Company was established as Shenzhen Leasing Co., Ltd. (深圳租賃有限公司) on 25 December 1984, with the approval of the former Shenzhen Special Economic Zone Branch of People's Bank of China ("PBOC"), and subsequently renamed as Shenzhen Finance Leasing Co., Ltd. (深圳金融租賃有限公司) after reorganisation in December 1999. In 2008, China Development Bank Co., Ltd. ("China Development Bank") became the controlling shareholder of the Company, and the Company's total paid-in capital was increased to RMB8,000,000,000 and subsequently, the Company changed its name to CDB Leasing Co., Ltd. (國銀金融租賃有限公司). On 8 September 2015, pursuant to the resolution of shareholders' meeting, the Company's total paid-in capital was increased to RMB9,500,000,000. Pursuant to the approval of China Banking Regulatory Commission (the "CBRC"), the Company became a joint stock company by issuing a total of 9,500,000,000 shares to existing shareholders at par value of RMB1 each, representing 100% of share capital of the Company on 28 September 2015 (the "Financial Restructuring"). On the same date, 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 address of the Company's registered office is 50-52/F, New World Centre, Yitian Street, Shenzhen, China.

On 11 July 2016, the Company issued 3,100,000,000 new ordinary shares at the issue date of HK\$2 each by way of initial public offering. The gross proceeds amounted to HK\$6,200 million. On the same date, the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Listing"). On 29 July 2016, the Company announced that the Over-allotment Option was partially exercised in respect of an aggregate of 42,380,000 new ordinary shares.

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

This interim condensed consolidated financial information for the six months ended 30 June 2016 ("Interim Financial Information") is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The interim financial information has been reviewed, not audited.

## 2 BASIS OF PREPARATION

The interim financial information has been prepared in accordance with International Accounting Standard 34, “Interim financial reporting” (“IAS 34”). The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

## 3 ACCOUNTING POLICES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016.

- (a) Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

- (b) Impact of standards issued but not yet applied by the entity.

### Effective for annual periods beginning on or after

IFRS 9	Financial instruments <sup>1</sup>
IFRS 15	Revenue from contracts with customers <sup>1</sup>
IFRS 16	Leases <sup>2</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation <sup>2</sup>
Amendments to IAS 7	Disclosure Initiative <sup>3</sup>
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning or after 1 January 2017.

Except as described below, the application of the new and revised IFRSs issued but not yet effective has no material impact on the Group's and Company's financial performance and positions and/or the disclosures when they become effective.

## **IFRS 9 Financial instruments**

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 that are relevant to the Group are:

All recognised financial assets that are within the scope of IAS 39 are subsequently measured at amortised cost or fair value under IFRS 9. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods and their fair value changes are recognised in profit or loss. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. All of the above represent new requirements for classification and measurement for financial assets under IFRS 9 that will change the way the Group classifies and measures its financial assets in "financial assets at fair value through profit or loss", "held-to-maturity investments", "loans and receivables" and "available-for-sale financial assets" under the existing IAS 39. The directors of the Company anticipate that these requirements will not have significant impact on the Group's financial position or performance.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

### **IFRS 15 Revenue from contracts with customers**

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

## **IFRS 16 Lease**

IFRS 16, which upon the effective date will supersede IAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional

periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 40, total operating lease commitment of the Company in respect of leased premises with terms more than 12 months as at 30 June 2016 amounted to RMB42.7 million. The directors of the Company do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Company's result but it is expected that certain portion of these lease commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The directors of the Company do not expect the adoption of IFRS 16 would have significant impact on the consolidated financial statements while the Company as the lessor.

#### **4 ESTIMATES**

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

## 5 TOTAL REVENUE

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Finance lease income <sup>(1)</sup>	<b>2,667,623</b>	3,115,788
Operating lease income <sup>(2)</sup>	<b>2,652,495</b>	2,272,062
	<b>5,320,118</b>	<b>5,387,850</b>

<sup>(1)</sup> The Group recognised the finance lease income of approximately RMB16,201,000 and RMB17,178,000 from non-performing financial leases receivable in the six months ended 30 June 2016 and 2015, respectively.

<sup>(2)</sup> The Group recognised the operating lease income of approximately RMB6,400,000 and RMB6,158,000 from investment properties in the six months ended 30 June 2016 and 2015, respectively.

## 6 NET INVESTMENT GAINS

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net realised (losses) gains from derivatives	<b>(46,563)</b>	7,052
Unrealised fair value change of derivatives	<b>(1,491)</b>	(2,013)
Unrealised fair value change of financial assets at fair value through profit or loss	<b>50,584</b>	–
	<b>2,530</b>	<b>5,039</b>

## 7 OTHER INCOME, GAINS OR LOSSES

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest income from deposits		
with financial institutions	<b>47,773</b>	69,807
Management fee income	<b>8,603</b>	9,744
Gains on disposal of equipment held for		
operating lease businesses	<b>99,774</b>	18,575
Consulting fee income	<b>8,072</b>	28,808
Foreign exchange gains, net	<b>20,711</b>	8,718
Government grants and incentives	<b>27,200</b>	3,746
Others	<b>733</b>	387
	<hr/>	<hr/>
	<b>212,866</b>	139,785
	<hr/> <hr/>	<hr/> <hr/>

## 8 DEPRECIATION AND AMORTISATION

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Depreciation of investment properties	<b>9,809</b>	9,809
Depreciation of property and equipment	<b>1,153,073</b>	964,216
Amortisation of land use rights	<b>5,004</b>	5,004
Amortisation of other intangible assets	<b>2,426</b>	2,493
Amortisation of prepaid expenses	<b>3,723</b>	3,704
	<hr/>	<hr/>
	<b>1,174,035</b>	985,226
	<hr/> <hr/>	<hr/> <hr/>



## 9 STAFF COSTS

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	38,016	31,885
Social welfare	9,431	6,812
Defined contribution plans – annuity schemes	2,258	–
Others	919	768
	<u>50,624</u>	<u>39,465</u>

The domestic employees of the Group in the PRC participate in a state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred.

## 10 FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Business collaboration fee for leasing projects	12,206	15,203
Bank charges	10,443	19,404
	<u>22,649</u>	<u>34,607</u>

## 11 INTEREST EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Borrowings	<b>1,945,276</b>	2,254,461
Due to banks and other financial institutions	<b>33,814</b>	114,752
Financial assets sold under repurchase agreements	<b>121,973</b>	120,223
Notes payable	<b>236,798</b>	222,569
Deposits from lessees	<b>1,292</b>	163
Others	<b>76</b>	–
Less: Interest capitalised on qualifying assets	<b>(19,628)</b>	(39,426)
	<b><u>2,319,601</u></b>	<b><u>2,672,742</u></b>

## 12 OTHER OPERATING EXPENSES

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Auditor's remuneration	<b>263</b>	405
Business taxes and surcharges	<b>47,720</b>	64,864
Rental charges	<b>52,252</b>	51,103
Business travel and transportation expenses	<b>7,521</b>	5,435
Sundry expenses	<b>57,849</b>	48,638
	<b><u>165,605</u></b>	<b><u>170,445</u></b>

### 13 IMPAIRMENT LOSSES

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance leases receivable	324,739	359,513
Accounts receivable	149,610	13,516
	<u>474,349</u>	<u>373,029</u>

### 14 INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Current income tax</b>		
PRC Enterprise Income Tax	37,974	213,234
Hong Kong Profits Tax	–	–
Income tax in other countries	7,529	6,239
Deferred income tax	207,778	29,011
Over provision in prior period	(28,239)	(1,380)
	<u>225,042</u>	<u>247,104</u>

The applicable enterprise income tax rate are 25% for the Company and all its subsidiaries established in mainland China, and 16.5% for subsidiaries in Hong Kong. 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:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Profit before income tax	<b>1,328,651</b>	1,257,160
Tax at the statutory tax rate of 25%	<b>332,163</b>	314,290
Tax effect of expenses not deductible for tax purpose <sup>(1)</sup>	<b>7,956</b>	3,514
Over provision in prior year	<b>(28,239)</b>	(1,380)
Effect of different tax rates of group entities operating in jurisdictions other than PRC	<b>(86,838)</b>	(69,320)
Income tax expense for the period	<b><u>225,042</u></b>	<u>247,104</u>

- <sup>(1)</sup> The expenses that are not tax deductible mainly represent a portion of expenditure, such as entertainment expense and welfare fees etc., which exceed the tax deduction limits in accordance with PRC tax regulations.

## 15 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Earnings:		
Profit attributable to owners of the Company ( <i>RMB'000</i> )	<b>1,103,609</b>	1,010,056
Number of shares:		
Weighted average number of shares in issue ( <i>'000</i> ) <sup>(1)</sup>	<b>9,500,000</b>	9,500,000
Basic earnings per share ( <i>RMB Yuan</i> )	<b>0.12</b>	0.11

- <sup>(1)</sup> On 8 September 2015, the paid-in capital of the Company was RMB9,500,000,000. After the Financial Restructuring as detailed in Note 1, the Company became a joint stock company with a total of 9,500 million shares at par value of RMB1 each on 28 September 2015. The basic earnings per share for six months ended 30 June 2015 is calculated based on the assumption that the shares issued under the Financial Restructuring had been effective on 1 January 2015.

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary share during the periods ended 2015 and 2016.

## 16 CASH AND BANK BALANCES

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Pledged and restricted bank deposits	413,877	598,222
Cash and bank balances	<u>5,088,789</u>	<u>5,715,628</u>
	<u><b>5,502,666</b></u>	<u><b>6,313,850</b></u>

The bank deposits amounting to approximately RMB493,222,000 and RMB308,877,000 were pledged as collateral for the Group's bank borrowings (Note 26) as at 31 December 2015 and 30 June 2016, respectively.

The bank deposits amounting to approximately RMB105,000,000 were restricted for use, which represented the guaranteed deposit held by the Group in relation to the financial leases receivable being transferred as at 31 December 2015 and 30 June 2016, respectively.

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Measured at fair value:		
Asset management schemes	<u><b>1,609,222</b></u>	<u><b>1,558,638</b></u>

As at 30 June 2016 and 31 December 2015, the asset management schemes were issued and managed by non-bank financial institutions, which mainly invest on debt securities listed on exchanges and Interbank Bond Market in the PRC. The asset management schemes were designated at fair value through profit or loss as they were managed and their performance were evaluated on a fair value basis, in accordance with the investment strategy, and information about the schemes were provided internally on that basis to the Group's key management personnel.

## 18 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2016		
	Contractual/ Nominal amount <i>RMB'000</i> (Unaudited)	Fair value	
		Assets	Liabilities
		<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	12,221,521	86	(535,109)
Currency forwards	1,167,091	–	(38,422)
	<u>13,388,612</u>	<u>86</u>	<u>(573,531)</u>
Total	<u><u>13,388,612</u></u>	<u><u>86</u></u>	<u><u>(573,531)</u></u>
		31 December 2015	
	Contractual/ Nominal amount <i>RMB'000</i> (Audited)	Assets <i>RMB'000</i> (Audited)	Liabilities <i>RMB'000</i> (Audited)
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	13,259,059	1,991	(330,379)
Currency forwards	2,458,516	–	(105,472)
	<u>15,717,575</u>	<u>1,991</u>	<u>(435,851)</u>
Total	<u><u>15,717,575</u></u>	<u><u>1,991</u></u>	<u><u>(435,851)</u></u>

## 19 ACCOUNTS RECEIVABLE

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Operating leases receivable	<b>84,361</b>	6,910
Advances for finance lease projects <sup>(1)</sup>	<b>10,570,179</b>	13,112,481
Other accounts receivable <sup>(2)</sup>	<b>1,058,936</b>	1,031,430
	<b><u>11,713,476</u></b>	<u>14,150,821</u>
Less: Allowances for impairment losses		
– Allowances for advances for finance lease project	<b>(233,220)</b>	(266,876)
– Allowances for other accounts receivable	<b>(176,010)</b>	(56,810)
	<b><u>11,304,246</u></b>	<u>13,827,135</u>

Aging analysis of accounts receivable is as below:

- <sup>(1)</sup> The advances for finance lease projects arise from situations where the Group has already made payments to lessees but the leased assets are under construction and the Group does not obtain the ownership of such leased assets. Relevant contracts will take effect once the construction of such leased assets are completed and the terms of corresponding lease contract commences upon signing off between the lessees and the Group. The advances for finance lease projects will then be transferred to finance leases receivable. Thus, ageing analysis of such advances was considered to be not meaningful.
- <sup>(2)</sup> Other accounts receivable of the Group represented those transferred finance leases receivable under asset transfer agreements.



Movements of allowances for impairment losses on accounts receivable during the year ended 31 December 2015 and the period ended 30 June 2016 are as follows:

	<b>30 June 2016 <i>RMB'000</i> (Unaudited)</b>	31 December 2015 <i>RMB'000</i> (Audited)
At the beginning of the period/year	<b>323,686</b>	141,579
Provision during the period/year	<b>149,610</b>	140,075
Transfer (out)/in during the period/year	<b>(7,434)</b>	33,627
Write-offs	<b>(56,810)</b>	–
Foreign currency translation	<b>178</b>	8,405
	<hr/>	<hr/>
At the end of the period/year	<b><u>409,230</u></b>	<b><u>323,686</u></b>

## 20 FINANCE LEASES RECEIVABLE

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Minimum finance leases receivable		
Not later than one year	<b>18,705,299</b>	22,967,421
Later than one year and not later than five years	<b>50,998,329</b>	53,369,506
Later than five years	<b>35,051,156</b>	27,834,442
	<hr/>	<hr/>
Gross amount of finance leases receivable	<b>104,754,784</b>	104,171,369
Less: Unearned finance income	<b>(21,405,026)</b>	(20,262,754)
	<hr/>	<hr/>
Net amount of finance leases receivable	<b>83,349,758</b>	83,908,615
Less: Allowances for impairment losses	<b>(2,054,545)</b>	(2,963,500)
	<hr/>	<hr/>
Carrying amount of finance leases receivable	<b>81,295,213</b>	80,945,115
	<hr/>	<hr/>
Present value of minimum finance leases receivable		
Not later than one year	<b>13,912,461</b>	18,284,638
Later than one year and not later than five years	<b>38,829,811</b>	41,650,959
Later than five years	<b>30,607,486</b>	23,973,018
	<hr/>	<hr/>
Total	<b>83,349,758</b>	83,908,615
	<hr/> <hr/>	<hr/> <hr/>

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

The finance leases receivable with carrying amount of approximately RMB3,631,164,000 and RMB4,565,375,000 were pledged as collateral for the Group's bank borrowings (Note 26) as at 30 June 2016 and 31 December 2015, respectively.

The Group and the Company entered into repurchase agreements (Note 35) with certain counterparties to sell the Group's finance leases receivable with carrying amounts of approximately RMB6,339,285,000 and RMB8,149,285,000 as at 30 June 2016 and 31 December 2015, respectively.

The finance leases receivable were mainly with floating interest rates reference to the benchmark interest rate of PBOC ("PBOC Rate") or London Inter-bank Offered Rates ("LIBOR"). The interest rates of finance leases receivable were adjusted periodically with reference to the benchmark interest rates.

Movements of allowances for impairment losses on finance leases receivable during the period ended 30 June 2015 and 2016 are as follows:

	<b>Individual assessment</b>	
	<b>For the six months ended 30 June 2016 RMB'000 (Unaudited)</b>	For the twelve months ended 31 December 2015 RMB'000 (Audited)
At the beginning of the period/year	1,335,971	670,480
Provision during the period/year	547,584	1,387,646
Transfer in/(out) during the period/year	–	(36,142)
Write-offs	(1,243,770)	(686,013)
	<u>639,785</u>	<u>1,335,971</u>
At the end of the period/year	<u>639,785</u>	<u>1,335,971</u>
	<b>Collective assessment</b>	
	<b>For the six months ended 30 June 2016 RMB'000 (Unaudited)</b>	For the twelve months ended 31 December 2015 RMB'000 (Audited)
At the beginning of the period/year	1,627,529	1,167,181
Provision during the period/year	(222,845)	480,449
Transfer in during the period/year	7,434	4,800
Write-offs	–	(28,445)
Foreign currency translation	2,642	3,544
	<u>1,414,760</u>	<u>1,627,529</u>
At the end of the period/year	<u>1,414,760</u>	<u>1,627,529</u>

	<b>Total assessment</b>	
	<b>For the six months ended 30 June 2016 <i>RMB'000</i> (Unaudited)</b>	For the twelve months ended 31 December 2015 <i>RMB'000</i> (Audited)
At the beginning of the period/year	<b>2,963,500</b>	1,837,661
Provision during the period/year	<b>324,739</b>	1,868,095
Transfer in/(out) during the period/year	<b>7,434</b>	(31,342)
Write-offs	<b>(1,243,770)</b>	(714,458)
Foreign currency translation	<b>2,642</b>	3,544
	<hr/> <b>2,054,545</b> <hr/>	<hr/> 2,963,500 <hr/>
At the end of the period/year	<b>2,054,545</b>	2,963,500

## **21 PREPAYMENTS**

	<b>30 June 2016 <i>RMB'000</i> (Unaudited)</b>	31 December 2015 <i>RMB'000</i> (Audited)
Prepayments for operating lease assets purchases	<b>7,623,856</b>	6,862,803
	<hr/> <b>7,623,856</b> <hr/>	<hr/> 6,862,803 <hr/>

## 22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Measured at cost:		
Equity investment <sup>(1)</sup>	<b>122,440</b>	122,440
Measured at fair value:		
Bonds investment	<b>159,142</b>	–
	<b><u>281,582</u></b>	<b><u>122,440</u></b>

- <sup>(1)</sup> As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity securities are measured at cost less impairment at the end of each reporting period.

## 23 PROPERTY AND EQUIPMENT

### Equipment held for operating lease businesses

	Aircraft <i>RMB'000</i>	Shipping <i>RMB'000</i>	Special equipment <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Unaudited</b>					
Cost					
As at 1 January 2016	48,609,524	825,103	641,967	185,267	50,261,861
Additions	3,840,910	-	-	-	3,840,910
Disposals/written-off	(1,615,466)	-	(43,725)	(185,267)	(1,844,458)
Effect of foreign currency exchange differences	1,010,701	-	-	-	1,010,701
As at 30 June 2016	<u>51,845,669</u>	<u>825,103</u>	<u>598,242</u>	<u>-</u>	<u>53,269,014</u>
Accumulated depreciation					
As at 1 January 2016	(8,150,057)	-	(64,795)	(176,003)	(8,390,855)
Charge for the period	(1,101,870)	(18,565)	(30,147)	-	(1,150,582)
Eliminated on disposals/ written-off	231,857	-	9,693	176,003	417,553
Effect of foreign currency exchange differences	(165,988)	-	-	-	(165,988)
As at 30 June 2016	<u>(9,186,058)</u>	<u>(18,565)</u>	<u>(85,249)</u>	<u>-</u>	<u>(9,289,872)</u>
Net carrying amount					
As at 1 January 2016	<u>40,459,467</u>	<u>825,103</u>	<u>577,172</u>	<u>9,264</u>	<u>41,871,006</u>
As at 30 June 2016	<u>42,659,611</u>	<u>806,538</u>	<u>512,993</u>	<u>-</u>	<u>43,979,142</u>

	Aircraft <i>RMB'000</i>	Shipping <i>RMB'000</i>	Special equipment <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Audited</b>					
Cost					
As at 1 January 2015	41,224,125	–	641,967	185,267	42,051,359
Additions	5,707,809	825,103	–	–	6,532,912
Disposals/written-off	(554,099)	–	–	–	(554,099)
Effect of foreign currency exchange differences	2,231,689	–	–	–	2,231,689
As at 31 December 2015	<u>48,609,524</u>	<u>825,103</u>	<u>641,967</u>	<u>185,267</u>	<u>50,261,861</u>
Accumulated depreciation					
As at 1 January 2015	(5,883,433)	–	(3,808)	(174,539)	(6,061,780)
Charge for the year	(1,926,243)	–	(60,987)	(1,464)	(1,988,694)
Eliminated on disposals/ written-off	22,603	–	–	–	22,603
Effect of foreign currency exchange differences	(362,984)	–	–	–	(362,984)
As at 31 December 2015	<u>(8,150,057)</u>	<u>–</u>	<u>(64,795)</u>	<u>(176,003)</u>	<u>(8,390,855)</u>
Net carrying amount					
As at 1 January 2015	<u>35,340,692</u>	<u>–</u>	<u>638,159</u>	<u>10,728</u>	<u>35,989,579</u>
As at 31 December 2015	<u>40,459,467</u>	<u>825,103</u>	<u>577,172</u>	<u>9,264</u>	<u>41,871,006</u>

## Property and equipment held for administrative purposes

	Buildings RMB'000	Computer and electronic equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Unaudited</b>							
Cost							
As at 1 January 2016	35,202	15,580	11,300	7,792	15,033	341,589	426,496
Additions	-	232	-	688	-	31,197	32,117
Disposals/written-off	-	-	-	(19)	-	-	(19)
Effect of foreign currency exchange differences	-	3	-	5	-	-	8
As at 30 June 2016	<u>35,202</u>	<u>15,815</u>	<u>11,300</u>	<u>8,466</u>	<u>15,033</u>	<u>372,786</u>	<u>458,602</u>
Accumulated depreciation							
As at 1 January 2016	(11,373)	(9,846)	(10,483)	(6,169)	(10,943)	-	(48,814)
Charge for the period	(651)	(1,048)	(138)	(283)	(371)	-	(2,491)
Eliminated on disposals/ written-off	-	-	-	18	-	-	18
Effect of foreign currency exchange differences	-	(5)	-	(2)	-	-	(7)
As at 30 June 2016	<u>(12,024)</u>	<u>(10,899)</u>	<u>(10,621)</u>	<u>(6,436)</u>	<u>(11,314)</u>	<u>-</u>	<u>(51,294)</u>
Net carrying amount							
As at 1 January 2016	<u>23,829</u>	<u>5,734</u>	<u>817</u>	<u>1,623</u>	<u>4,090</u>	<u>341,589</u>	<u>377,682</u>
As at 30 June 2016	<u>23,178</u>	<u>4,916</u>	<u>679</u>	<u>2,030</u>	<u>3,719</u>	<u>372,786</u>	<u>407,308</u>



	Buildings <i>RMB'000</i>	Computer and electronic equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Audited</b>							
Cost							
As at 1 January 2015	32,921	10,202	11,300	6,745	12,586	182,466	256,220
Additions	2,281	5,376	–	1,040	2,447	159,123	170,267
Effect of foreign currency exchange differences	–	2	–	7	–	–	9
As at 31 December 2015	<u>35,202</u>	<u>15,580</u>	<u>11,300</u>	<u>7,792</u>	<u>15,033</u>	<u>341,589</u>	<u>426,496</u>
Accumulated depreciation							
As at 1 January 2015	(9,882)	(8,293)	(10,011)	(5,621)	(10,252)	–	(44,059)
Charge for the year	(1,491)	(1,553)	(472)	(546)	(691)	–	(4,753)
Effect of foreign currency exchange differences	–	–	–	(2)	–	–	(2)
As at 31 December 2015	<u>(11,373)</u>	<u>(9,846)</u>	<u>(10,483)</u>	<u>(6,169)</u>	<u>(10,943)</u>	<u>–</u>	<u>(48,814)</u>
Net carrying amount							
As at 1 January 2015	<u>23,039</u>	<u>1,909</u>	<u>1,289</u>	<u>1,124</u>	<u>2,334</u>	<u>182,466</u>	<u>212,161</u>
As at 31 December 2015	<u>23,829</u>	<u>5,734</u>	<u>817</u>	<u>1,623</u>	<u>4,090</u>	<u>341,589</u>	<u>377,682</u>

## 24 DEFERRED TAXATION

For presentation purpose, certain deferred tax assets and deferred tax liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	<b>30 June 2016 <i>RMB'000</i> (Unaudited)</b>	31 December 2015 <i>RMB'000</i> (Audited)
Deferred tax assets	<b>576,281</b>	703,141
Deferred tax liabilities	<b>(332,477)</b>	(266,949)
	<b><u>243,804</u></b>	<b><u>436,192</u></b>

The following are the major deferred tax assets (liabilities) recognised and movements thereon in the period ended 30 June 2016 and 31 December 2015:

	Allowances for impairment losses <i>RMB'000</i>	Changes in fair value of derivatives <i>RMB'000</i>	Changes in fair value of financial assets at fair value through profit and loss <i>RMB'000</i>	Deductible tax losses <i>RMB'000</i>	Depreciation of operating lease assets <i>RMB'000</i>	Deferred income <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Unaudited</b>								
As at 1 January 2016	574,315	82,042	(14,660)	1,788	(273,263)	75,286	(9,316)	436,192
Credit (charge) to profit or loss	(184,227)	-	(14,268)	78,431	(63,093)	(24,565)	(56)	(207,778)
Charge to other comprehensive income	-	15,390	-	-	-	-	-	15,390
As at 30 June 2016	<u>390,088</u>	<u>97,432</u>	<u>(28,928)</u>	<u>80,219</u>	<u>(336,356)</u>	<u>50,721</u>	<u>(9,372)</u>	<u>243,804</u>
	Allowances for impairment losses <i>RMB'000</i>	Changes in fair value of derivatives <i>RMB'000</i>	Changes in fair value of financial assets at fair value through profit and loss <i>RMB'000</i>	Deductible tax losses <i>RMB'000</i>	Depreciation of operating lease assets <i>RMB'000</i>	Deferred income <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Audited</b>								
As at 1 January 2015	257,885	85,513	-	1,327	(164,458)	71,688	(6,556)	245,399
Credit (charge) to profit or loss	316,430	813	(14,660)	461	(108,805)	3,598	(2,760)	195,077
Charge to other comprehensive income	-	(4,284)	-	-	-	-	-	(4,284)
As at 31 December 2015	<u>574,315</u>	<u>82,042</u>	<u>(14,660)</u>	<u>1,788</u>	<u>(273,263)</u>	<u>75,286</u>	<u>(9,316)</u>	<u>436,192</u>

## 25 OTHER ASSETS

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Interest receivable	34,929	30,269
Other receivables	184,797	385,454
Prepaid expenses	25,359	28,565
Deductible value-added tax	559,927	737,879
Prepaid corporate income tax	34,652	–
Deposits for property and equipment purchase	3,733	3,448
Other intangible assets	12,404	11,901
Land use rights	435,367	440,371
	<u>1,291,168</u>	<u>1,637,887</u>
Less: Allowances for impairment losses – other receivables	<u>(2,802)</u>	<u>(2,802)</u>
	<u>1,288,366</u>	<u>1,635,085</u>

## 26 BORROWINGS

	<b>30 June 2016</b>	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Secured bank borrowings <sup>(1)</sup>	<b>24,552,095</b>	26,124,319
Unsecured bank borrowings	<b>78,773,372</b>	76,370,150
	<b><u>103,325,467</u></b>	<b><u>102,494,469</u></b>
	<b>30 June 2016</b>	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Carrying amount repayable:		
Within one year	<b>74,536,128</b>	75,253,710
More than one year, but not exceeding two years	<b>8,961,437</b>	9,440,131
More than two years, but not exceeding five years	<b>10,723,468</b>	11,754,506
More than five years	<b>9,104,434</b>	6,046,122
	<b><u>103,325,467</u></b>	<b><u>102,494,469</u></b>

<sup>(1)</sup> Secured bank borrowings

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

	<b>30 June 2016</b>	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Property and equipment	27,966,667	23,002,111
Finance leases receivable	3,631,164	4,565,375
	<b><u>308,877</u></b>	<b><u>493,222</u></b>

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

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Fixed-rate borrowings:		
Within one year	<b>61,605,291</b>	62,511,165
More than one year, but not exceeding five years	<b>5,928,700</b>	6,779,254
More than five years	<b>3,339,467</b>	1,676,507
	<b><u>70,873,458</u></b>	<u>70,966,926</u>

In addition, the Group has variable-rate borrowings which carry interest based on PBOC Rates, LIBOR, Shanghai Inter-bank Offered Rates ("SHIBOR") or Euro Inter-bank Offered Rates ("EURIBOR").

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

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Effective interest rate:		
Fixed-rate borrowing	<b>0.86%–5.90%</b>	0.86%–5.90%
Floating-rate borrowing	<b>“LIBOR+1.20% to LIBOR+4.00% SHIBOR+0.80% PBOC Rate*90.00% to PBOC Rate*95.60%”</b>	“LIBOR+1.20% to LIBOR+4.00% SHIBOR+0.80% PBOC Rate*90.00% to PBOC Rate*95.60%”

## 27 ACCRUED STAFF COST

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Salaries, bonus and allowances	–	28,600
Social welfare and others	<b>7,214</b>	4,907
	<b>7,214</b>	33,507

## 28 NOTES PAYABLE

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Guaranteed unsecured notes	<b>14,138,944</b>	13,834,811

Name	Principal amount USD'000	Issue price	Value date	Maturity date	Coupon rate
Guaranteed unsecured notes issued – due 2017 <sup>(1)</sup>	500,000	99.54%	2012-12-4	2017-12-4	2.00%
Guaranteed unsecured notes issued – due 2022 <sup>(1)</sup>	1,000,000	99.22%	2012-12-4	2022-12-4	3.25%
Guaranteed unsecured notes issued – due 2019 <sup>(2)</sup>	250,000	99.47%	2014-12-2	2019-12-2	3.25%
Guaranteed unsecured notes issued – due 2024 <sup>(2)</sup>	400,000	99.09%	2014-12-2	2024-12-2	4.25%

- (1) As at 4 December 2012, an overseas subsidiary of the Group issued notes with principal amount of USD500,000,000 and USD1,000,000,000 in Hong Kong. The notes were guaranteed by the Group's related party, the Hong Kong branch of China Development Bank, and the maturity dates for the notes are 4 December 2017 and 4 December 2022 respectively.
- (2) As at 2 December 2014, an overseas subsidiary of the Group issued notes with principal amount of USD250,000,000 and USD400,000,000 in Hong Kong. The notes were provided redemption safeguard via keepwell and asset purchase deed by the Company and were guaranteed by another overseas subsidiary of the Group, SinoAero Leasing Co., Ltd., and the maturity dates for the notes are 2 December 2019 and 2 December 2024 respectively.

## 29 OTHER LIABILITIES

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Interest payable	<b>486,564</b>	499,185
Project arrangement fee in advance	<b>82,772</b>	126,902
Management consulting fees payable	<b>11,619</b>	14,466
Other taxes payable	<b>45,928</b>	48,619
Other payables	<b>336,875</b>	477,024
Accrued liabilities	<b>5,332</b>	5,350
Account payables	<b>1,053,332</b>	3,499,458
Maintenance deposits from lessees	<b>1,758,221</b>	1,667,457
Guaranteed deposits from lessees	<b>6,545,198</b>	6,103,990
Deferred income	<b>128,321</b>	129,796
	<hr/>	<hr/>
Total	<b>10,454,162</b>	12,572,247
	<hr/> <hr/>	<hr/> <hr/>



### 30 SHARE CAPITAL

	<b>30 June 2016</b>	31 December 2015
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Registered, issued and fully paid	<b><u>9,500,000</u></b>	<u>9,500,000</u>

As approved in the shareholder meeting on 8 September 2015, the Company transferred its reserves including approximately RMB402,087,000 from general reserves and RMB1,348,183,000 from retained profits to paid-in capital and capital reserve. The paid-in capital and capital reserve were increased by approximately RMB1,500,000,000 and RMB250,270,000 respectively. Pursuant to the China Banking Regulatory Commission's (the "CBRC") approval of "Shen Yin Jian Fu [2015] No. 295 Hao" issued by the CBRC on 25 September 2015, the Company was transformed to a joint stock company by issuing a total of 9,500,000,000 shares to China Development Bank, Hainan Airlines Group, Xi'an Aircraft Industry (Group) Company Ltd, Jiangsu Jiayuan Investment Co., Ltd., Qi Tian Holding Co., Ltd, Urumchi Commercial Bank Co., Ltd., Sichuan Financial Leasing Co., Ltd. and Hui Lian Asset Management Co., Ltd. at par value of RMB1 each, representing 100% of share capital of the Company on 28 September 2015.

### 31 HEDGING RESERVE

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

	<b>30 June 2016</b>	31 December 2015
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
At beginning of the period/year	<b>(356,504)</b>	(305,742)
Fair value changes on derivatives	<b>(91,530)</b>	(46,478)
Income tax effects	<b>15,390</b>	(4,284)
At end of the period/year	<b><u>(432,644)</u></b>	<u>(356,504)</u>

## 32 GENERAL RESERVES

The general reserves comprise statutory reserve and reserve for general risk. The movements of general reserves of the Group are set out below:

	Opening	Additions	Converted to	Closing
	<i>RMB'000</i>	<i>RMB'000</i>	share capital	<i>RMB'000</i>
			<i>RMB'000</i>	
<b>Six months ended 30 June 2016</b>				
Statutory reserve <sup>(1)</sup>	34,900	–	–	34,900
Reserve for general risk	2,123,746	–	–	2,123,746
	<u>2,158,646</u>	<u>–</u>	<u>–</u>	<u>2,158,646</u>
<b>Year ended 31 December 2015</b>				
	Opening	Additions	Converted to	Closing
	<i>RMB'000</i>	<i>RMB'000</i>	share capital	<i>RMB'000</i>
			<i>RMB'000</i>	
Statutory reserve	427,326	9,661	(402,087)	34,900
Reserve for general risk	2,123,746	–	–	2,123,746
	<u>2,551,072</u>	<u>9,661</u>	<u>(402,087)</u>	<u>2,158,646</u>

- <sup>(1)</sup> Pursuant to the Company Law of the PRC and the articles of association of the Company and the subsidiaries in the PRC, 10% of the net profit of the Company and the subsidiaries in the PRC, as determined under the relevant accounting rules and financial regulations applicable to enterprises in the PRC (“PRC GAAP”), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the relevant entities. The reserve appropriated can be used for expansion of business and capitalization.

### 33 RETAINED PROFITS

The movements of retained profits of the Group are set out below:

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
At beginning of the period/year	<b>3,424,908</b>	3,880,044
Profit for the period/year	<b>1,103,609</b>	1,052,506
Appropriation to general reserves	–	(9,661)
Cash dividends	–	(149,798)
Retained profits converted to share capital	–	(1,348,183)
	<hr/>	<hr/>
At end of the period/year	<b><u>4,528,517</u></b>	<b><u>3,424,908</u></b>

### 34 DIVIDENDS

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Dividends recognised as distribution <sup>(1)</sup>	–	149,798
	<hr/>	<hr/>

- <sup>(1)</sup> A cash dividend of approximately RMB149,798,000 in total for the year of 2015 was approved, after the required appropriations for the statutory surplus reserve and the general reserves on the net profit of the Company for the year of 2014 as determined under the PRC GAAP, at the annual general meeting held on 28 April 2015. The dividend had been recognised as distribution during year ended 31 December 2015.

## 35 TRANSFERS OF FINANCIAL ASSETS

### Repurchase agreements

As at 30 June 2016, the Group entered into repurchase agreements with certain counterparties to sell the Group's finance leases receivable with carrying amounts of approximately RMB6.34 billion (31 December 2015: RMB8.15 billion), respectively.

Sales and repurchase agreements are transactions in which the Group sells a finance leases receivable and simultaneously agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of these receivables sold. These receivables are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group and the Company retain substantially all the risks and rewards of these receivables.

The proceeds from selling such receivables are presented as financial assets sold under repurchase agreements.

For all these arrangements, the counterparties have recourse to the transferred financial assets.

The following tables provide a summary of carrying amounts related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

	<b>30 June 2016</b>	31 December 2015
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Carrying amount of transferred assets	<b>6,339,285</b>	8,149,285
Carrying amount of associated liabilities	<b><u>(3,514,000)</u></b>	<u>(5,922,300)</u>
Net position	<b><u><u>2,825,285</u></u></b>	<u><u>2,226,985</u></u>

### 36 CASH AND CASH EQUIVALENTS

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

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Cash on hand	<b>68</b>	57
Cash in banks	<b>5,088,721</b>	5,715,571
Placement to banks and other financial institutions	<b>200,000</b>	1,100,000
	<b><u>5,288,789</u></b>	<u>6,815,628</u>

### 37 CONTINGENT LIABILITIES

As at 30 June 2016, there is a number of legal proceedings outstanding against the Group with a total claimed amount of RMB36.91 million (31 December 2015: Nil). No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability of a loss is low or remote.

### 38 CAPITAL COMMITMENTS

Capital expenditures contracted by the Group at 31 December 2015 and 30 June 2016 but are not yet to be recognised on the statements of financial position are as follows:

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Acquisition of equipment held for operating lease businesses	<b>56,340,831</b>	39,993,869
Acquisition of property and equipment held for administrative purposes	<b>562,639</b>	602,787
Total	<b><u>56,903,470</u></b>	<u>40,596,656</u>

### 39 FINANCE LEASE COMMITMENTS

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Finance lease commitments	<b><u>1,600,000</u></b>	<u>1,990,000</u>

Finance lease commitments are in relation to finance leases contracts signed by the Group as lessor are not yet effective at the end of 31 December 2015 and 30 June 2016.

## 40 OPERATING LEASE COMMITMENTS

### The Group as lessee

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties. Operating leases relate to leases of land with lease terms of between 1 and 5 years. The Group does not have an option to purchase the leased land at the expiry of the lease periods.

### Non-cancellable operating leases commitment

At 30 June 2016 and 31 December 2015, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30 June 2016 <i>RMB'000</i> (Unaudited)</b>	31 December 2015 <i>RMB'000</i> (Audited)
Within one year	<b>29,750</b>	30,337
In the second to fifth years inclusive	<b>12,925</b>	26,303
Total	<b><u>42,675</u></b>	<b><u>56,640</u></b>

## The Group as lessor

### Leasing arrangements

Operating leases relate to the investment properties owned by the Group with lease terms of between 1 to 10 years, and the aircraft, special equipment and electronic equipment owned by the Group with lease terms of between 1 to 20 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the leased asset at the expiry of the lease period.

### Non-cancellable operating leases receivable

At 30 June 2016 and 31 December 2015, the Group is entitled to receive the minimum cash lease rentals under non-cancellable operating lease which fall due as follows:

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Within one year	<b>4,337,001</b>	4,094,495
In the second to fifth years inclusive	<b>10,669,424</b>	10,584,546
Over five years	<b>3,964,908</b>	2,760,023
Total	<b><u>18,971,333</u></b>	<u>17,439,064</u>



## 41 RELATED PARTY TRANSACTION

### Parent Company

As at 30 June 2016, China Development Bank directly owned 88.95% of the share capital of the Company.

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled by the PRC government.

The Group and the Company have the following balances and entered into the following transactions with China Development Bank in its ordinary course of business:

The Group and the Company had the following balances with China Development Bank:

	<b>30 June 2016 <i>RMB'000</i> (Unaudited)</b>	31 December 2015 <i>RMB'000</i> (Audited)
Bank balances	<b>165,645</b>	180,710
Operating leases receivable	<b>1,621</b>	1,380
Bank borrowings	<b>10,467,537</b>	12,685,786
Interest payable	<b>20,466</b>	26,405
Derivative financial liabilities	<b>394,470</b>	287,331
	<b><u>11,049,739</u></b>	<u>13,181,612</u>

The Group and the Company entered into the following transactions with China Development Bank:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Interest income	<b>3,504</b>	7,779
Interest expense	<b>152,539</b>	203,412
Guarantee fee	<b>7,460</b>	6,878
Operating lease income	<b>723</b>	723
Lease expenses – fee and commission expenses	<b>11,374</b>	15,180
	<b>175,600</b>	233,972

The Hong Kong branch of the China Development Bank provided guarantee to the Group for notes described in note 28.

### **Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers.

	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Basic salaries and allowances	<b>3,814</b>	3,762
Bonuses	<b>–</b>	–
Employer's contribution to pension schemes	<b>253</b>	238
	<b>4,067</b>	4,000

## 42 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 interim financial information.

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

- (a) Aircraft leasing: mainly engaged in the acquisition, leasing, management and disposal of commercial aircraft;
- (b) Infrastructure leasing: mainly engaged in the leasing of transportation, urban and energy infrastructure;
- (c) Ship, commercial vehicle and construction machinery leasing: mainly engaged in the leasing of vessels, commercial vehicles and construction machinery; and
- (d) Other leasing business: mainly engaged in the leasing of commercial property and manufacturing equipment in various sectors such as chemicals, papermaking, textile, coal and steel.

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

Expenses and assets of the headquarters are allocated according to the proportion of each segment’s revenue. Liabilities of the headquarters are allocated according to the proportion of each segment’s assets.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the six months ended 30 June 2015 and 2016.

The operating and reportable segment information provided to the CODM during the six months ended 30 June 2015 and 2016 is as follows:

	Aircraft leasing RMB'000	Infrastructure leasing RMB'000	Ship, commercial vehicle and construction machinery leasing RMB'000	Other leasing business RMB'000	Consolidated total RMB'000
<b>Unaudited</b>					
For the six months ended 30 June 2016					
<b>Segment revenue and results</b>					
Finance lease income	106,312	1,628,046	503,200	430,065	2,667,623
Operating lease income	2,535,544	63,812	43,034	10,105	2,652,495
Segment revenue	2,641,856	1,691,858	546,234	440,170	5,320,118
Segment other income and gains (other losses)	170,665	31,240	7,308	6,183	215,396
Segment revenue and other income	2,812,521	1,723,098	553,542	446,353	5,535,514
Segment expenses	(2,150,042)	(1,067,906)	(479,282)	(509,633)	(4,206,863)
Profit before impairment losses and income tax	662,983	781,321	193,956	164,740	1,803,000
Profit before income tax	662,479	655,192	74,260	(63,280)	1,328,651
<b>Unaudited</b>					
As at 30 June 2016					
<b>Segment assets and liabilities</b>					
Segment assets	58,637,148	60,618,492	19,922,941	14,679,503	153,858,084
Deferred tax assets					576,281
Group's total assets					154,434,365
Segment liabilities	52,103,502	55,241,775	17,507,571	13,184,475	138,037,323
Deferred tax liabilities					332,477
Group's total liabilities					138,369,800
For the six months ended 30 June 2016					
<b>Other segment information</b>					
Depreciation of investment properties	-	-	-	(9,809)	(9,809)
Depreciation of properties and equipment	(581,347)	(361,786)	(116,223)	(93,717)	(1,153,073)
Amortisation	(5,623)	(3,499)	(1,124)	(907)	(11,153)
Impairment losses	(504)	(126,129)	(119,696)	(228,020)	(474,349)

	Aircraft leasing RMB'000	Infrastructure leasing RMB'000	Ship, commercial vehicle and construction machinery leasing RMB'000	Other leasing business RMB'000	Consolidated total RMB'000
<b>Unaudited</b>					
For the six months ended 30 June 2015					
<b>Segment revenue and results</b>					
Finance lease income	105,272	1,712,072	614,593	683,851	3,115,788
Operating lease income	2,201,638	59,824	–	10,600	2,272,062
Segment revenue	2,306,910	1,771,896	614,593	694,451	5,387,850
Segment other income and gains (other losses)	63,924	61,526	7,302	12,072	144,824
Segment revenue and other income	2,370,834	1,833,422	621,895	706,523	5,532,674
Segment expenses	(1,871,090)	(1,153,158)	(594,584)	(656,682)	(4,275,514)
Profit before impairment losses and income tax	507,685	732,789	161,076	228,639	1,630,189
Profit before income tax	499,744	680,264	27,311	49,841	1,257,160
<b>Unaudited</b>					
As at 31 December 2015					
<b>Segment assets and liabilities</b>					
Segment assets	55,788,274	60,660,863	20,070,142	18,472,672	154,991,951
Deferred tax assets					703,141
Group's total assets					155,695,092
Segment liabilities	49,817,274	55,775,540	17,912,229	16,930,184	140,435,227
Deferred tax liabilities					266,949
Group's total liabilities					140,702,176
For the six months ended 30 June 2015					
<b>Other segment information</b>					
Depreciation of investment properties	–	–	–	(9,809)	(9,809)
Depreciation of properties and equipment	(412,771)	(319,760)	(108,462)	(123,223)	(964,216)
Amortisation	(4,795)	(3,715)	(1,260)	(1,431)	(11,201)
Impairment losses	(7,941)	(52,525)	(133,765)	(178,798)	(373,029)

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

## 43 FINANCIAL INSTRUMENTS

### Categories of financial instruments

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
<b>Financial assets</b>		
Cash and bank balances	<b>5,502,666</b>	6,313,850
Placement to banks and other financial institutions	<b>200,000</b>	1,100,000
Accounts receivable	<b>11,304,246</b>	13,827,135
Finance leases receivable	<b>81,295,213</b>	80,945,115
Other financial assets	<b>220,657</b>	416,369
Financial assets at fair value through profit and loss	<b>1,609,222</b>	1,558,638
Derivative financial assets	<b>86</b>	1,991
Available-for-sale financial assets	<b>281,582</b>	122,440
	<b><u>100,413,672</u></b>	<b><u>104,285,538</u></b>
	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
<b>Financial liabilities</b>		
Borrowings	<b>103,325,467</b>	102,494,469
Due to banks and other financial institutions	<b>6,000,000</b>	4,900,000
Financial assets sold under repurchase agreement	<b>3,514,000</b>	5,922,300
Notes payable	<b>14,138,944</b>	13,834,811
Other financial liabilities	<b>10,205,324</b>	12,261,580
Derivative financial liabilities	<b>573,531</b>	435,851
	<b><u>137,757,266</u></b>	<b><u>139,849,011</u></b>

## **44 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

### **44.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

There have been no changes in the risk management policies since year end.

### **44.2 Liquidity risk**

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### **44.3 Fair value estimation**

#### *Determination of fair value and valuation techniques*

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

The fair value of financial instruments with quoted prices for identical instruments is determined by the open market quotations. And those instruments are classified as level 1 which include available-for-sale financial assets – Bonds investment in active markets and as level 2, which include notes payable, financial assets at fair value through profit and loss, foreign currency forward contracts and interest rate swaps.

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.

The valuation techniques used by the Group include the discounted cash flow model for cash and bank balances, borrowings, placement to banks and other financial institutions, accounts receivable, finance leases receivable, financial assets sold under repurchase agreement and certain derivatives (i.e. interest rate swap, forward contract etc.). The main parameters used in discounted cash flow model include recent transaction prices, relevant interest yield curves, foreign exchange rates, prepayment rates and counterparty credit spreads.

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

For certain financial instruments including finance leases receivable, accounts receivable and borrowings, the fair value of which are determined based on discounted cash flow model by using the unobservable discount rates that reflect the credit spreads, those instruments are classified as level 3.

***Financial instruments that are not measured at fair value***

The table below summaries the carrying amounts and expected fair values with obvious variances of those financial instruments not presented at their fair values:

	Carrying amount		Fair value	
	As at 30 June 2016 <i>RMB'000</i> (Unaudited)	As at 31 December 2015 <i>RMB'000</i> (Audited)	As at 30 June 2016 <i>RMB'000</i> (Unaudited)	As at 31 December 2015 <i>RMB'000</i> (Audited)
Notes payable	<u>14,138,944</u>	<u>13,834,811</u>	<u>14,230,522</u>	<u>13,903,158</u>

Fair value hierarchy of note payable is Level 2 and its fair value is determined by the open market quotations.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statements of financial position approximate their fair values because these financial assets and liabilities are matured within one year or at floating interest rates.



### ***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 at the end of each reporting period. 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).

The following table presents the Group's financial assets and liabilities that are measured at fair value:

Financial assets/ financial liabilities	As at 30 June 2016		Fair value as at As at 31 December 2015		Fair value hierarchy	Valuation technique(s) and key input(s)
	RMB'000 (Unaudited)		RMB'000 (Audited)			
1) Available-for-sale financial assets – Bonds investment (note 22)	<b>Assets–</b>	<b>159,142</b>	<b>Assets–</b>	–	Level 1	Open market quotations
2) Financial assets at fair value through profit and loss (note 17)	<b>Assets–</b>	<b>1,609,222</b>	<b>Assets–</b>	1,558,638	Level 2	Based on the net asset values of the asset management schemes, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.
3) Foreign currency forward contracts (note 18)	<b>Assets–</b> <b>Liabilities–</b>	– <b>(38,422)</b>	<b>Assets–</b> <b>Liabilities–</b>	– (105,472)	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.
4) Interest rate swaps (note 18)	<b>Assets–</b> <b>Liabilities–</b>	<b>86</b> <b>(535,109)</b>	<b>Assets–</b> <b>Liabilities–</b>	1,991 (330,379)	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.

## **45 CAPITAL MANAGEMENT**

The Group's objectives of managing its capital, which adopts a broader concept than the equity as presented on the consolidated statements of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operates;
- to safeguard the Group's ability to continue as a going concern so as to provide returns for shareholders; and
- to maintain a strong capital base to support its business development.

Capital adequacy and the utilisation of regulatory capital are closely monitored by the management in accordance with the guidelines developed by the Basel Commission and relevant regulations promulgated by the CBRC. The Group files the required information to CBRC quarterly. As at 30 June 2016, the capital adequacy ratio is 10.76% (31 December 2015: 10.23%).

## **46 EVENTS AFTER THE REPORTING PERIOD**

- (a) On 11 July 2016, the Company issued 3,100,000,000 new ordinary shares at the issue price of HK\$2 each by way of initial public offering. The gross proceeds amounted to HK\$6,200 million. On the same date, the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Listing"). On 29 July 2016, the Company announced that the Over-allotment Option was partially exercised in respect of an aggregate of 42,380,000 new ordinary shares.

## DEFINITIONS

“Board” or “Board of Directors”	the board of directors of our Company
“Capital Administrative Measures”	Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法》(試行)), issued by the CBRC on June 7, 2012 and being effective from January 1, 2013
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“Company”	China Development Bank Financial Leasing Co., Ltd., including our predecessors, Shenzhen Leasing Company Limited (深圳租賃有限公司), Shenzhen Financial Leasing Company Limited (深圳金融租賃有限公司) and China Development Bank Financial Leasing Company Limited (國銀金融租賃有限公司)
“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
“Federal Reserve”	The Federal Reserve System of the United States
“Global Offering”	the Hong Kong Public Offering and the International Offering as mentioned in the Prospectus
“Group”, “we” or “us”	our Company and its subsidiaries or SPCs, or our Company and any one or more of its subsidiaries or SPCs, as the context may require
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Hong Kong Listing Rules”	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
“Listing Date”	the date, being July 11, 2016, on which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“Prospectus”	the prospectus of the Company dated June 24, 2016
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	Share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Supervisor(s)”	member(s) of our Board of Supervisors
“US\$” or “US dollar(s)”	United States dollar(s), the lawful currency of the United States

## GLOSSARY OF TECHNICAL TERMS

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

By order of the Board  
**CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.**  
**WANG Xuedong**  
*Chairman*

Shenzhen, the PRC, 26 August 2016

*As at the date of this announcement, the executive Directors are Mr. WANG Xuedong, Mr. FAN Xun, Mr. GENG Tiejun and Mr. HUANG Min; the non-executive Directors are Ms. LIU Hui and Mr. LI Yingbao; and the independent non-executive Directors are Mr. ZHENG Xueding, Mr. XU Jin and Mr. ZHANG Xianchu.*