国银租赁
CHINA DEVELOPMENT BANK LEASING

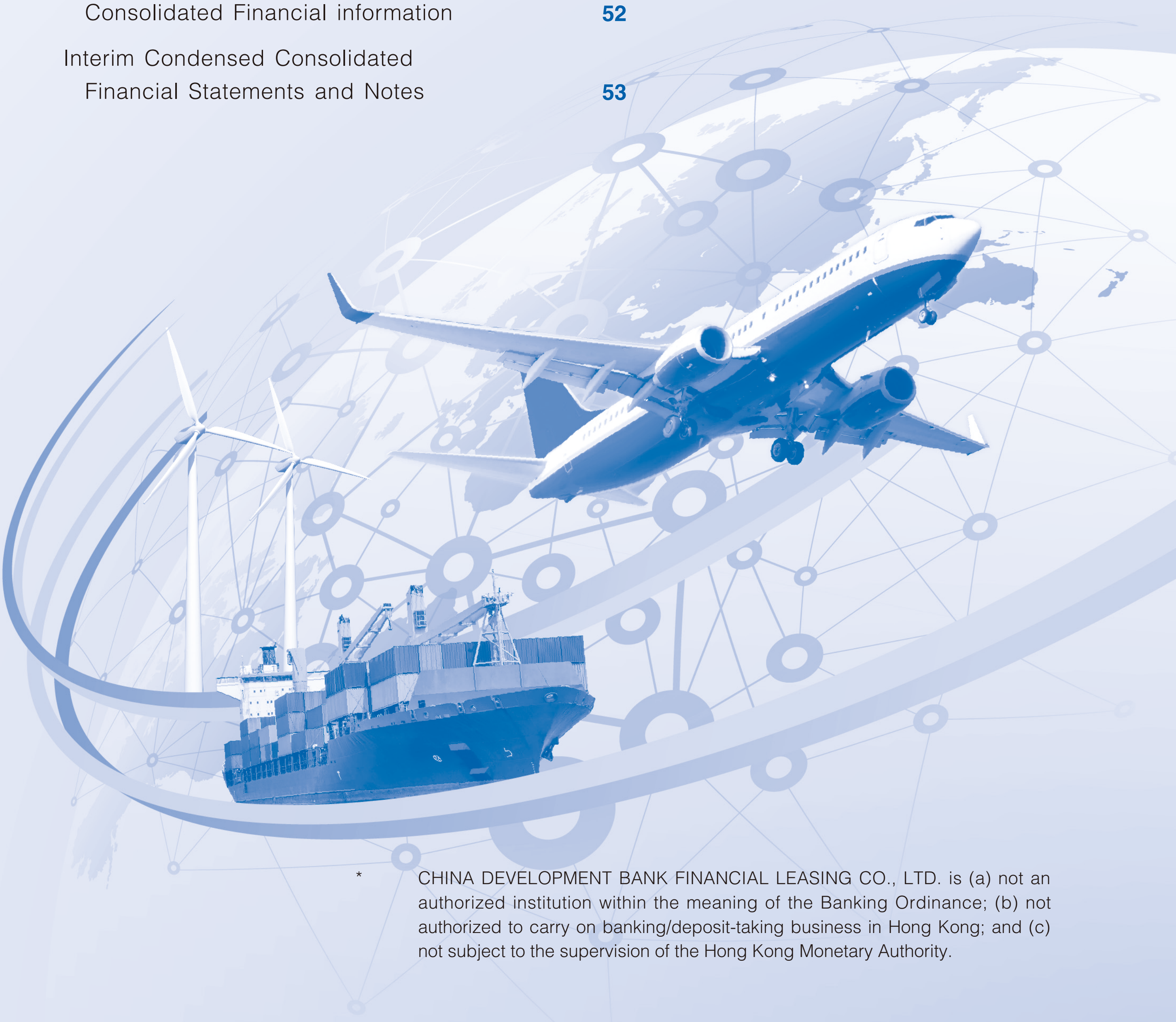
國銀金融租賃股份有限公司
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.

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

Stock Code: 1606

2017 Interim Report

Contents



* 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.

Company Overview

CDB Leasing, a national non-banking financial institution regulated by CBRC, is the first listed financial leasing company in mainland China and the sole leasing business platform and listing platform of China Development Bank, dedicated to providing comprehensive leasing services to high-quality customers in industries, including aviation, infrastructure, shipping, commercial vehicle and construction machinery. Founded in 1984, CDB Leasing is a pioneer and a leader in the leasing industry in the PRC, and is among the first leasing companies in the PRC. CDB Leasing enjoys higher international credit ratings, namely "A1" by Moody's, "A+" by Standard & Poor's and "A+" by Fitch.

As one of the leasing companies with the longest history in the PRC, CDB Leasing has witnessed and participated in the development of the PRC leasing industry, experienced various economic and industry cycles and regulatory reforms, and gained abundant experience through our exploration in business sectors, product innovation, risk management and control, operating management and other aspects. CDB Leasing has gradually built up our explicit positioning with focus on key industries and key clients through exploration in various business sectors on planning, continuous product innovation and business improvement as well as optimization of corporate governance. CDB Leasing targeted to build a business layout with Aircraft Leasing and Infrastructure Leasing which have well-developed business model, sound asset quality and growth potential as core sectors and to develop a customer positioning with large and medium-sized, high-quality customers as key customer groups.

The continued market-oriented reform of the PRC financial industry, increasing customer demand for customized leasing products and services, and favorable government policies have brought important opportunities to the leasing industry. We believe that our long operating history, market leading position, well-developed business model and premier brand name will enable us to seize such opportunities, achieve sustained growth, and continue to maintain our leading position in the fast developing PRC leasing industry.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Xuedong *(Chairman)*
Mr. Fan Xun *(Vice chairman)*
Mr. Huang Min

Non-executive Directors

Mr. Geng Tiejun
Ms. Liu Hui
Mr. Li Yingbao

Independent Non-executive Directors

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

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE

Mr. Wang Xuedong *(Chairman)*
Mr. Fan Xun
Mr. Geng Tiejun
Mr. Huang Min
Ms. Liu Hui
Mr. Li Yingbao
Mr. Zheng Xueding

RELATED PARTY TRANSACTION CONTROL COMMITTEE

Mr. Xu Jin *(Chairman)*
Mr. Geng Tiejun
Mr. Huang Min
Mr. Zheng Xueding
Mr. Zhang Xianchu

AUDIT COMMITTEE

Mr. Zheng Xueding *(Chairman)*
Ms. Liu Hui
Mr. Li Yingbao
Mr. Xu Jin
Mr. Zhang Xianchu

REMUNERATION COMMITTEE

Mr. Zhang Xianchu *(Chairman)*
Mr. Fan Xun
Mr. Li Yingbao
Mr. Zheng Xueding
Mr. Xu Jin

NOMINATION COMMITTEE

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

BOARD OF SUPERVISORS

Mr. Jiang Daozhen *(Chairman)*
Mr. Lei Yanzheng
Mr. Sun Zhikun
Ms. Huang Xuemei
Mr. Zhuang Ganlang

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

Mr. Fan Xun
Mr. Huang Min

Corporate Information (Continued)

LEGAL ADVISORS

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

As to PRC law
Beijing Zhong Lun Law Firm (Shenzhen Office)
9–10/F, Tower A
Rongchao Tower
6003 Yitian Road
Futian District
Shenzhen
PRC

H SHARE REGISTRAR

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

REGISTERED OFFICE

50–52/F New World Center
No. 6009 Yitian Road
Futian District
Shenzhen
Guangdong Province
PRC

HEADQUARTERS

50–52/F New World Center
No. 6009 Yitian Road
Futian District
Shenzhen
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building, Central
Hong Kong

COMPLIANCE ADVISOR

Zhongtai International Capital Ltd.
Unit 3904–07, 39/F
Cosco Tower
183 Queen's Road Central
Hong Kong

WEBSITE OF THE COMPANY

http://www.cdb-leasing.com

STOCK CODE

1606

LISTING DATE

July 11, 2016

1. SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(RMB in thousands)	For the six months ended June 30, 2017	2016	For the year ended December 31, 2016
Finance lease income	**2,847,558**	2,667,623	5,363,827
Operating lease income	**2,930,155**	2,652,495	5,453,157
Total revenue	**5,777,713**	5,320,118	10,816,984
Net investment gains	**49,365**	2,530	(52,359)
Other revenue and income	**65,815**	212,866	676,180
Total revenue and other income	**5,892,893**	5,535,514	11,440,805
Total expenses	**(4,293,460)**	(4,206,863)	(9,373,074)
Of which: Depreciation and amortization	**(1,340,706)**	(1,174,035)	(2,476,525)
Interest expense	**(2,239,800)**	(2,319,601)	(4,400,071)
Impairment losses	**(412,896)**	(474,349)	(1,825,773)
Profit before income tax	**1,599,433**	1,328,651	2,067,731
Profit for the Reporting Period	**1,294,067**	1,103,609	1,561,339
Basic and diluted earnings per share *(RMB)*	**0.10**	0.12	0.14

2. SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(RMB in thousands)		**As at June 30, 2017**	As at December 31, 2016
Total assets		**172,829,930**	166,512,149
Of which:	Cash and bank balances	**12,025,934**	9,336,415
	Accounts receivable	**6,500,446**	6,841,777
	Finance lease receivables	**92,260,974**	88,464,050
	Prepayments	**7,677,041**	7,911,502
	Property and equipment	**49,358,380**	47,344,054
Total liabilities		**150,012,624**	144,210,475
Of which:	Borrowings	**112,939,931**	106,198,168
	Notes payable	**19,457,679**	17,793,886
Net assets		**22,817,306**	22,301,674
Net assets per share *(RMB)*		**1.80**	1.76

3. SELECTED FINANCIAL RATIOS

	For the six months ended June 30,/ as at June 30, 2017	2016	For the year ended December 31,/ as at December 31, 2016
Return on average total assets(1)	**1.53%**	1.42%	0.97%
Return on average equity(2)	**11.47%**	14.21%	8.44%
Net interest margin of finance lease business(3)	**2.66%**	2.54%	2.70%
Net lease yield of operating lease business(4)	**9.14%**	8.34%	8.74%
Cost-to-income ratio(5)	**4.84%**	4.15%	5.76%
Non-performing asset ratio(6)	**1.11%**	1.12%	0.98%
Non-performing asset ratio of finance lease business(7)	**1.87%**	1.45%	1.63%
Allowance to non-performing finance lease related assets(8)	**159.35%**	168.41%	164.28%
Core tier-one capital adequacy ratio(9)	**13.45%**	10.17%	13.42%
Tier-one capital adequacy ratio(10)	**13.45%**	10.17%	13.42%
Capital adequacy ratio(11)	**14.11%**	10.76%	14.03%
Gearing Ratio(12)	**5.51x**	7.58x	5.44x
Credit ratings			
Standard & Poor's	**A+**	A+	A+
Moody's	**A1**	A1	Aa3
Fitch	**A+**	A+	A+

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

(2) Calculated by dividing net profit for the year by average balance of total Shareholders' equity at the beginning and the end of the period on an annualized basis.

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

(4) 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.

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

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

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

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

Financial Highlights (Continued)

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, 2017	As at December 31, 2016	As at December 31, 2015
Capital adequacy indicators[1]				
Core tier-one capital adequacy ratio[2]	≥7.1%[3]	**13.45%**	13.42%	9.54%
Tier-one capital adequacy ratio[4]	≥8.1%[3]	**13.45%**	13.42%	9.54%
Capital adequacy ratio[5]	≥10.1%[3]	**14.11%**	14.03%	10.23%
Asset quality indicators				
Allowance to non-performing finance lease related assets[6]	≥150%	**159.35%**	164.28%	150.47%

(1) Calculated based on the Capital Administrative Measures.

(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 2017.

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

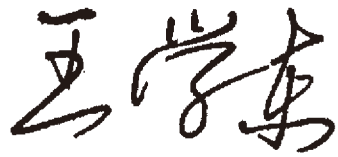
(5) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.

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

In the first half of 2017, under the great support by different sectors of the society, we recorded satisfactory operating results with focus on "innovation and efficiency improvement" to firmly promote various works. The total lease financing to lessees of the Group amounted to over RMB20 billion in the first half of 2017, recording a new high as compared with that of the same period since 2013, while total revenue and other gains amounted to RMB5.893 billion in the first half of 2017, representing a year-on-year increase of 6.5%. Net profit amounted to RMB1.294 billion, representing a year-on-year increase of 17.3%. Annualized average return on total assets and on net assets amounted to 1.53% and 11.47%, respectively, representing a year-on-year increase of 0.11 percentage point and a year-on-year decrease of 2.74 percentage points, respectively. The non-performing asset ratio and allowance coverage ratio amounted to 1.11% and 159.35%, respectively, both of which were similar with that of the same period of last year.

In the first half of 2017, we further straightened out the system and mechanism, attained substantial results by accelerating the construction of the organizational structure of the Group, strengthening risk management and control, optimizing financing strategies and reducing funding costs. **Firstly, the mechanism and system were further improved. The governance structure has been standardized and improved.** The Company increased the proportion of external Directors and further optimized the structure of the Board. The Company convened general meetings, Board meetings and meetings of specialized committees under the Board in strict compliance with domestic and foreign regulatory requirements, and approved relevant resolutions pursuant to relevant laws. The Company improved and perfected the authorization management system, specified the authorization plans granted by the general meeting to the Board and by the Board to the chairman, introduced the Authorization Management Adjustment Plan for Chairman's Duties, the Authorization Management Plan for President's Duties and the Authorization Management Plan for Transfer of President's Duties, organized all items subject to approval and formulated the work manual for approval authority. We promoted the implementation of marketization reform, established four marketization mechanisms in terms of corporate governance, business decision-making, human resources as well as remuneration and performance. **Secondly, collectivized organization structure was gradually emerging**. The Company established a professional aviation business platform and an international team. On June 23, 2017, CDB Aviation Lease Finance Designated Activity Company was officially incorporated in Dublin, which became the first professional financial leasing company approved by the CBRC to be established overseas. The Group refined the management system for the development of regional businesses to enrich the professional strength for business development in key provinces. The specialized equipment manufacturing subsidiary in Tianjin has been organizing its establishment in an orderly manner. The team building and business development of shipping business department was further strengthened, which enhanced the level of professional development. **Thirdly, risk prevention and control was strengthened continuously and asset quality remained stable**. In the first half of 2017, we paid more efforts in resolving and disposing of risks and non-performing projects, strengthened the management on risk sources, improved early warning capability on risks and strengthened the establishment of a comprehensive risk management system. Positive results have been seen in the systematic risk control measures, which have safeguarded the bottom line of risks. **Fourthly, financing channels were broadened and financing costs were controlled**. The Company successfully issued financial bonds of RMB2 billion at a rate of 4.25%. The Group raised non-banking funds via various channels including insurance and trusts, properly increased the financing proportion of non-interbank funds including bank factoring and bank liquidity, so as to optimize its business layout instead of relying solely on interbank funds. **Fifthly, the Company actively took social responsibility and created sound corporate image**. The Company shared value with relevant stakeholders and was committed to promoting the healthy, sustainable and harmonious development in the economy, society and environment. CDB Leasing had won the honors of "Jun Ding Award for Financial Leasing Company in 2017" and "Key Service and Trading Company in Shenzhen for 2016".

Currently, despite the overall world economy has shown a favorable trend for recovery, it is still under the depth adjustment period and re-balancing stage after the crisis, with deep-seated problems unsolved and structural problems being obvious. There are still many prominent contradictions and problems in the operation of the PRC economy which require us to strengthen our capacity development and take the initiative to tackle such problems based on the concepts of marketization, specialization, diversification and internationalization. We will fully leverage our own advantages and seize opportunities for development to promote our sustainable development. In the second half of 2017, centered on operating results, targeted at preset budget and business plan and through incentives and restrictions, we will adhere to the business layout formulated at the beginning of the year to accelerate the development of business innovation, strengthen operation and management as well as the establishment of fundamental capabilities with an aim to continue to promote the establishment and improvement of mechanism and system to ensure full accomplishment of all tasks for the year.



Chairman and Executive Director
August 30, 2017

1. BUSINESS SITUATION

In the first half of 2017, the global economy continued to maintain recovery momentum with particularly impressive performance in developed economies. However, the worldwide economy was still at the stage of intensified adjustment and rebalancing, with a lack of overall increasing momentum.

In the first half of 2017, the economy in the PRC continued its development with a rising trend at a steady pace, indicating a more stable foundation and a more positive momentum. With the highest contribution of the service industry and consumption, the new driven force further played its role to enhance the quality of economic growth, resulting in an overall situation above expectation. However, there were still various conflicts and issues in the operation of domestic economy, such as the issue of surplus capacity and upgrading of demand-supply structure. Attention shall be drawn to risks including the lack of organic economic growth, the accumulation of financial risks, high leverage ratio for non-financial enterprises, debt risks from local governments, and bubble risks in partial real estate market.

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 the Guiding Opinions on Promoting the Sound Development of Financial Leasing Business (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)》), which further facilitated the development of leasing industry in the PRC with a rapid increase in the number, registered capital and asset scale of leasing companies. As at the end of the Reporting Period, the total number of domestic finance lease enterprises was approximately 8,218, increasing by 1,082 as compared with that as at the beginning of 2017, among which 66 were engaged in finance lease and seven were newly established, leading to increasingly intensified competition. These finance leasing companies are still facing the problem of business homogenization with banks, as they basically focus on sale and leaseback with direct lease as ancillary, or focus on finance lease with operating lease as ancillary. The major source of revenue was generated from interest margin. Each leasing company needs to explore its innovative development in terms of product structure design, client resources, market positioning and business model to build up its advantages with its own characteristics and professionalism, in response to the challenges of market competition.

2. COMPANY'S RESPONSES

In the first half of 2017, encountering with the intricate trend of the macro-economy, the Group actively tackled with both internal and external severe and complicated situation, further improved its system and mechanism to expedite the development of collectivized organization structure, made great efforts on business development, optimized business layout and improved risk prevention and control, achieving good operating results.

With respect to business arrangement, the Group enhanced its professionalism in various business areas including aircraft, shipping, construction machinery and vehicles, and new energy. The business of infrastructure sector was further consolidated. The total lease financing to lessees for the first half of 2017 amounted to RMB20,066 million, among which, aircraft leasing, infrastructure leasing, shipping, commercial vehicles and construction machinery leasing, and other leasing business accounted for 26.6%, 40.1%, 31.0% and 2.3%, respectively. CDB Aviation Lease Finance Designated Activity Company, the principal aircraft subsidiary of the Company, was officially incorporated in Dublin on June 23, 2017, which indicated the completion of the international team building of our aviation business. The financial leasing project of eight large ore carriers with Fortescue Metals Group was awarded the "Annual Transaction Award" issued by Marine Money (海事金融). The Group also expanded its urban infrastructure leasing business all over the country, and explored new energy leasing projects in Ningxia and Gansu, hence, the expansion of infrastructure leasing business has been further enhanced. With respect to financing, the Group expanded its direct financing channels including issue of bonds, and successfully issued the second tranche of RMB2 billion financial bonds for a term of one year with an interest rate of 4.25%. In addition, the Group successfully obtained credits from insurance asset management companies and properly increased the financing proportion of non-interbank funds such as bank factoring and bank liquidity loans to enrich its financing model and decrease its dependence on interbank funds, effectively alleviating the pressure of rising financing costs. The Group paid great attention to project risks from the very beginning, improved the assessment management and pushed forward the assessment works. It strengthened the function of loan review for leasing projects and standardized the lending process. The Company also established a special department which was responsible for the implementation of various works such as the collection, elimination, disposal and sale of non-performing assets. The management of the Company also paid close attention to the fluctuations in the international aviation market. The above-mentioned risk control measures achieved positive effects after the implementation. As at June 30, 2017, the non-performing asset ratio of the Group was 1.11%.

3. PERFORMANCE OUTLOOK

In the second half of 2017, Europe, the United States, Japan and other major economies will maintain the recovery momentum, with the monetary and financial environment remaining loose in general. However, attention shall be paid to the risk of the deviation of policies in developed countries from the market expectation, especially "the shrinking of balance sheet" and increase in interest rate of Federal Reserve as well as potential impacts brought by protectionism against trading in the United States. In the second half of 2017, the domestic economy in the PRC will encounter with a number of positive factors, such as the improvement on external environment and stability, and the implementation of national strategies including "Belt and Road Initiative", Xiong'an New Area and Guangdong-Hong Kong-Macao Greater Bay Area which will bring us more opportunities along with the promotion of economic restructuring and development, but at the same time, the domestic economy is also facing challenges of various risks with certain uncertainties.

In the second half of 2017, the Group will expand its business in a steady pace and enhance its level of professional development. Based on the positioning of our business, the Group will take the initiative to focus on certain industrial departments and major clients, follow policy direction and make more efforts on the assessment and work involvement of project development. Through effective risk management and control and strict defense of the risk bottom line, the Group will comprehensively push forward the establishment of risk management system in every aspect including business development, assessment, internal control and compliance. The Group will optimize the balance of assets and liabilities, thoroughly promote cost reduction and efficiency improvement, primarily to enhance the revenue level, expand the revenue sources and financing channels, as well as continue to reasonably reduce unnecessary expenses and costs. In addition, the Group will strengthen its infrastructure construction so as to enhance the capability and performance of operating management.

4. ANALYSIS ON CONSOLIDATED STATEMENT OF PROFIT OR LOSS

4.1. Overview on Consolidated Statement of Profit or Loss

In the first half of 2017, the Group's revenue was basically in line with its costs and expenses and its results kept steady improvement. Total revenue and other income amounted to RMB5,893.0 million, representing an increase of 6.5% as compared with RMB5,535.5 million for the same period of last year. Net profit of the Group for the first half of 2017 amounted to RMB1,294.1 million, representing an increase of 17.3% as compared with RMB1,103.6 million for the same period of last year, due primarily to (1) the addition of leased assets resulting from new businesses in the second half of 2016 and the first half of 2017, and the stable yield of overall business, which led to the growth of revenue; (2) the fact that the rapid increase in depreciation and amortization as well as staff costs was offset by the decrease in interest expense and impairment losses.

The following table sets forth the consolidated statement of profit or loss of the Group for the six months ended June 30, 2017 and comparative figures for the same period of last year.

	For the six months ended June 30,		
(RMB in millions, except percentages)	**2017**	2016	Change
Revenue			
Finance lease income	**2,847.6**	2,667.6	6.7%
Operating lease income	**2,930.2**	2,652.5	10.5%
Total revenue	**5,777.8**	5,320.1	8.6%
Net investment gains	**49.4**	2.5	1,876.0%
Other income, gains or losses	**65.8**	212.9	(69.1%)
Total revenue and other income	**5,893.0**	5,535.5	6.5%
Depreciation and amortization	**(1,340.7)**	(1,174.0)	14.2%
Staff costs	**(101.6)**	(50.6)	100.8%
Fee and commission expenses	**(29.5)**	(22.6)	30.5%
Interest expense	**(2,239.8)**	(2,319.6)	(3.4%)
Other operating expenses	**(169.0)**	(165.8)	1.9%
Impairment losses	**(412.9)**	(474.3)	(12.9%)
Total expenses	**(4,293.5)**	(4,206.9)	2.1%
Profit before income tax	**1,599.5**	1,328.6	20.4%
Income tax expense	**(305.4)**	(225.0)	35.7%
Net profit	**1,294.1**	1,103.6	17.3%

4.2. Revenue

For the first half of 2017, total revenue of the Group amounted to RMB5,777.8 million, representing an increase of 8.6% as compared with RMB5,320.1 million for the same period of last year, due primarily to the addition of finance lease assets and operating lease assets resulting from the new lease financing to lessees in operating lease and finance lease in the second half of 2016 and the first half of 2017, and the overall stable yield, which led to the increase in finance lease income and operating lease income.

Revenue of the Group was primarily derived from (1) finance lease income; and (2) operating lease income.

4.2.1. Finance Lease Income

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

	For the six months ended June 30,		
(RMB in millions, except percentages)	**2017**	2016	Change
Finance lease income			
Aircraft Leasing	**119.6**	106.3	12.5%
Infrastructure Leasing	**1,903.5**	1,628.0	16.9%
Ship, Commercial Vehicle and Construction Machinery Leasing	**477.4**	503.2	(5.1%)
Other Leasing Business	**347.1**	430.1	(19.3%)
Total	**2,847.6**	2,667.6	6.7%

For the first half of 2017, finance lease income of the Group amounted to RMB2,847.6 million, accounting for 49.3% of the total revenue and representing an increase of 6.7% as compared with RMB2,667.6 million for the same period of last year, due primarily to a year-on-year increase of finance lease assets and the generally stable yield.

With respect to Aircraft Leasing, for the first half of 2017, finance lease income of the Group amounted to RMB119.6 million, representing an increase of 12.5% as compared with RMB106.3 million for the same period of last year, due primarily to the addition of new aircraft finance lease projects in the second half of 2016.

With respect to Infrastructure Leasing, for the first half of 2017, finance lease income of the Group amounted to RMB1,903.5 million, representing an increase of 16.9% as compared with RMB1,628.0 million for the same period of last year, due primarily to a year-on-year increase of lease assets and the generally stable yield of projects.

With respect to Ship, Commercial Vehicle and Construction Machinery Leasing, for the first half of 2017, finance lease income of the Group amounted to RMB477.4 million, representing a decrease of 5.1% as compared with RMB503.2 million for the same period of last year, due primarily to the expiry or early termination of the finance lease projects for certain ships and the increase of non-performing assets of Ship Leasing.

With respect to Other Leasing Business, for the first half of 2017, finance lease income of the Group amounted to RMB347.1 million, representing a decrease of 19.3% as compared with RMB430.1 million for the same period of last year, due primarily to the adjustment of the scale of lease business of this segment in consideration of business structure optimization.

4.2.2. Operating Lease Income

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

	For the six months ended June 30,		
(RMB in millions, except percentages)	**2017**	2016	Change
Operating lease income			
Aircraft Leasing	**2,804.2**	2,535.6	10.6%
Infrastructure Leasing	**58.2**	63.8	(8.8%)
Ship, Commercial Vehicle and Construction Machinery Leasing	**61.3**	43.0	42.6%
Other Leasing Business	**6.4**	10.1	(35.6%)
Total	**2,930.1**	2,652.5	10.5%

For the first half of 2017, operating lease income of the Group amounted to RMB2,930.1 million, accounting for 50.7% of the total revenue and representing an increase of 10.5% as compared with RMB2,652.5 million for the same period of last year, due primarily to an increase of aircraft for operating lease in light of the expansion of aircraft leasing business and the overall stable yield of the operating lease of aircraft leasing business.

4.2.3. Net Investment Gains (Losses)

For the first half of 2017, net investment gains of the Group amounted to RMB49.4 million, representing an increase of 1,876.0% as compared with RMB2.5 million for the same period of last year, due primarily to a decrease in losses of the settlement of the Company on forward foreign exchange contracts during the Reporting Period.

4.2.4. Other Income, Gains or Losses

For the first half of 2017, other income and gains of the Group amounted to RMB65.8 million, representing a decrease of 69.1% as compared with RMB212.9 million for the same period of last year, due primarily to the exchange losses caused by the depreciation of US dollar.

4.3. Costs and Expenses

For the first half of 2017, total expenses of the Group amounted to RMB4,293.5 million, representing an increase of 2.1% as compared with RMB4,206.9 million for the same period of last year, due primarily to the fact that the increase in depreciation and amortization as well as the increase in staff costs, which was attributable to the increase in operating lease assets, was partially offset by the decrease in interest expense and impairment losses.

4.3.1. Depreciation and Amortization

For the first half of 2017, depreciation and amortization of the Group amounted to RMB1,340.7 million, representing an increase of 14.2% as compared with RMB1,174.0 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 2017, staff costs of the Group amounted to RMB101.6 million, representing an increase of 100.8% as compared with RMB50.6 million for the same period of last year, due primarily to the reform of the market-oriented remuneration system, which reflected the strengthened effect of incentives and constraints, and the introduction of the international team of the aviation business.

4.3.3. Fee and Commission Expenses

For the first half of 2017, fee and commission expenses of the Group amounted to RMB29.5 million, representing an increase of 30.5% as compared with RMB22.6 million for the same period of last year, due primarily to the increase of handling fees for new bank borrowings and account supervision fees for leasing projects during the period.

4.3.4. Interest Expense

For the first half of 2017, interest expense of the Group amounted to RMB2,239.8 million, representing a decrease of 3.4% as compared with RMB2,319.6 million for the same period of last year, due primarily to the fact that the increase in deductible interest expense, which was attributed to the transformation of business tax to value-added tax and the increase in capitalization of interest for projects, was partially offset by the increased interest expense attributed to the expansion of financing scale and increase in financing costs.

4.3.5. Other Operating Expenses

For the first half of 2017, other operating expenses of the Group amounted to RMB169.0 million, representing an increase of 1.9% as compared with RMB165.8 million for the same period of last year, due primarily to the increase in operating cost incurred by the newly established aircraft subsidiary.

4.3.6. Impairment Losses

For the first half of 2017, impairment losses of the Group amounted to RMB412.9 million, representing a decrease of 12.9% as compared with RMB474.3 million for the same period of last year, due primarily to the decrease in additional amount of non-performing assets during the Reporting Period as compared with that of the same period of last year.

4.4. Profit before Income Tax

For the first half of 2017, profit before income tax of the Group amounted to RMB1,599.5 million, representing an increase of 20.4% as compared with RMB1,328.6 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:

(RMB in millions, except percentages)	For the six months ended June 30, 2017	2016
Finance lease business		
Interest income[(1)]	**2,847.6**	2,667.6
Interest expense[(2)]	**1,522.7**	1,454.2
Net interest income	**1,324.9**	1,213.4
Average balance of finance lease related assets	**99,440.2**	95,565.2
Net interest margin of finance lease business[(3)]	**2.66%**	2.54%

(1) Interest income represents finance lease income.

(2) Interest expense is our cost of interest-bearing liabilities of finance lease business. 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 such segment.

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

For the first half of 2017, net interest margin of finance lease business of the Group slightly increased from 2.54% for the same period of last year to 2.66%, due primarily to the decrease in interest expense resulting from the increase in deductible interest expense attributed to the transformation of business tax to value-added tax and the increase in the financing capital raised from listing. If the above impact is restored, the net interest margin of finance lease business remains basically flat on a year-on-year basis.

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:

Operating lease business	For the six months ended June 30, 2017	2016
Net lease yield of operating lease business[1]	**9.14%**	8.34%
Profit margin of operating lease business before income tax of operating lease business[2]	**24.19%**	19.90%

(1) 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 such segment.

(2) 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 such segment. Staff costs, fee and commission expenses and other operating expenses of the operating lease business are calculated by total staff costs, fee and commission expenses and other operating expenses times the proportion of operating lease income to total revenue.

In the first half of 2017, both net lease yield and profit margin before income tax of our operating lease business increased, due primarily to the decrease in interest expense denominated in US dollars after capitalization on interest.

4.7. Income Tax Expense

For the first half of 2017, income tax expense of the Group increased by 35.7% from RMB225.0 million for the same period of last year to RMB305.4 million, due primarily to the increase of portion of taxable income which was derived from subsidiaries located in countries applying higher income tax rates.

5. ANALYSIS ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

(RMB in millions, except percentages)	**June 30, 2017**	December 31, 2016	Change
Assets			
Cash and bank balances	**12,025.9**	9,336.4	28.8%
Placement to banks and other financial institutions	**400.0**	1,100.0	(63.6%)
Financial assets at fair value through profit or loss	**2,163.9**	2,133.7	1.4%
Derivative financial assets	**7.2**	9.7	(25.8%)
Accounts receivable	**6,500.4**	6,841.8	(5.0%)
Finance lease receivables	**92,261.0**	88,464.1	4.3%
Prepayments	**7,677.0**	7,911.5	(3.0%)
Available-for-sale financial assets	**315.6**	274.6	14.9%
Assets held-for-sale	**–**	994.0	(100.0%)
Investment properties	**346.8**	356.6	(2.7%)
Property and equipment	**49,358.4**	47,344.1	4.3%
Deferred tax assets	**650.2**	591.0	10.0%
Other assets	**1,123.5**	1,154.6	(2.7%)
Total assets	**172,829.9**	166,512.1	3.8%
Liabilities			
Borrowings	**112,939.9**	106,198.2	6.3%
Due to banks and other financial institutions	**1,960.0**	4,000.0	(51.0%)
Financial assets sold under repurchase agreements	**2,720.0**	3,136.0	(13.3%)
Derivative financial liabilities	**149.1**	199.3	(25.2%)
Accrued staff costs	**56.5**	94.2	(40.0%)
Tax payable	**50.4**	132.3	(61.9%)
Notes payable	**19,457.7**	17,793.9	9.4%
Deferred tax liabilities	**483.2**	441.6	9.4%
Other liabilities	**12,195.8**	12,215.0	(0.2%)
Total liabilities	**150,012.6**	144,210.5	4.0%
Total equity	**22,817.3**	22,301.6	2.3%

5.1. Total Assets

The principal components of our assets were finance lease receivables, accounts receivable, property and equipment, and prepayments, collectively representing 90.1% of our total assets as at June 30, 2017. As at June 30, 2017, total assets of the Group amounted to RMB172,829.9 million, representing an increase of 3.8% as compared with RMB166,512.1 million as at the end of last year, due primarily to the increase in lease business in the second half of 2016 and the first half of 2017.

5.1.1. Breakdown of Finance Lease Receivables

(RMB in millions, except percentages)	**June 30, 2017**	December 31, 2016	Change
Finance lease receivables – gross	**119,251.0**	114,536.2	4.1%
Less: Unearned finance income	**(24,214.6)**	(23,676.0)	2.3%
Finance lease receivables – net	**95,036.4**	90,860.2	4.6%
Less: Allowance for impairment losses	**(2,775.4)**	(2,396.1)	15.8%
Finance lease receivables – carrying value	**92,261.0**	88,464.1	4.3%

As at June 30, 2017, finance lease receivables of the Group amounted to RMB92,261.0 million, representing an increase of 4.3% from RMB88,464.1 million as at December 31, 2016, due primarily to the increase in finance lease business in the second half of 2016 and the first half of 2017.

5.1.2. Accounts Receivable

As at June 30, 2017, accounts receivable of the Group amounted to RMB6,500.4 million, representing a decrease of 5.0% from RMB6,841.8 million as at December 31, 2016, due primarily to the receipt of part of accounts receivable.

5.1.3. Prepayments

As at June 30, 2017, prepayments of the Group amounted to RMB7,677.0 million, representing a decrease of 3.0% from RMB7,911.5 million as at December 31, 2016, due primarily to the transfer of the prepayments for aircraft purchase as a result of the initiation of certain aircraft lease to property and equipment.

5.1.4. Property and Equipment

As at June 30, 2017, equipment held for operating lease of the Group amounted to RMB48,786.2 million, representing an increase of 4.1% from RMB46,857.8 million as at December 31, 2016, due primarily to the expansion of its aircraft fleet.

As at June 30, 2017, property and equipment held for administrative purpose of the Group amounted to RMB572.2 million, representing an increase of 17.7% from RMB486.3 million as at December 31, 2016, due primarily to the increase of construction in progress as a result of the construction of the Group's new office building.

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

(RMB in millions, except percentages)	**June 30, 2017**	December 31, 2016	Change
Property and equipment			
Equipment held for operating lease businesses	**48,786.2**	46,857.8	4.1%
Property and equipment held for administrative purpose	**572.2**	486.3	17.7%
Property and equipment – carrying value	**49,358.4**	47,344.1	4.3%

5.1.5. Cash and Bank Balances

As at June 30, 2017, cash and bank balances of the Group were RMB12,025.9 million, representing an increase of 28.8% from RMB9,336.4 million as at December 31, 2016, due primarily to the increased scale of liquidity reserve by the Group at the end of each quarter as a result of the relatively tight liquidity of Renminbi capital in China since 2017 and the Group's prudent strategies on liquidity management.

5.1.6. Placement to Banks and Other Financial Institutions

As at June 30, 2017, placement to banks and other financial institutions of the Group was RMB400.0 million, representing a decrease of RMB700.0 million from RMB1,100.0 million as at December 31, 2016, due primarily to the expiry of existing placement to banks and other financial institutions without new ones being incurred as at June 30, 2017.

5.1.7. Financial Assets at Fair Value through Profit or Loss

As at June 30, 2017, financial assets at fair value through profit and loss of the Group were RMB2,163.9 million, representing an increase of 1.4% from RMB2,133.7 million as at December 31, 2016, due primarily to changes in fair value of fixed-income products invested through asset management schemes by the Company.

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, 2017, other assets of the Group amounted to RMB1,123.5 million, representing a decrease of 2.7% from RMB1,154.6 million as at December 31, 2016.

5.2. Lease Assets

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

(RMB in millions, except percentages)	**June 30, 2017**	December 31, 2016	Change
Finance lease related assets			
Finance lease receivables	**92,261.0**	88,464.1	4.3%
Accounts receivable – advances for finance lease projects	**6,166.7**	6,499.0	(5.1%)
Total	**98,427.7**	94,963.1	3.6%

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

(RMB in millions, except percentages)	**June 30, 2017**	December 31, 2016	Change
Operating lease assets			
Investment properties	**346.8**	356.6	(2.7%)
Property and equipment – equipment held for operating lease	**48,786.2**	46,857.8	4.1%
Total	**49,133.0**	47,214.4	4.1%

5.3. Liabilities

As at June 30, 2017, total liabilities of the Group amounted to RMB150,012.6 million, representing an increase of 4.0% as compared with RMB144,210.5 million as at December 31, 2016.

5.3.1. Borrowings

As at June 30, 2017, the balance of borrowings of the Group amounted to RMB112,939.9 million, representing an increase of 6.3% as compared with RMB106,198.2 million as at December 31, 2016.

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 funds with a term within three months. As at June 30, 2017, the balance of the Group's due to banks and other financial institutions was RMB1,960.0 million, representing a decrease of 51.0% as compared with RMB4,000.0 million as at December 31, 2016, due primarily to the repayment of stock of due to banks and other financial institutions upon maturity.

5.3.3. Notes Payable

As at June 30, 2017, the balance of notes payable of the Group amounted to RMB19,457.7 million, representing an increase of 9.4% as compared with RMB17,793.9 million as at December 31, 2016, due primarily to the issuance of one-year financial bonds amounting to RMB2 billion in the National Inter-bank Bonds Market by the Group in May 2017.

5.3.4. Other Liabilities

As at June 30, 2017, the balance of other liabilities of the Group amounted to RMB12,195.8 million, representing a decrease of 0.2% as compared with RMB12,215.0 million as at December 31, 2016, which remained stable.

6. ANALYSIS ON CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended June 30,		
(RMB in millions, except percentages)	**2017**	2016	Change
Net cash flow from operating activities	**3,858.1**	2,288.6	68.6%
Net cash flow from investing activities	**(3,976.7)**	(3,587.4)	10.9%
Net cash flow from financing activities	**1,761.8**	(228.0)	–
Net increase/(decrease) in cash and cash equivalents	**1,643.2**	(1,526.8)	–

For the first half of 2017, net cash inflow from operating activities of the Group amounted to RMB3,858.1 million, representing an increase of 68.6% as compared with that of the same period of last year, due primarily to (1) the increase in borrowings by the Group for the purpose of meeting the requirements for lease financing to lessees; and (2) business expansion of the Group and better operating results recorded for the first half of 2017. For the same period, net cash outflow from investing activities of the Group amounted to RMB3,976.7 million, representing an increase of 10.9% as compared with that of the same period of last year, due primarily to the increase in cash outflow as a result of the purchases of aircraft held for operating lease during the Reporting Period. Furthermore, for the first half of 2017, net cash inflow from financing activities of the Group amounted to RMB1,761.8 million, which was primarily generated from newly issued bonds.

7. BUSINESS OVERVIEW

The major business segments of the Group include Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business. In the first half of 2017, we set Aircraft Leasing and Infrastructure Leasing as two core business segments, adopted a prudent approach for Ship, Commercial Vehicle and Construction Machinery Leasing and proactively controlled the expansion of Other Leasing Business, which further optimized the business structure. In the first half of 2017, the total lease financing to lessees of the Group amounted to RMB20.066 billion, and the lease financing to lessees in Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business were RMB5.338 billion, RMB8.046 billion, RMB6.220 billion and RMB0.462 billion, respectively.

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

(RMB in millions, except percentages)	**For the six months ended June 30, 2017**		2016	
Segment revenue and other income	**Amount**	**Percentage**	Amount	Percentage
Aircraft Leasing	**3,022.9**	**51.3%**	2,812.5	50.8%
Infrastructure Leasing	**2,025.1**	**34.4%**	1,723.1	31.1%
Ship, Commercial Vehicle and Construction Machinery Leasing	**513.9**	**8.7%**	553.5	10.0%
Other Leasing Business	**331.1**	**5.6%**	446.4	8.1%
Total	**5,893.0**	**100.0%**	5,535.5	100.0%

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

(RMB in millions, except percentages)	**June 30, 2017**		December 31, 2016	
Segment assets	**Amount**	**Percentage**	Amount	Percentage
Aircraft Leasing	**62,957.7**	**36.6%**	62,606.3	37.7%
Infrastructure Leasing	**73,576.1**	**42.7%**	68,676.6	41.4%
Ship, Commercial Vehicle and Construction Machinery Leasing	**22,985.1**	**13.3%**	20,246.1	12.2%
Other Leasing Business	**12,660.7**	**7.4%**	14,392.1	8.7%
Total	**172,179.6**	**100.0%**	165,921.1	100.0%

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 2017, the Group continued to expand its aircraft portfolio, business scale and client network while enhancing its trading capability and the industry experience of its staff. As at June 30, 2017, the total assets of the Aircraft Leasing segment of the Group amounted to RMB62,957.7 million, representing an increase of 0.6% as compared with that as at December 31, 2016, and the total revenue and other income of the Aircraft Leasing segment amounted to RMB3,022.9 million, representing an increase of 7.5% as compared with that of the same period of last year. The assets of the Aircraft Leasing segment accounted for 36.6% of the segmental total assets, which was in line with that as at December 31, 2016. The revenue and other income of the Aircraft Leasing segment accounted for 51.3% of the entire Group, which was in line with that of the same period of 2016.

In the first half of 2017, the Group delivered 18 aircraft, all of which were leased to airlines under operating leases. As at June 30, 2017, the Group had a portfolio of 311 aircraft, consisting of 197 owned aircraft, 13 managed aircraft and 101 committed aircraft, with committed aircraft comprising of 94 direct orders from manufacturers and seven committed sale-and-leaseback transactions. As at June 30, 2017, 169 owned aircraft of the Group were held for operating leases and 28 owned aircraft of the Group were under finance leases; the Group also has three flight simulators under finance leases. As at June 30, 2017, the weighted average age by net book value of the Group's owned aircraft under operating leases was 4.5 years and the weighted average remaining lease term by net book value of the Group's owned aircraft was 6.1 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's committed aircraft consist primarily of new generation Airbus A320neo family and Boeing 737 MAX family.

The following table shows the composition of the Group's fleet and committed aircraft as at June 30, 2017:

	Owned aircraft	Managed aircraft	Committed aircraft	Total
Airbus				
A319-100	7	1	–	8
A320-200	56	–	1	57
A320neo	2	–	36	38
A321-200	12	–	–	12
A330-200	8	1	–	9
A330-300	17	–	–	17
A321ceo	–	–	4	4
A321neo	–	–	15	15
Airbus Total	**102**	**2**	**56**	**160**
Boeing				
737-700	3	2	–	5
737-800	51	7	15	73
747-400SF	3	–	–	3
777-300ER	3	2	–	5
737-8	–	–	30	30
Boeing Total	**60**	**11**	**45**	**116**
Embraer				
E190-100LR	20	–	–	20
Embraer Total	**20**	–	–	**20**
Other	**15**	–	–	**15**
Total	**197**	**13**	**101**	**311**

As at June 30, 2017, the number of committed aircraft scheduled for delivery were 13 in the second half of 2017, 19 in 2018, 27 in 2019, 26 in 2020 and 16 in 2021.

As at June 30, 2017, of the 101 aircraft committed to be purchased, 22 were committed for lease. Of the 13 aircraft scheduled for delivery in the second half of 2017, 11 had been committed for lease.

As at June 30, 2017, the Group's committed seven aircraft from sale-and-leaseback transactions, including one Airbus A320–200 and six Airbus A320neo, which were scheduled for delivery in 2017 and 2018.

In June 2017, the Group entered into non-binding memoranda of understanding with Boeing to purchase 60 aircraft with a total catalogue price of USD7,400 million and with Airbus to purchase 45 aircraft with a total catalogue price of USD5,200 million, respectively. In addition, the Group has 65 potential orders of aircraft on non-binding letters of intent, comprising of 20 ARJ21 and 15 C919 aircraft from Commercial Aircraft Corporation of China, Ltd., and 30 MA700 aircraft from AVIC Aircraft Co., Ltd.

As at June 30, 2017, the weighted average remaining lease term by net book value of the Group's owned aircraft held for operating leases was 5.9 years and the following table shows the breakdown of the number of leases and percentage of net book value balance as at June 30, 2017 of those owned aircraft under operating leases with leases expiring in the future, excluding any aircraft for which the Group has a sale or lease commitment.

	Second half of 2017	**2018**	**2019**	**2020**	**2021**	**2022 & beyond**
Number of Leases Expiring	6	5	33	23	8	92
Percentage of aircraft net book value with leases expiring	2.2%	2.7%	14.7%	12.9%	3.8%	62.5%

The Group continued to trade aircraft during the first half of 2017, selling seven aircraft in total with a gain on disposal of USD5.7 million. During the same period, the Group completed lease extensions for four aircraft. In the first half of 2017, the lease term of three aircraft under finance lease expired and the Group's owned aircraft under operating lease maintained a fleet utilization rate of 99.1%.

In the first half of 2017, the annualized pre-tax return on Aircraft Leasing assets was 2.76%, representing an increase of 0.46 percentage point from 2.30% for the whole year of 2016.

As at June 30, 2017, the Group's owned and managed aircraft were leased to 45 airline clients in 25 countries and regions including the PRC, Asia-Pacific (excluding the PRC), Europe, the Middle East, Africa and Americas.

The following table sets forth a breakdown of the Group's revenue and assets of Aircraft Leasing by region of lessee for the first half of 2017:

Region	**Percentage of lease revenue for the first half of 2017**	**Percentage of net book value as at June 30, 2017**
The PRC	55.3%	59.4%
Asia Pacific (excluding the PRC)	16.0%	12.8%
Europe	17.4%	17.4%
Middle East and Africa	5.5%	3.0%
Americas	5.8%	7.4%
Total	100.0%	100.0%

The following table provides a breakdown of the Group's owned aircraft by manufacturer:

	Percentage by net book value as at June 30, 2017	Percentage by net book value as at December 31, 2016
Manufacturer		
Airbus	**60.4%**	56.9%
Boeing	**32.5%**	35.5%
Others	**7.1%**	7.6%
Total	**100.0%**	100.0%

7.1.2. Infrastructure Leasing

Infrastructure Leasing is one of the core business segments of the Group. In the first half of 2017, the Group put greater efforts on the development of Infrastructure Leasing. In the first half of 2017, lease financing to lessees of the Infrastructure Leasing segment continued to maintain the highest proportion. The Group developed its business focusing on China Development Bank's clients and government clients through business referral and strategic cooperation agreements. 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, 2017, total assets of the Infrastructure Leasing segment amounted to RMB73,576.1 million, which increased by approximately 7.1% as compared with that as at December 31, 2016. The segment assets accounted for 42.7% of the segmental total assets, continuing to maintain a relatively high proportion. As at June 30, 2017, the weighted average remaining lease term by asset balance of the segment was 7.8 years.

The profitability of the Infrastructure Leasing segment of the Group was further increased with good asset quality. In the first half of 2017, total revenue and other income of this segment amounted to RMB2,025.1 million, representing a year-on-year growth of 17.5%. The annualized return on segmental total assets before tax was 1.91%, which decreased by 0.42 percentage point as compared with 2.33% for the whole year of 2016. Meanwhile, as at June 30, 2017, 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 2017, 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, 2017, total assets of Ship, Commercial Vehicle and Construction Machinery Leasing business amounted to RMB22,985.1 million, increasing by 13.5% as compared with that as at December 31, 2016. In the first half of 2017, total revenue and other income of Ship, Commercial Vehicle and Construction Machinery Leasing segment amounted to RMB513.9 million, which decreased by 7.2% as compared with that of the same period of last year. The annualized return on segmental total assets before tax was 2.15%, improving the profitability of this segment significantly as compared with that for the whole year of 2016.

In respect of ship leasing business, for the first half of 2017, the Group continued to conduct its ship leasing business across the world in a prudent manner, and selected energy-saving and high-technology mainstream ships as leased assets. Target customers mainly included large state-owned shipping groups and their subsidiaries, high quality international shipping enterprises, as well as large mine operators and cargo owners. Meanwhile, the Group proactively conducted studies on ship operating lease business, sought for expanding new growth drivers for our business and advanced our market competitiveness. In the first half of 2017, the Group completed the delivery of three large ore carriers. As at June 30, 2017, the Group owned and leased 47 vessels of different types, and provided ship leasing services to 35 domestic and overseas customers. The average age of our owned vessel fleet was seven years. The assets related to Ship Leasing business amounted to RMB12,148.6 million, which increased by RMB530.9 million or 4.57% as compared with that as at December 31, 2016, accounting for approximately 52.9% of the segment assets of the Ship, Commercial Vehicle and Construction Machinery Leasing business.

In respect of commercial vehicle leasing business, in the first half of the 2017, the Group actively promoted and designed diversified cooperation plans with a focus on demands of domestic vehicle manufacturers, strengthened cooperation with leasing counterparts and insurance companies, strived to develop leaseback and performance insurance business of commercial vehicle assets and proactively expanded cooperation with a number of domestic large-scale manufacturers of new energy passenger vehicles and public transportation companies. As at June 30, 2017, the assets related to Commercial Vehicle Leasing business of the Group amounted to RMB2,491.7 million, increasing by RMB979.3 million or 64.75% as compared with that as at December 31, 2016, accounting for 10.8% of the segment assets of the Ship, Commercial Vehicle and Construction Machinery Leasing business.

In respect of construction machinery leasing business, to ride on the general recovery trend in the industry, the Group focused on strengthening and enhancing its cooperation with key manufacturers, kept abreast of the actual demands of manufacturers and leasing companies of manufacturers to explore innovative business model, and achieved transformation from single cooperation with terminal customers to “terminal + platform” cooperative model to meet the various capital needs of manufacturers. Meanwhile, we established innovative cooperative relationship with manufacturers and deepened our business development. As at June 30, 2017, the assets related to Construction Machinery Leasing of the Group amounted to RMB8,344.8 million, which increased by RMB1,228.8 million or 17.27% as compared with that as at December 31, 2016, accounting for 36.3% 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 2017, 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, 2017, total assets of the Other Leasing Business segment amounted to RMB12,660.7 million, representing a decrease of RMB1,731.4 million or 12.0% as compared with that as at December 31, 2016. Total revenue and other income of the Other Leasing Business segment amounted to RMB331.1 million, representing a decrease of 25.8%. The total assets and revenue and other income of the Other Leasing Business segment accounted for 7.4% and 5.6%, respectively, both of which recorded a decrease. The annualized return on segmental total assets before tax was -2.60%, which showed improvement in yield as compared with that of 2016.

7.2. Financing

In the first half of 2017, benefitting from high credit ratings ("A+" by Standard & Poor's, "A1" by Moody's and "A+" by Fitch), the Group continuously enhanced its financing 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. As at June 30, 2017, the Group had established business relationships with 95 banks and was granted uncommitted credit facilities amounting to a total of approximately RMB466.44 billion, including unused uncommitted credit facilities of RMB344.91 billion. Meanwhile, under the complex and ever-changing macroeconomic conditions in domestic and overseas markets, the Group timely adjusted financing strategies based on such macroeconomic trend, innovated financing products, expanded financing channels, further optimized debt structure, and maintained an appropriate financing cost. As at June 30, 2017, the total amount of non-interbank financing of the Group accounted for 28.7% of the total financing amount by financing channels, representing an increase of 12.7 percentage points as compared with that of the end of last year. On May 5, 2017, the Group successfully completed the subsequent issue of RMB2 billion financial bonds in the National Inter-bank Bonds Market at an interest rate of 4.25%.

In the first half of 2017, due to the neutral-and-slightly-tight monetary policy executed by the PBOC and more stringent financial regulations, the inter-bank financing costs of Renminbi experienced a rapid increase. The Group adjusted financing strategies in a timely manner and strengthened our efforts in developing types of non-interbank financing products, including bank factoring, and expanded non-interbank financing channels of Renminbi, including insurance and trusts. By way of properly configuring the structure of the maturity of liabilities denominated in US dollars, we effectively controlled the surge of overall financing costs and interest expense maintained stable and moderately increased as compared with that of the corresponding period of 2016. In the first half of 2017, the average financing cost of the Group was 3.90%, which increased by 28 basis points as compared with that of the same period of 2016. In respect of interest structure, the Group continued to maintain the original strategy for the risk management on interest rate, and actively maintained the matching of assets and liabilities in terms of interest structure. In respect of the structure of exchange rates, the Group continued to maintain its original strategy for the risk management on exchange rates, keeping assets in line with liabilities in terms of currency type.

In the first half of 2017, the major financing channels of the Group include bank borrowings, issue of notes, interbank lending and sales under repurchase agreements. As at June 30, 2017, the Group's borrowings, notes payable, due to banks and other financial institutions, and financial assets sold under repurchase agreements were RMB112,939.9 million, RMB19,457.7 million, RMB1,960.0 million and RMB2,720.0 million, respectively.

7.3. Human Resources

As at June 30, 2017, the Group had 253 employees in total. The Group has a team of high-quality talents with bachelor's degree or above. As at June 30, 2017, approximately 94% of the Group's employees had bachelor's degrees or above. In the first half of 2017 and 2016, the Group incurred employees' remuneration of RMB101.6 million and RMB50.6 million, respectively, accounting for 1.72% and 0.91% of the total revenue and other income of the Company for the respective periods.

The Group endeavored to create a competitive and fair system for remuneration and welfare. The Group adjusted employees' remuneration and benefits based on business performance and the development of each segment on an annual basis to provide employees with more competitive remuneration packages. The Group has established a multi-level and flexible remuneration structure. To effectively stimulate the business development of the Group through remuneration and incentives, the Group has been constantly improving its policies on remuneration and incentives. The Group has also refined the long-term incentive scheme for employees and optimized the remuneration structure thereof to link employees' benefits to the overall business operation, so as to enhance 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 where the Group operates, to safeguard the Group's ability of continuing operation 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 ratio, leveraging ratio and the utilization of regulatory capital are closely monitored by the management of the Group.

In the first half of 2017, the Group had been continuously strengthening the establishment of the fundamental capability of its capital management, improving base data system, such as client grading, and refining the computation of risk-weighted assets and capital occupation for projects. We also achieved integrated use of capital through the capital conduction and rationing mechanism. We intensified the matching analysis on capital supply and demand, promoted the capital allocation mechanism for each business segment, in particular for specialized subsidiaries, which helped the Group in achieving the transformation from asset management to capital management and facilitating continuous optimization and stable development of corporate business structure.

On June 7, 2012, the CBRC issued the Capital Administrative Measures. In order to ensure the successful implementation of the Capital Administrative Measures, the CBRC issued the Notice on Transition Arrangements for the Implementation of the Administrative Measures for the Capital of Commercial Banks (Provisional) (《關於實施〈商業銀行資本管理辦法(試行)〉過渡期安排相關事項的通知》) on November 30, 2012, which stipulated the requirement on annual capital adequacy ratio during the transitional period.

(RMB in millions, except percentages)	**Regulatory requirement**	**June 30, 2017**	June 30, 2016 (after taking into account proceeds from Global Offering)	December 31, 2015 (before taking into account proceeds from Global Offering)
Net capital:				
Net core tier-one capital		**22,808.8**	21,338.4	14,981.0
Net tier-one capital		**22,808.8**	21,338.4	14,981.0
Net capital		**23,933.8**	22,267.8	16,064.5
Capital adequacy ratio:				
Core tier-one capital adequacy ratio	≥7.1%[1]	**13.45%**	13.51%	9.54%
Tier-one capital adequacy ratio	≥8.1%[1]	**13.45%**	13.51%	9.54%
Capital adequacy ratio	≥10.1%[1]	**14.11%**	14.10%	10.23%

1 Capital requirement to be fulfilled by the end of 2017.

9. CAPITAL EXPENDITURES

The capital expenditures of the Group principally comprise assets for the purchase of property, equipment, aircraft leasing business and construction of office building, etc. As at June 30, 2017, the capital expenditures of the Group amounted to RMB6,357 million, which were mainly used for the purchase of aircraft. The Group intended to finance capital expenditures through cash generated from operating activities, bank borrowings and net proceeds from the Global Offering.

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

(RMB in millions)	**For the six months ended June 30, 2017**	2016
Capital expenditures	**6,357**	3,873

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 an appropriate 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 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 fluctuations in market interest rates, but may reduce or create losses in the event of unexpected movements. Therefore, the Group primarily manages the interest rate risk through controlling the repricing of the leased assets and the corresponding liabilities.

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

The majority of rent income from RMB-denominated leasing businesses of the Group floats with the changes in PBOC's benchmark interest rates while the liabilities mainly bore a fixed rate interest. For this particular situation, the Group proactively matched RMB-denominated assets and the duration of liabilities in order to reduce interest rate risk.

10.2. Exchange Rate Risk

Exchange rate risk refers to the risk of losses in our overall income and economic value resulting from adverse movements in exchange rates. Our exchange rate risk primarily arises from the profits generated from our SPVs, 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 foreign currency 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 lease receivables 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 segment of the Group is substantially denominated in Renminbi. Hence, there is no significant currency risk exposure.

As at June 30, 2017, the net risk exposure for assets denominated in US dollars affecting the profit and loss of the Group amounted to USD558.0 million. In the first half of 2017, the Group recorded an exchange loss of RMB93.3 million resulting from the depreciation in exchange rate of US dollars against Renminbi.

10.3. Credit Risk

Credit risk refers to the risk that the counterparty fails to fulfill its contractual obligations at the due date. Credit risk is considered as the major risk to the Group's business operations. The management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from leasing business.

The Group highlights the operation philosophy of "keeping balance between scale, efficiency and risks", strictly complies with regulatory requirements and policy limits imposed on the industry, and conducts finance lease business in compliance with laws and regulations and in a rational manner. We have made great efforts in maintaining steady growth in the asset scale of core business segments with low risks, developed Ship, Commercial Vehicle and Construction Machinery Leasing business in a prudent manner, and proactively controlled the scale of other finance lease businesses and gradually exited from industries with higher credit risk exposure. The Group attached great importance to quantitative management technology of and management application to credit risks, established a dual-dimensional rating system with credit rating and debt rating for all enterprise clients, and ensured the effectiveness of medium to long-term credit risk management of the Company through reinforcing risk pricing capability, so as to guarantee reasonable level of credit risk and revenue for our clients. We maintained appropriate decentralization of the portfolio of finance lease assets in different countries, regions, industries, clients and products to control the concentration risks at a reasonable level. Regarding the elimination of non-performing and risk-bearing projects, the Group stabilized the assets quality and safeguarded the bottom line against risk through various channels such as enhancing collection, collecting according to the laws and bulk transfers.

The Group employs a range of policies and practices to mitigate credit risks. 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 include 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 rental fees received in advance for operating aircraft leases.

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

(RMB in millions)	**June 30, 2017**	December 31, 2016
Financial assets		
Cash and bank balances	**12,025.9**	9,336.4
Placement to banks and other financial institutions	**400.0**	1,100.0
Financial assets at fair value through profit and loss	**2,163.9**	2,133.7
Derivative financial assets	**7.2**	9.7
Accounts receivable	**6,500.4**	6,841.8
Finance lease receivables	**92,261.0**	88,464.1
Available-for-sale financial assets	**193.2**	152.1
Other financial assets	**228.5**	262.3
Total	**113,780.1**	108,300.1

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

(RMB in millions)	**June 30, 2017**	December 31, 2016
Neither overdue nor impaired	**92,249.8**	88,184.9
Overdue but not impaired	**944.0**	1,085.4
Impaired	**1,842.6**	1,589.9
	95,036.4	90,860.2
Less: Allowances for impairment losses	**(2,775.4)**	(2,396.1)
Total	**92,261.0**	88,464.1

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. The following table sets forth an analysis of finance lease receivables of the Group by industry as at the dates indicated:

	June 30, 2017		December 31, 2016	
(RMB in millions, except percentages)	**Amount**	**Percentage**	Amount	Percentage
Aircraft Leasing	**3,500.3**	**3.7%**	3,824.1	4.2%
Infrastructure Leasing	**60,189.9**	**63.3%**	56,835.2	62.6%
Transportation infrastructure	**19,640.2**	**20.7%**	21,293.8	23.4%
Urban infrastructure	**35,703.1**	**37.6%**	31,576.2	34.8%
Energy infrastructure	**4,846.6**	**5.0%**	3,965.2	4.4%
Ship, Commercial Vehicle and Construction Machinery Leasing	**20,622.3**	**21.7%**	18,269.5	20.1%
Ship	**10,181.1**	**10.7%**	9,645.0	10.6%
Commercial vehicle	**2,491.1**	**2.6%**	1,611.6	1.8%
Construction machinery	**7,950.1**	**8.4%**	7,012.9	7.7%
Other Leasing Business	**10,723.9**	**11.3%**	11,931.4	13.1%
Commercial property	**3,812.9**	**4.0%**	3,725.2	4.1%
Other sectors	**6,911.0**	**7.3%**	8,206.2	9.0%
Total	**95,036.4**	**100.0%**	90,860.2	100.0%

The wide industrial distribution of the Group's finance leases receivable mitigates potential credit risk.

The Group's asset 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, and the Guidelines on the Risk-based Classification of Loan (《貸款風險分類指引》) issued by the CBRC on April 4, 2007. Meanwhile, 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:

(RMB in millions, except percentages)	**June 30, 2017**	December 31, 2016
Five-category		
Normal	**169,656.6**	163,394.7
Special mention	**4,638.3**	4,461.2
Substandard	**993.1**	1,096.4
Doubtful	**901.9**	493.0
Loss	**65.3**	65.3
Total assets before allowance for impairment losses	**176,255.2**	169,510.6
Non-performing assets	**1,960.3**	1,654.7
Non-performing asset ratio	**1.11%**	0.98%

Non-performing assets of the Group increased to RMB1,960.3 million as at June 30, 2017 from RMB1,654.7 million as at December 31, 2016. Non-performing asset ratio of the Group increased to 1.11% as at June 30, 2017 from 0.98% as at December 31, 2016, due primarily to the fact that the asset quality of separate risky project of shipping business of the Group was downgraded to sub-category (non-performing) as the rent was due over 90 days under the continuous downturn of the international shipping market. Meanwhile, the Group strengthened the risk management and control of terminal retail business in construction machinery and commercial vehicles areas. Thanks to the enhancement of industrial environment, the resolution of business risk in this sector achieved positive progress. Currently, the overall asset quality of the Group remains stable, and the non-performing assets are expected to be controlled for the whole year within a tolerable range by the Group.

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 standards:

(RMB in millions, except percentages)	**June 30, 2017**	December 31, 2016
Five-category		
Normal	**96,468.7**	92,548.7
Special mention	**3,084.1**	3,436.4
Substandard	**993.1**	1,096.4
Doubtful	**901.9**	493.0
Loss	**0.6**	0.6
Finance lease related assets	**101,448.4**	97,575.1
Non-performing finance lease related assets	**1,895.6**	1,589.9
Non-performing asset ratio of finance lease business	**1.87%**	1.63%

Non-performing finance lease related assets of the Group increased to RMB1,895.6 million as at June 30, 2017 from RMB1,589.9 million as at December 31, 2016. Non-performing asset ratio of finance lease business of the Group increased to 1.87% as at June 30, 2017 from 1.63% as at December 31, 2016.

The following table sets forth, as at June 30, 2017, the distribution of the Group's finance lease related assets portfolios by segment and the five-category standards:

(RMB in millions, except percentages)	Aircraft Leasing	Infrastructure Leasing	Ship, Commercial Vehicle and Construction Machinery Leasing	Other Leasing Business	Total
Five-category					
Normal	3,345.6	65,173.4	18,898.7	9,051.0	96,468.7
Special mention	159.4	582.7	426.2	1,915.8	3,084.1
Substandard	–	–	936.4	56.7	993.1
Doubtful	–	–	361.1	540.8	901.9
Loss	–	–	–	0.6	0.6
Finance lease related assets	3,505.0	65,756.1	20,622.4	11,564.9	101,448.4
Non-performing finance lease related assets	–	–	1,297.6	598.0	1,895.6
Non-performing asset ratio of finance lease business	–	–	6.29%	5.17%	1.87%

10.4. Liquidity Risk

Liquidity risk refers to the risk that the Group is unable to obtain funds at a reasonable cost to repay the liabilities or seize other investment opportunities. The 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 established a three-tier liquidity reserve system to mitigate and defuse liquidity risk while managing liquidity risk and balancing between interest rate spread and liquidity risk by adopting the following measures: proactive management of the maturity profile of our assets and liabilities while maintaining appropriate liquidity reserve for mitigating the liquidity risk; and obtaining diversified funding via multiple channels, thereby continuously preserving sufficient funds to purchase assets and repay debts. Bank deposits and the money market are the primary sources of cash reserve for the Group's liquidity management. As at June 30, 2017, the Group had a inter-bank borrowing limit of RMB12.64 billion. In addition, the Group was able to carry out spot bonds trading and bonds repurchase via the interbank bond market, enabling it to replenish liquidity in a timely manner.

During the first half of 2017, liquidity of the Group remained strong. Given the moderately tight liquidity in the market, the Group arranged funding plans in a proper and orderly manner, further improved the management mechanism on liquidity and persistently advanced the three-tier system on liquidity reserve, which enabled us to better address the pressure on liquidity.

11. PLEDGE OF ASSETS

As at June 30, 2017, finance lease receivables, property and equipment for operating leases and bank deposits of the Group, amounting to RMB3,306.0 million, RMB28,650.5 million and RMB597.4 million, respectively, were pledged to banks to acquire bank loans, accounting for 18.8% of total assets in aggregate.

12. USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

Other Information

CORPORATE GOVERNANCE PRACTICES

The Group has committed to maintaining high standards of corporate governance in order to safeguard the interests of Shareholders and enhance the corporate value and accountability of the Group. The Company has adopted the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules as its own code of corporate governance.

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

INTERIM DIVIDEND

The Board does not recommend to declare any interim dividends for the six months ended June 30, 2017.

AUDIT COMMITTEE

The Audit Committee comprises five Directors, including three independent non-executive Directors, namely Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu, and two non-executive Directors, namely Ms. Liu Hui and Mr. Li Yingbao. Mr. Zheng Xueding serves as the chairman of the Audit Committee.

The Audit Committee has adopted the terms of reference which are in line with the Corporate Governance Code. The primary duties of the Audit Committee include to review and monitor the financial control, risk management and internal control systems and procedures of the Group and to review the financial data of the Group and the relationship with the external auditor of the Company. The unaudited condensed interim results of the Group for the six months ended June 30, 2017 have been reviewed by the Audit Committee and PricewaterhouseCoopers, the auditor of the Group. The interim report of the Company has been reviewed by the Audit Committee.

CHANGES OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On March 29, 2017, Mr. Geng Tiejun has been re-designated from an executive Director to a non-executive Director. The term of office shall expire upon the conclusion of the first session of the Board.

On August 30, 2017, Mr. Wang Xuedong ceased to be the chairman of the Nomination Committee of the Board, but remains as a member of the Nomination Committee. Mr. Xu Jin has been appointed as the chairman of the Nomination Committee on the same day.

Save as disclosed above, there is no other change of information of the Directors, Supervisors and senior management required to be disclosed pursuant to Rule13.51B(1) of the Hong Kong Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

On June 30, 2017, none of the Directors, Supervisors or chief executives of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at June 30, 2017, so far as the Directors were aware, the following persons (other than the Directors, Supervisors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would have to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholder	Class of Shares	Capacity/Nature of interest	Number of Shares held	Long position/ Short position	Approximate shareholding percentage in the relevant class of Shares of the Company (%)	Approximate shareholding in the Company's total issued Shares (%)
Central Huijin Investment Ltd.	Domestic Shares	Interests of controlled corporation (1)	8,141,332,869	Long position	88.63	64.40
	H Shares	Interests of controlled corporation (5)	381,430,000	Long position	11.03	3.02
China Development Bank Corporation	Domestic Shares	Beneficial owner (1)	8,141,332,869	Long position	88.63	64.40
Shengtang Development (Yangpu) Co., Ltd.	Domestic Shares	Interests of controlled corporation (2)	795,625,000	Long position	8.66	6.29
Hainan Traffic Administration Holding Co., Ltd.	Domestic Shares	Interests of controlled corporation (2)	795,625,000	Long position	8.66	6.29
HNA Group Company Limited	Domestic Shares	Beneficial owner (2)	795,625,000	Long position	8.66	6.29
China Three Gorges Corporation	H Shares	Interests of controlled corporation (3)	1,306,500,000	Long position	37.80	10.33
Three Gorges Capital Holdings Co., Ltd.	H Shares	Beneficial owner (3)	1,306,500,000	Long position	37.80	10.33
Hengjian International Investment Holding (Hong Kong) Limited	H Shares	Beneficial owner (4)	523,310,000	Long position	15.14	4.14
Guangdong Hengjian Investment Holding Co., Ltd.	H Shares	Interests of controlled corporation (4)	523,310,000	Long position	15.14	4.14
China Reinsurance (Group) Corporation	H Shares	Beneficial owner (5)	381,430,000	Long position	11.03	3.02
National Council for Social Security Fund	H Shares	Beneficial owner	273,744,000	Long position	7.92	2.17
State-owned Assets Supervision and Administration Commission of the State Council	H Shares	Interests of controlled corporation (6)	193,984,000	Long position	5.61	1.53
China State Shipbuilding Corporation	H Shares	Interests of controlled corporation (6)	193,984,000	Long position	5.61	1.53
CSSC (Hong Kong) Shipping Company Limited	H Shares	Interests of controlled corporation (6)	193,984,000	Long position	5.61	1.53
Fortune Eris Holding Company Limited	H Shares	Beneficial owner (6)	193,984,000	Long position	5.61	1.53
Taiping Assets Management (HK) Company Limited	H Shares	Investment manager	193,750,000	Long position	5.61	1.53

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

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

(3) Three Gorges Capital Holdings Co., Ltd. is a wholly-owned subsidiary directly held by China Three Gorges Corporation. Hence, pursuant to the SFO, China Three Gorges Corporation is deemed to be interested in the 1,306,500,000 H Shares held by Three Gorges Capital Holdings Co., Ltd.

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

(5) Central Huijin Investment Ltd. holds 71.56% of the equity interests in China Reinsurance (Group) Corporation. Hence, pursuant to the SFO, Central Huijin Investment Ltd. is deemed to be interested in the 381,430,000 H Shares held by China Reinsurance (Group) Corporation.

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

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

Save as disclosed above, as at June 30, 2017, to the knowledge of the Directors, no other persons (other than Directors, Supervisors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required to be entered in the register referred to in Section 336 of the SFO.

LOAN AGREEMENTS

During the Reporting Period, the Company entered into loan agreements with specific banks, of which loans in a total amount of approximately RMB6,180 million include a condition requiring that China Development Bank, the controlling Shareholder of the Company, shall remain as the single largest Shareholder of the Company, and/or maintain, directly or indirectly, no less than 50% of the Shares of the Company. The terms of such loan agreements range from two months to five years.

MATERIAL LEGAL, LITIGATION AND ARBITRATION MATTERS

As at June 30, 2017, the underlying amount in relation to the pending litigation against the Company as the defendant was RMB9.13 million in aggregate. Please refer to Note 37: Contingent Liabilities of the financial statements for details. The Company expected such pending litigation would not have material adverse effect on the business, financial condition or operating performance of the Company.

Definitions

"Articles of Association"	Articles of Association of the Company
"Board" or "Board of Directors"	the board of directors of the 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 report, Hong Kong, Macau and Taiwan
"Company" or "CDB Leasing"	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司)
"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 SPVs, or our Company and any one or more of its subsidiaries or SPVs, as the context may require
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules

Definitions (Continued)

"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
"Reporting Period"	the period from January 1, 2017 to June 30, 2017
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	Share(s) in the share capital of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"State Council"	State Council of the PRC (中國國務院)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Supervisor(s)"	supervisor(s) of the Company
"USD" or "US dollar(s)"	United States dollar(s), the lawful currency of the United States

Glossary of Technical Terms

"finance lease"	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risks and 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 family
"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
"SPV(s)"	special purpose vehicle(s)
"wide-body aircraft"	twin-aisle aircraft, such as Airbus A330 family and Boeing 777 family

Report on Review of Interim Condensed Consolidated Financial Information

羅兵咸永道

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 53 to 100, 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 2017 and the related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
30 August 2017

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Interim Condensed Consolidated Statement of Profit or Loss

		Unaudited	
		Six months ended 30 June	
	Note	**2017**	2016
		RMB'000	*RMB'000*
Revenue			
Finance lease income	5	**2,847,558**	2,667,623
Operating lease income	5	**2,930,155**	2,652,495
Total revenue		**5,777,713**	5,320,118
Net investment gains	6	**49,365**	2,530
Other income, gains or losses	7	**65,815**	212,866
Total revenue and other income		**5,892,893**	5,535,514
Depreciation and amortisation	8	**(1,340,706)**	(1,174,035)
Staff costs	9	**(101,577)**	(50,624)
Fee and commission expenses	10	**(29,516)**	(22,649)
Interest expense	11	**(2,239,800)**	(2,319,601)
Other operating expenses	12	**(168,965)**	(165,605)
Impairment losses	13	**(412,896)**	(474,349)
Total expenses		**(4,293,460)**	(4,206,863)
Profit before income tax		**1,599,433**	1,328,651
Income tax expense	14	**(305,366)**	(225,042)
Profit for the period attributable to owners of the Company		**1,294,067**	1,103,609
Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share) – Basic and diluted	15	**0.10**	0.12

The notes on pages 59 to 100 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June **2017** ***RMB'000***	 2016 *RMB'000*
Profit for the period		**1,294,067**	1,103,609
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets			
– Change in value of available-for-sale financial assets, net of tax		**(3,623)**	–
The portion of effective cash flow hedging and net investment hedging gains and losses			
– Net fair value changes during the period, net of tax		**27,121**	(76,140)
Currency translation differences		**(99,405)**	44,180
Total other comprehensive income for the period, net of tax		**(75,907)**	(31,960)
Total comprehensive income for the period attributable to owners of the Company		**1,218,160**	1,071,649

The notes on pages 59 to 100 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Assets			
Cash and bank balances	16	12,025,934	9,336,415
Placement to banks and other financial institutions		400,000	1,100,000
Financial assets at fair value through profit or loss	17	2,163,880	2,133,717
Derivative financial assets	18	7,249	9,697
Accounts receivable	19	6,500,446	6,841,777
Finance lease receivables	20	92,260,974	88,464,050
Prepayments	21	7,677,041	7,911,502
Available-for-sale financial assets	22	315,637	274,588
Assets held-for-sale		–	993,968
Investment properties		346,779	356,588
Property and equipment	23	49,358,380	47,344,054
Deferred tax assets	24	650,172	591,046
Other assets	25	1,123,438	1,154,747
Total assets		172,829,930	166,512,149
Liabilities			
Borrowings	26	112,939,931	106,198,168
Due to banks and other financial institutions		1,960,000	4,000,000
Financial assets sold under repurchase agreements	35	2,720,000	3,136,000
Derivative financial liabilities	18	149,115	199,310
Accrued staff costs	27	56,520	94,188
Tax payable		50,437	132,278
Notes payable	28	19,457,679	17,793,886
Deferred tax liabilities	24	483,211	441,656
Other liabilities	29	12,195,731	12,214,989
Total liabilities		150,012,624	144,210,475
Equity			
Share capital	30	12,642,380	12,642,380
Capital reserve		2,418,689	2,418,689
Hedging and available-for-sale revaluation reserve	31	(44,458)	(67,956)
Translation reserve		64,263	163,668
General reserves	32	2,665,268	2,665,268
Retained profits	33	5,071,164	4,479,625
Total equity		22,817,306	22,301,674
Total liabilities and equity		172,829,930	166,512,149

WANG Xuedong
Director

FAN Xun
Director

The notes on pages 59 to 100 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited						
		Equity attributable to owners of the Group						
	Note	Share capital	Capital reserve	Hedging and available-for-sale revaluation reserve	Translation reserve	General reserves	Retained profits	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016		9,500,000	274,786	(356,504)	(8,920)	2,158,646	3,424,908	14,992,916
Profit for the period		–	–	–	–	–	1,103,609	1,103,609
Other comprehensive income for the period		–	–	(76,140)	44,180	–	–	(31,960)
Total comprehensive income for the period		–	–	(76,140)	44,180	–	1,103,609	1,071,649
At 30 June 2016		9,500,000	274,786	(432,644)	35,260	2,158,646	4,528,517	16,064,565
At 1 January 2017		**12,642,380**	**2,418,689**	**(67,956)**	**163,668**	**2,665,268**	**4,479,625**	**22,301,674**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**1,294,067**	**1,294,067**
Other comprehensive income for the period		**–**	**–**	**23,498**	**(99,405)**	**–**	**–**	**(75,907)**
Total comprehensive income for the period		**–**	**–**	**23,498**	**(99,405)**	**–**	**1,294,067**	**1,218,160**
Dividends recognised as distribution		**–**	**–**	**–**	**–**	**–**	**(702,528)**	**(702,528)**
At 30 June 2017		**12,642,380**	**2,418,689**	**(44,458)**	**64,263**	**2,665,268**	**5,071,164**	**22,817,306**

The notes on pages 59 to 100 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended 30 June 2017 *RMB'000*	 2016 *RMB'000*
Operating Activities			
Profit before income tax		**1,599,433**	1,328,651
Adjustments for:			
Notes payable interest expenses	11	**309,523**	236,798
Depreciation and amortisation	8	**1,340,706**	1,174,035
Impairment losses	13	**412,896**	474,349
Gains on disposal of equipment held for operating lease businesses	7	**(38,838)**	(99,774)
Realised (gains)/losses from derivatives	6	**(14,277)**	46,563
Unrealised fair value change from derivatives	6	**–**	1,491
Unrealised fair value changes in financial assets at fair value through profit or loss	6	**(30,163)**	(50,584)
Operating cash flows before movements in working capital		**3,579,280**	3,111,529
Decrease in mandatory reserve deposits with central banks		**742**	–
Decrease in accounts receivable		**311,993**	2,373,279
Increase in finance lease receivables		**(4,180,482)**	(674,837)
Decrease in other assets		**22,940**	335,566
Increase in borrowings		**6,741,763**	830,998
(Decrease)/increase in due to banks and other financial institutions		**(2,040,000)**	1,100,000
Decrease in financial assets sold under repurchase agreements		**(416,000)**	(2,408,300)
Decrease in accrued staff costs		**(37,668)**	(26,293)
Increase/(decrease) in other liabilities		**288,573**	(2,118,085)
Cash from operations		**4,271,141**	2,523,857
Income taxes paid		**(413,059)**	(235,301)
Net Cash From Operating Activities		**3,858,082**	2,288,556
Investing Activities			
Change in pledged and restricted bank deposits		**(436,755)**	184,345
Purchase of available-for-sale financial assets		**(47,684)**	(159,142)
Disposal of property and equipment		**1,937,649**	1,526,680
Purchases of property and equipment		**(5,429,891)**	(5,139,238)
Net Cash Used In Investing Activities		**(3,976,681)**	(3,587,355)

Interim Condensed Consolidated Statement of Cash Flows (Continued)

	Note	Unaudited Six months ended 30 June 2017 *RMB'000*	 2016 *RMB'000*
Financing Activities			
Proceeds from issue of notes payable		**1,998,000**	–
Notes interest paid		**(236,189)**	(228,040)
Net Cash From/(Paid In) Financing Activities		**1,761,811**	(228,040)
Net increase/(decrease) in cash and cash equivalents		**1,643,212**	(1,526,839)
Exchange losses		**(89,706)**	–
Cash and cash equivalents at beginning of the period		**9,789,098**	6,815,628
Cash and cash equivalents at end of the period	36	**11,342,604**	5,288,789
Net cash from operating activities include:			
Interest received		**2,884,589**	2,715,396
Interest paid, exclusive notes payable interest expenses		**(1,930,277)**	(2,082,803)
Net interest received		**954,312**	632,593

The notes on pages 59 to 100 form an integral part of this 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 then 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 the then existing shareholders at par value of RMB1 each, representing 100% of share capital of the Company on 28 September 2015 (the "Financial Restructuring"). On the same day, the Company also changed its name to China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司). The address of the Company's registered office is 50/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 price of HK$2 each by way of initial public offering. The gross proceeds amounted to HK$6.2 billion. On the same day, the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Listing"). On 29 July 2016, the Company announced that the Over-allotment Option was partially exercised in respect of an aggregate of 42,380,000 new ordinary shares with an additional gross proceeds of HK$84.76 million.

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 2017 ("Interim Financial Information") is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The condensed consolidated interim financial information has been reviewed, not audited.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting' ("IAS 34"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, 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 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

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

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.

3 ACCOUNTING POLICES (CONTINUED)

IFRS 9 Financial instruments (Continued)

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 quality 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 do not expect the adoption of IFRS 15 would have significant impact on the consolidated financial statements.

3 ACCOUNTING POLICES (CONTINUED)

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 2017 amounted to RMB335 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 as the Company is the lessor.

4 ESTIMATES

The preparation of condensed consolidated interim 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 condensed consolidated interim 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 2016.

5 TOTAL REVENUE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance lease income[1]	**2,847,558**	2,667,623
Operating lease income	**2,930,155**	2,652,495
	5,777,713	5,320,118

(1) The Group recognised the finance lease income of approximately RMB16,534,000 and RMB16,201,000 from non-performing financial leases receivable in the six months ended 30 June 2017 and 2016, respectively.

6 NET INVESTMENT GAINS/(LOSSES)

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net realised gains/(losses) from derivatives	**14,277**	(46,563)
Net realised gains from available-for-sale financial assets	**4,925**	–
Unrealised fair value change of derivatives	**–**	(1,491)
Unrealised fair value change of financial assets at fair value through profit or loss	**30,163**	50,584
	49,365	2,530

7 OTHER INCOME, GAINS OR LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from deposits with financial institutions	**37,031**	47,773
Management and commission fee income	**66,614**	8,603
Gains on disposal of equipment held for operating lease businesses	**38,838**	99,774
Consulting fee income	**1,682**	8,072
Foreign exchange (losses)/gains, net	**(93,340)**	20,711
Government grants and incentives	**13,570**	27,200
Others	**1,420**	733
	65,815	212,866

8 DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of investment properties	**9,809**	9,809
Depreciation of property and equipment	**1,320,723**	1,153,073
Amortisation of land use rights	**5,004**	5,004
Amortisation of other intangible assets	**2,911**	2,426
Amortisation of prepaid expenses	**2,259**	3,723
	1,340,706	1,174,035

9 STAFF COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	**87,406**	38,016
Social welfare	**10,390**	9,431
Defined contribution plans – annuity schemes	**2,285**	2,258
Others	**1,496**	919
	101,577	50,624

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	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Business collaboration fee for leasing projects	**14,332**	12,206
Bank charges	**15,184**	10,443
	29,516	22,649

11 INTEREST EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Borrowings	**1,916,049**	1,945,276
Due to banks and other financial institutions	**70,166**	33,814
Financial assets sold under repurchase agreements	**66,472**	121,973
Notes payable	**309,523**	236,798
Deposits from lessees	**1,266**	1,292
Others	**102**	76
Less: Interest capitalised on qualifying assets	**(123,778)**	(19,628)
	2,239,800	2,319,601

12 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Auditor's remuneration	**1,650**	263
Taxes and surcharges	**45,854**	47,720
Operating lease rentals in respect of rented premises	**21,996**	14,221
Operating lease rentals in respect of rented aircrafts	**40,034**	38,031
Business travel and transportation expenses	**10,940**	7,521
Sundry expenses	**48,491**	57,849
	168,965	165,605

13 IMPAIRMENT LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance lease receivables	**383,558**	324,739
Accounts receivable	**29,338**	149,610
	412,896	474,349

14 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
PRC Enterprise Income Tax	**313,107**	37,974
Income tax in other countries	**16,059**	7,529
Deferred income tax	**(25,852)**	207,778
Under/(over) provision in prior period	**2,052**	(28,239)
	305,366	225,042

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before income tax	**1,599,432**	1,328,651
Tax at the statutory tax rate of 25%	**399,858**	332,163
Tax effect of expenses not deductible for tax purpose	**437**	7,956
Under/(over) provision in prior year	**2,052**	(28,239)
Effect of different tax rates of group entities operating in jurisdictions other than PRC	**(96,981)**	(86,838)
Income tax expense for the period	**305,366**	225,042

15 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to owners of the Company *(RMB'000)*	**1,294,067**	1,103,609
Number of shares:		
Weighted average number of shares in issue *('000)* [(1)]	**12,642,380**	9,500,000
Basic earnings per share *(RMB Yuan)*	**0.10**	0.12

(1) Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six-month periods ended 30 June 2017 and 2016.

Diluted earnings per share is the same as basic earnings per share as the Group has no dilutive potential ordinary share during the six-month periods ended 30 June 2016 and 2017.

16 CASH AND BANK BALANCES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Pledged and restricted bank deposits	**702,397**	265,642
Mandatory reserve deposits with central banks	**380,933**	381,675
Surplus reserve deposits with central banks	**25,469**	19,779
Cash and bank balances	**10,917,135**	8,669,319
	12,025,934	9,336,415

The bank deposits amounting to approximately RMB597,397,000 and RMB160,642,000 were pledged as collateral for the Group's bank borrowings (Note 26) as at 30 June 2017 and 31 December 2016, respectively.

The bank deposits amounting to approximately RMB105,000,000 were restricted for use, which represented the guaranteed deposits held by the Group in relation to the financial leases receivable being transferred as at 30 June 2017 and 31 December 2016, respectively.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Measured at fair value:		
Asset management schemes	**2,163,880**	2,133,717

As at 30 June 2017 and 31 December 2016, 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

	Contractual/ Nominal amount	30 June 2017 Fair value	
		Assets	Liabilities
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	**6,780,020**	**7,249**	**(149,115)**

	Contractual/ Nominal amount	31 December 2016 Fair value	
		Assets	Liabilities
	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	11,343,533	9,697	(182,886)
Currency forwards	276,566	–	(16,424)
Total	11,620,099	9,697	(199,310)

19 ACCOUNTS RECEIVABLE

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Operating leases receivable[1]	293,140	142,699
Advances for finance lease projects[2]	6,411,940	6,714,876
Other accounts receivable[3]	40,631	200,129
	6,745,711	7,057,704
Less: Allowances for impairment losses		
– Allowances for advances for finance lease project	(245,216)	(215,878)
– Allowances for other accounts receivable	(49)	(49)
	6,500,446	6,841,777

Aging analysis of accounts receivable is as below:

(1) The operating leases receivable of the Group were accrued on a straight-line basis over the term of the relevant leases and settled periodically based on the payment terms agreed in the lease contracts. There were no material overdue operating leases receivable as at 30 June 2017 and 31 December 2016.

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

(3) Other accounts receivable of the Group represented those transferred finance lease receivables under asset transfer agreements.

19 ACCOUNTS RECEIVABLE (CONTINUED)

Movements of allowances for impairment losses on accounts receivable during the six months ended 30 June 2017 and the year ended 31 December 2016 are as follows:

	For the six months ended 30 June 2017 RMB'000 (Unaudited)	For the year ended 31 December 2016 RMB'000 (Audited)
At the beginning of the period/year	215,927	323,686
Provision during the period/year	29,338	316,786
Transfer out during the period/year	–	(15,732)
Write-offs	–	(408,813)
At the end of the period/year	245,265	215,927

20 FINANCE LEASE RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Minimum finance lease receivables		
Not later than one year	23,728,233	21,306,534
Later than one year and not later than five years	68,150,758	58,610,867
Later than five years	27,371,982	34,618,723
Gross amount of finance lease receivables	119,250,973	114,536,124
Less: Unearned finance income	(24,214,636)	(23,676,007)
Net amount of finance lease receivables	95,036,337	90,860,117
Less: Allowances for impairment losses	(2,775,363)	(2,396,067)
Carrying amount of finance lease receivables	92,260,974	88,464,050
Present value of minimum finance lease receivables		
Not later than one year	17,455,150	16,137,256
Later than one year and not later than five years	54,227,080	45,236,438
Later than five years	23,354,107	29,486,423
Total	95,036,337	90,860,117

20 FINANCE LEASE RECEIVABLES (CONTINUED)

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

The finance lease receivables with carrying amount of approximately RMB3,306,033,000 and RMB3,741,990,000 were pledged as collateral for the Group's bank borrowings (Note 26) as at 30 June 2017 and 31 December 2016, respectively.

The Group entered into repurchase agreements (Note 35) with certain counterparties to sell the Group's finance lease receivables with carrying amounts of approximately RMB5.41 billion, and RMB5.87 billion as at 30 June 2017 and 31 December 2016, respectively.

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

Movements of allowances for impairment losses on finance lease receivables during the six months ended 30 June 2017 and the year ended 31 December 2016 are as follows:

	Individual assessment	
	For the six months ended 30 June 2017 *RMB'000* **(Unaudited)**	For the year ended 31 December 2016 *RMB'000* (Audited)
At the beginning of the period/year	**1,014,962**	1,335,971
Provision during the period/year	**211,193**	1,412,816
Write-offs	**–**	(1,733,825)
At the end of the period/year	**1,226,155**	1,014,962

20 FINANCE LEASE RECEIVABLES (CONTINUED)

	Collective assessment	
	For the six months ended 30 June 2017	For the year ended 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At the beginning of the period/year	**1,381,105**	1,627,529
Provision/(reversal) during the period/year	**172,366**	(287,436)
Transfer in during the period/year	**–**	15,732
Foreign currency translation	**(4,263)**	25,280
At the end of the period/year	**1,549,208**	1,381,105

	Total assessment	
	For the six months ended 30 June 2017	For the year ended 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At the beginning of the period/year	**2,396,067**	2,963,500
Provision during the period/year	**383,559**	1,125,380
Transfer in during the period/year	**–**	15,732
Write-offs	**–**	(1,733,825)
Foreign currency translation	**(4,263)**	25,280
At the end of the period/year	**2,775,363**	2,396,067

21 PREPAYMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Prepayments for operating lease assets purchases	**7,677,041**	7,911,502

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Measured at cost:		
Equity investments[(1)]	**122,440**	122,440
Measured at fair value:		
Bonds investment – unlisted	**193,197**	152,148
	315,637	274,588

(1) 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 RMB'000	Ships RMB'000	Special equipment RMB'000	Electronic equipment RMB'000	Total RMB'000
Unaudited					
Cost					
As at 1 January 2017	55,555,017	825,103	584,366	–	56,964,486
Additions	5,805,488	460,780	–	–	6,266,268
Disposals/written-off	(2,664,812)	–	–	–	(2,664,812)
Foreign currency translation	(1,320,676)	–	–	–	(1,320,676)
As at 30 June 2017	57,375,017	1,285,883	584,366	–	59,245,266
Accumulated depreciation					
As at 1 January 2017	(9,597,448)	(40,181)	(149,564)	–	(9,787,193)
Charge for the period	(1,263,568)	(27,196)	(25,333)	–	(1,316,097)
Eliminated on disposals/written-off	749,645	–	–	–	749,645
Foreign currency translation	206,541	–	–	–	206,541
As at 30 June 2017	(9,904,830)	(67,377)	(174,897)	–	(10,147,104)
Accumulated impairment					
As at 1 January 2017	(319,466)	–	–	–	(319,466)
Foreign currency translation	7,488	–	–	–	7,488
As at 30 June 2017	(311,978)	–	–	–	(311,978)
Net carrying amount					
As at 1 January 2017	45,638,103	784,922	434,802	–	46,857,827
As at 30 June 2017	47,158,209	1,218,506	409,469	–	48,786,184

23 PROPERTY AND EQUIPMENT (CONTINUED)

Equipment held for operating lease businesses (Continued)

	Aircraft *RMB'000*	Ships *RMB'000*	Special equipment *RMB'000*	Electronic equipment *RMB'000*	Total *RMB'000*
Audited					
Cost					
As at 1 January 2016	48,609,524	825,103	641,967	185,267	50,261,861
Additions	9,067,521	–	–	–	9,067,521
Disposals/written-off	(4,236,928)	–	(57,601)	(185,267)	(4,479,796)
Transferred to non-current assets held-for sale	(1,141,969)	–	–	–	(1,141,969)
Foreign currency translation	3,256,869	–	–	–	3,256,869
As at 31 December 2016	55,555,017	825,103	584,366	–	56,964,486
Accumulated depreciation					
As at 1 January 2016	(8,150,057)	–	(64,795)	(176,003)	(8,390,855)
Charge for the year	(2,274,521)	(40,181)	(97,977)	–	(2,412,679)
Eliminated on disposals/written-off	1,213,398	–	13,208	176,003	1,402,609
Transferred to non-current assets held-for sale	148,001	–	–	–	148,001
Foreign currency translation	(534,269)	–	–	–	(534,269)
As at 31 December 2016	(9,597,448)	(40,181)	(149,564)	–	(9,787,193)
Accumulated impairment					
As at 1 January 2016	–	–	–	–	–
Additions	(319,466)	–	–	–	(319,466)
As at 31 December 2016	(319,466)	–	–	–	(319,466)
Net carrying amount					
As at 1 January 2016	40,459,467	825,103	577,172	9,264	41,871,006
As at 31 December 2016	45,638,103	784,922	434,802	–	46,857,827

23 PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment held for administrative purposes

	Buildings	Computer and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unaudited							
Cost							
As at 1 January 2017	40,295	17,233	6,808	16,612	17,726	437,934	536,608
Additions	–	–	1,141	3,052	–	86,591	90,784
Disposals/written-off	–	–	(553)	(156)	–	–	(709)
Foreign currency translation	–	(3)	–	(180)	–	–	(183)
As at 30 June 2017	40,295	17,230	7,396	19,328	17,726	524,525	626,500
Accumulated depreciation							
As at 1 January 2017	(12,972)	(11,981)	(6,467)	(7,034)	(11,927)	–	(50,381)
Charge for the period	(772)	(1,112)	(54)	(1,788)	(900)	–	(4,626)
Eliminated on disposals/written-off	–	–	525	148	–	–	673
Foreign currency translation	–	3	–	27	–	–	30
As at 30 June 2017	(13,744)	(13,090)	(5,996)	(8,647)	(12,827)	–	(54,304)
Net carrying amount							
As at 1 January 2017	27,323	5,252	341	9,578	5,799	437,934	486,227
As at 30 June 2017	26,551	4,140	1,400	10,681	4,899	524,525	572,196

23 PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment held for administrative purposes (Continued)

	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*
Audited							
Cost							
As at 1 January 2016	35,202	15,580	11,300	7,792	15,033	341,589	426,496
Additions	5,093	1,643	–	8,805	2,725	96,345	114,611
Disposals/written-off	–	–	(4,492)	(1)	(32)	–	(4,525)
Foreign currency translation	–	10	–	16	–	–	26
As at 31 December 2016	40,295	17,233	6,808	16,612	17,726	437,934	536,608
Accumulated depreciation							
As at 1 January 2016	(11,373)	(9,846)	(10,483)	(6,169)	(10,943)	–	(48,814)
Charge for the year	(1,599)	(2,123)	(252)	(847)	(984)	–	(5,805)
Eliminated on disposals/ written-off	–	–	4,268	–	–	–	4,268
Foreign currency translation	–	(12)	–	(18)	–	–	(30)
As at 31 December 2016	(12,972)	(11,981)	(6,467)	(7,034)	(11,927)	–	(50,381)
Net carrying amount							
As at 1 January 2016	23,829	5,734	817	1,623	4,090	341,589	377,682
As at 31 December 2016	27,323	5,252	341	9,578	5,799	437,934	486,227

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:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Deferred tax assets	650,172	591,046
Deferred tax liabilities	(483,211)	(441,656)
	166,961	149,390

Deferred income tax liabilities of RMB 353 million (2016: RMB 313 million) have not been recognised for the taxable temporary differences arising from undistributed profit of foreign subsidiaries given that the timing of the reversal of the temporary difference is controlled by the Group and the directors of the Group are of the view that it is probable that the temporary differences will not be reversed in the foreseeable future.

The following are the major deferred tax assets (liabilities) recognised and movements thereon in the six months ended 30 June 2017 and the year ended 31 December 2016:

	Allowances for impairment losses RMB'000	Changes in fair value of derivatives RMB'000	Changes in fair value of financial assets at fair value through profit and loss RMB'000	Changes in fair value of available -for-sale financial assets RMB'000	Deductible tax losses RMB'000	Accelerated depreciation of operating lease assets RMB'000	Deferred income RMB'000	Others RMB'000	Total RMB'000
Unaudited									
As at 1 January 2017	450,818	41,514	(25,929)	(8,318)	6,229	(401,154)	85,277	953	149,390
(Charged)/credited to profit or loss	102,205	–	(7,541)	–	(5,663)	(35,992)	(45,944)	18,787	25,852
(Charged)/credited to other comprehensive income	–	(9,488)	–	1,207	–	–	–	–	(8,281)
As at 30 June 2017	553,023	32,026	(33,470)	(7,111)	566	(437,146)	39,333	19,740	166,961

24 DEFERRED TAXATION (CONTINUED)

	Allowances for impairment losses *RMB'000*	Changes in fair value of derivatives *RMB'000*	Changes in fair value of financial assets at fair value through profit and loss *RMB'000*	Changes in fair value of available -for-sale financial assets *RMB'000*	Deductible tax losses *RMB'000*	Accelerated depreciation of operating lease assets *RMB'000*	Deferred income *RMB'000*	Others *RMB'000*	Total *RMB'000*
Audited									
As at 1 January 2016	574,315	82,042	(5,300)	(9,360)	1,788	(273,263)	75,286	(9,316)	436,192
(Charged)/credited to profit or loss	(123,497)	14,973	(20,629)	–	4,441	(127,891)	9,991	10,269	(232,343)
(Charged)/credited to other comprehensive income	–	(55,501)	–	1,042	–	–	–	–	(54,459)
As at 31 December 2016	450,818	41,514	(25,929)	(8,318)	6,229	(401,154)	85,277	953	149,390

25 OTHER ASSETS

	30 June 2017 ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Interest receivable	**8,329**	6,837
Other receivables	**275,586**	312,260
Prepaid expenses	**6,248**	7,730
Deductible value-added tax	**401,808**	322,597
Prepaid corporate income tax	**53,024**	120,351
Deposits for purchase of property and equipment	**11,500**	10,105
Other intangible assets	**8,528**	11,448
Land use rights	**425,358**	430,362
	1,190,381	1,221,690
Less: Allowances for impairment losses – other receivables	**(66,943)**	(66,943)
	1,123,438	1,154,747

26 BORROWINGS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Secured bank borrowings [1]	19,001,775	21,770,499
Unsecured bank borrowings	93,938,156	84,427,669
	112,939,931	106,198,168

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Carrying amount repayable:		
Within one year	88,748,005	79,422,013
More than one year, but not exceeding two years	9,193,167	7,830,785
More than two years, but not exceeding five years	7,661,006	8,097,282
More than five years	7,337,753	10,848,088
	112,939,931	106,198,168

(1) Secured bank borrowings

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Property and equipment	28,650,534	32,045,323
Prepayments	–	471,716
Finance lease receivables	3,306,033	3,741,990
Bank deposits	597,397	160,642
	32,553,964	36,419,671

26 BORROWINGS (CONTINUED)

(1) Secured bank borrowings (Continued)

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

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Fixed-rate borrowings:		
Within one year	**74,191,785**	71,496,465
More than one year, but not exceeding five years	**1,829,088**	4,752,436
More than five years	**896,842**	2,811,426
	76,917,715	79,060,327

In addition, the Group has variable-rate borrowings which carry interest based on 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:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Effective interest rate:		
Fixed-rate borrowing	**1.32%–5.70%**	1.27%–5.45%
Floating-rate borrowing	**"LIBOR+0.12% to LIBOR+3.30% SHIBOR+0.45% to SHIBOR+0.79%"**	"LIBOR+0.15% to LIBOR+3.40% SHIBOR+0.45% to SHIBOR+0.50% PBOC Rate*90.00%"

27 ACCRUED STAFF COST

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Salaries, bonus and allowances	45,204	82,051
Social welfare and others	11,316	12,137
	56,520	94,188

28 NOTES PAYABLE

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Guaranteed unsecured notes	14,467,284	14,802,728
Unguaranteed unsecured notes	4,990,395	2,991,158
	19,457,679	17,793,886

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

Name	Principal amount RMB'000	Issue price	Value date	Maturity date	Coupon rate
Unguaranteed unsecured notes issued – due 2019(3)	3,000,000	100.00%	2016-10-27	2019-10-27	3.00%
Unguaranteed unsecured notes issued – due 2018 (4)	2,000,000	100.00%	2017-05-05	2018-05-05	4.25%

28 NOTES PAYABLE (CONTINUED)

(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.

(3) As at 27 October 2016, the Group issued notes with principal amount of RMB3,000,000,000 in the PRC. The maturity date for the notes is 27 October 2019.

(4) As at 5 May 2017, the Group issued notes with principal amount of RMB2,000,000,000 in the PRC. The maturity date for the notes is 5 May 2018.

29 OTHER LIABILITIES

	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Dividends payable	702,528	–
Interest payable	676,736	600,782
Project arrangement fee in advance	67,133	68,572
Management consulting fee payable	7,868	12,354
Other taxes payable	52,436	62,802
Other payables	701,101	492,467
Advance receipt for selling of aircraft	–	1,010,360
Accrued liabilities	5,332	5,332
Account payables	999,945	1,064,712
Maintenance deposits from lessees	2,261,234	2,011,477
Guaranteed deposits from lessees	6,597,522	6,759,285
Deferred income	123,896	126,846
Total	12,195,731	12,214,989

30 SHARE CAPITAL

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Registered, issued and fully paid	**12,642,380**	12,642,380

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.

On 11 July 2016, the Company issued 3,100,000,000 new ordinary shares at the issue price of HK$2 each by way of initial public offering. The gross proceeds amounted to HK$6.2 billion. On 29 July 2016, the Company announced that the Over-allotment Option was partially exercised in respect of an aggregate of 42,380,000 new ordinary shares with an additional proceeds of HK$84.76 million. After deducting the issuance cost, RMB3,142,380,000 and RMB2,143,903,000 were credited to share capital and capital reserve respectively.

31 HEDGING AND AVAILABLE-FOR-SALE REVALUATION RESERVE

The movements of hedging and available-for-sale revaluation reserve of the Group are set out below:

	For the six months ended 30 June 2017 RMB'000 (Unaudited)	For the year ended 31 December 2016 RMB'000 (Audited)
At the beginning of the period/year	**(67,956)**	(356,504)
Fair value changes on derivatives	**36,609**	347,175
Fair value changes on available-for-sales financial assets	**(4,830)**	(4,168)
Income tax effects	**(8,281)**	(54,459)
At the end of the period/year	**(44,458)**	(67,956)

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:

Six months ended 30 June 2017	**Opening** *RMB'000*	**Additions** *RMB'000*	**Closing** *RMB'000*
Statutory reserve [(1)]	**173,608**	**–**	**173,608**
Reserve for general risk [(2)]	**2,491,660**	**–**	**2,491,660**
	2,665,268	**–**	**2,665,268**

Year ended 31 December 2016	Opening *RMB'000*	Additions *RMB'000*	Closing *RMB'000*
Statutory reserve [(1)]	34,900	138,708	173,608
Reserve for general risk [(2)]	2,123,746	367,914	2,491,660
	2,158,646	506,622	2,665,268

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

(2) Prior to 1 July 2012, pursuant to the Financial Rules for Financial Enterprises-Implementation Guide (Caijin [2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company and the subsidiaries in the PRC are required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from 1 July 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No. 20) issued by the MOF, the Company and the subsidiaries in the PRC are required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period.

33 RETAINED PROFITS

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

	For the six months ended 30 June 2017 *RMB'000* **(Unaudited)**	For the year ended 31 December 2016 *RMB'000* (Audited)
At the beginning of the period/year	**4,479,625**	3,424,908
Profit for the period	**1,294,067**	1,561,339
Appropriation to general reserves	**–**	(506,622)
Cash dividends	**(702,528)**	–
At the end of the period/year	**5,071,164**	4,479,625

34 DIVIDENDS

A dividend in respect of the year ended 31 December 2016 of RMB0.556 per 10 ordinary shares was declared in May 2017, and was recognised as a liability in this condensed consolidated interim financial information.

35 TRANSFERS OF FINANCIAL ASSETS

Repurchase agreements

As at 30 June 2017, the Group entered into repurchase agreements with certain counterparties to sell the Group's finance lease receivables with carrying amounts of approximately RMB5.41 billion (31 December 2016： RMB5.87 billion).

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

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

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

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

	30 June 2017 ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Carrying amount of transferred assets	**5,406,004**	5,870,738
Carrying amount of associated liabilities	**(2,720,000)**	(3,136,000)
Net position	**2,686,004**	2,734,738

36 CASH AND CASH EQUIVALENTS

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

	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Cash on hand	**40**	56
Cash in central banks	**25,469**	19,779
Cash in banks	**10,917,095**	8,669,263
Placement to banks and other financial institutions	**400,000**	1,100,000
	11,342,604	9,789,098

37 CONTINGENT LIABILITIES

As at 30 June 2017 and 31 December 2016, there were no significant legal proceedings outstanding against the Group. No provision has been made for pending assessments, lawsuits or possible violations of contracts as the outcome cannot be reasonably estimated or management believes the probability of a loss is low or remote.

38 CAPITAL COMMITMENTS

Capital expenditures contracted by the Group as at 30 June 2017 and 31 December 2016 but are not yet to be recognised on the statements of financial position are as follows:

	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Acquisition of equipment held for operating lease businesses	**49,958,282**	38,552,402
Acquisition of property and equipment held for administrative purposes	**–**	534,287
Total	**49,958,282**	39,086,689

39 FINANCE LEASE COMMITMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Finance lease commitments	**8,058,058**	1,600,000

Finance lease commitments relate to finance leases contracts signed by the Group as lessor that are not yet effective as at 30 June 2017 and 31 December 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 commitments

At 30 June 2017 and 31 December 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	**106,916**	122,537
In the second to fifth years inclusive	**334,857**	359,872
Over five years	**–**	22,018
Total	**441,773**	504,427

40 OPERATING LEASE COMMITMENTS (CONTINUED)

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 2017 and 31 December 2016, the Group is entitled to receive the minimum cash lease rentals under non-cancellable operating lease which fall due as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**5,821,130**	6,085,641
In the second to fifth years inclusive	**17,485,753**	18,108,437
Over five years	**9,715,331**	8,978,612
Total	**33,022,214**	33,172,690

41 RELATED PARTY TRANSACTION

Parent Company

As at 30 June 2017, China Development Bank directly owned 64.5% of the share capital of the Company.

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

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

The Group had the following balances with China Development Bank:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank balances	**1,640,615**	135,375
Operating leases receivable	**748**	748
Available-for-sale financial assets	**193,197**	152,148
Interest receivable	**56**	4
Bank borrowings	**13,439,678**	20,903,535
Interest payable	**18,106**	63,647
Derivative financial liabilities	**131,903**	165,044

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**372**	3,504
Interest expense	**136,895**	152,539
Guarantee fee	**7,621**	7,460
Operating lease income	**449**	723
Lease expenses – fee and commission expenses	**14,340**	11,374
	159,677	175,600

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

41 RELATED PARTY TRANSACTION (CONTINUED)

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.

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Basic salaries and allowances	**4,050**	3,814
Bonuses	**6,161**	–
Employer's contribution to pension schemes	**265**	253
	10,476	4,067

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.

42 SEGMENT REPORTING (CONTINUED)

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, 2016 and 2017.

The operating and reportable segment information provided to the CODM during the six months ended 30 June 2017 and 2016 is as follows:

	Aircraft leasing	Infrastructure leasing	Ship, commercial vehicle and construction machinery leasing	Other leasing business	Consolidated total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unaudited					
For the six months ended 30 June 2017					
Segment revenue and results					
Finance lease income	119,501	1,903,532	477,439	347,086	2,847,558
Operating lease income	2,804,205	58,248	61,320	6,382	2,930,155
Segment revenue	2,923,706	1,961,780	538,759	353,468	5,777,713
Segment other income and gains (other losses)	99,182	63,335	(24,901)	(22,436)	115,180
Segment revenue and other income	3,022,888	2,025,115	513,858	331,032	5,892,893
Segment expenses	(2,157,507)	(1,347,496)	(281,430)	(507,027)	(4,293,460)
Profit before income tax	865,381	677,619	232,428	(175,995)	1,599,433
Profit before impairment losses and income tax	869,603	911,233	123,460	108,033	2,012,329

42 SEGMENT REPORTING (CONTINUED)

	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*
Unaudited					
As at 30 June 2017					
Segment assets and liabilities					
Segment assets	62,957,673	73,576,089	22,985,083	12,660,913	172,179,758
Deferred tax assets					650,172
Group's total assets					172,829,930
Segment liabilities	54,675,555	63,897,113	19,961,382	10,995,363	149,529,413
Deferred tax liabilities					483,211
Group's total liabilities					150,012,624
For the six months ended 30 June 2017					
Other segment information					
Depreciation of investment properties	–	–	–	(9,809)	(9,809)
Depreciation of properties and equipment	(1,264,819)	(28,709)	(27,195)	–	(1,320,723)
Amortisation	(5,173)	(3,431)	(957)	(613)	(10,174)
Impairment losses	(4,222)	(233,614)	108,968	(284,028)	(412,896)

42 SEGMENT REPORTING (CONTINUED)

	Aircraft leasing	Infrastructure leasing	Ship, commercial vehicle and construction machinery leasing	Other leasing business	Consolidated total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unaudited					
For the six months ended 30 June 2016					
Segment revenue and results					
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 income tax	662,479	655,192	74,260	(63,280)	1,328,651
Profit before impairment losses and income tax	662,983	781,321	193,956	164,740	1,803,000
Audited					
As at 31 December 2016					
Segment assets and liabilities					
Segment assets	62,606,259	68,676,635	20,246,133	14,392,076	165,921,103
Deferred tax assets					591,046
Group's total assets					166,512,149
Segment liabilities	54,247,638	59,507,552	17,543,053	12,470,576	143,768,819
Deferred tax liabilities					441,656
Group's total liabilities					144,210,475
Unaudited					
For the six months ended 2016					
Other segment information					
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)

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Financial assets		
Cash and bank balances	12,025,934	9,336,415
Placement to banks and other financial institutions	400,000	1,100,000
Accounts receivable	6,500,446	6,841,777
Finance lease receivables	92,260,974	88,464,050
Other financial assets	228,472	262,259
Financial assets at fair value through profit and loss	2,163,880	2,133,717
Derivative financial assets	7,249	9,697
Available-for-sale financial assets	315,637	274,588
	113,902,592	108,422,503

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Financial liabilities		
Borrowings	112,939,931	106,198,168
Due to banks and other financial institutions	1,960,000	4,000,000
Financial assets sold under repurchase agreement	2,720,000	3,136,000
Notes payable	19,457,679	17,793,886
Other financial liabilities	11,952,266	11,990,561
Derivative financial liabilities	149,115	199,310
	149,178,991	143,317,925

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 2016.

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.

44 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

44.3 Fair value estimation (Continued)

Determination of fair value and valuation techniques (Continued)

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 receivables, 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 lease receivables, 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 2017	As at 31 December 2016	**As at 30 June 2017**	As at 31 December 2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Notes payable	**19,457,679**	17,793,886	**19,542,715**	17,806,832

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).

44 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

44.3 Fair value estimation (Continued)

Financial instruments that are measured at fair value on a recurring basis (Continued)

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

Financial assets/ financial liabilities	Fair value as at				Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 30 June 2017 *RMB'000* (Unaudited)		As at 31 December 2016 *RMB'000* (Audited)			
1) Available-for-sale financial assets – Bonds investment *(note 22)*	Assets–	193,197	Assets–	152,148	Level 1	Open market quotations
2) Financial assets at fair value through profit and loss *(note 17)*	Assets–	2,163,880	Assets–	2,133,717	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)*	Assets– Liabilities–	– –	Assets– Liabilities–	– (16,424)	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)*	Assets– Liabilities–	7,249 (149,115)	Assets– Liabilities–	9,697 (182,886)	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 2017, the capital adequacy ratio is 14.11% (31 December 2016：14.03%).