2018
中期報告
INTERIM REPORT

国银租赁
CHINA DEVELOPMENT BANK LEASING

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

Stock Code: 1606

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

China Development Bank Financial Leasing Co., Ltd., a national non-banking financial institution regulated by CBIRC, is the first listed financial leasing company in mainland China and the sole leasing business platform and listing platform of China Development Bank. Its leasing assets and business partners reach throughout nearly 30 countries and regions around the globe. The Company enjoys relatively high international credit ratings, namely "A1" by Moody's, "A" by Standard & Poor's and "A+" by Fitch. 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. Adhering to the mission of "Leading China's leasing industry, serving the real economy", CDB Leasing is dedicated to providing comprehensive leasing services to high-quality customers in industries, including aviation, infrastructure, shipping, commercial vehicle and construction machinery, new energy and high-end equipment manufacturing.

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 and international reforms of the PRC financial industry, increasing customer demand for customized leasing products and services, and favorable government policies have brought important opportunities to China's leasing industry. We believe that our long operating history, market leading position, well-developed business model and premier brand advantage will enable us to seize such opportunities, achieve sustained growth, and continue to maintain our leading position in the fast developing PRC leasing industry given its accelerating connection with the international leasing market. The Company will constantly upgrade its business model, improve its professional service capabilities and strive to move forward for achieving the vision of building a "world-class leasing corporation".

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Xuedong *(Chairman)*
Mr. Peng Zhong[1] *(Vice chairman)*
Mr. Huang Min

Non-executive Director

Mr. Li Yingbao

Independent Non-executive Directors

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

STRATEGY DECISION COMMITTEE OF THE BOARD

Mr. Wang Xuedong *(Chairman)*
Mr. Peng Zhong[1]
Mr. Li Yingbao
Mr. Zheng Xueding
Mr. Xu Jin

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE OF THE BOARD

Mr. Wang Xuedong *(Chairman)*
Mr. Huang Min
Mr. Li Yingbao
Mr. Zheng Xueding

RELATED PARTY TRANSACTION CONTROL COMMITTEE OF THE BOARD

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

AUDIT COMMITTEE OF THE BOARD

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

REMUNERATION COMMITTEE OF THE BOARD

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

NOMINATION COMMITTEE OF THE BOARD

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

BOARD OF SUPERVISORS

Mr. Jiang Daozhen *(Chairman)*
Mr. Lei Yanzheng
Mr. Sun Zhikun
Ms. Huang Xuemei
Mr. Ma Yongyi

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

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

(1) The appointment of Mr. Peng Zhong shall take effect upon obtaining the approval of his qualification from the Shenzhen Office of CBIRC.

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)
8–10/F, Tower A
Rongchao Tower
6003 Yitian Road
Futian District
Shenzhen

AUDITOR

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

COMPLIANCE ADVISOR[2]

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19/F, Li Po Chun Chambers
189, Des Voeux Road Central
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
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Wan Chai
Hong Kong

REGISTERED OFFICE

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Futian District
Shenzhen
Guangdong Province
PRC

HEADQUARTER

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Causeway Bay
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WEBSITE OF THE COMPANY

http://www.cdb-leasing.com

STOCK CODE

1606

LISTING DATE

July 11, 2016

(2) Pursuant to Rule 3A.19 of the Hong Kong Listing Rules, Zhongtai International Capital Limited served as the compliance advisor of the Company from the listing date (i.e. July 11, 2016) to April 24, 2018; On April 24, 2018, the service period of compliance advisor had expired such that the Company no longer engaged any compliance advisor.

1. SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(RMB in thousands)	For the six months ended June 30, **2018**	2017	For the year ended December 31, 2017
Finance lease income	**3,170,983**	2,847,558	5,784,289
Operating lease income	**2,998,849**	2,930,155	6,016,001
Total revenue	**6,169,832**	5,777,713	11,800,290
Net Investment gains	**78,897**	49,365	176,160
Other income, gains or losses	**624,051**	65,815	338,272
Total revenue and other income	**6,872,780**	5,892,893	12,314,722
Total expenses	**(5,431,470)**	(4,293,460)	(9,506,870)
Of which: Depreciation and amortisation	**(1,451,638)**	(1,340,706)	(2,701,887)
Interest expense	**(3,163,993)**	(2,239,800)	(4,984,470)
Impairment losses	**(341,424)**	(412,896)	(912,918)
Profit before income tax	**1,441,310**	1,599,433	2,807,852
Profit for the Reporting Period	**1,118,395**	1,294,067	2,130,963
Basic and diluted earnings per share *(RMB)*	**0.09**	0.10	0.17

2. SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(RMB in thousands)	**As at June 30, 2018**	As at December 31, 2017
Total assets	**209,982,233**	187,099,272
Of which: Cash and bank balances	**19,783,589**	16,207,073
Accounts receivable	**6,843,490**	6,610,039
Finance lease receivables	**112,693,439**	98,880,563
Prepayments	**10,030,995**	7,530,238
Property and equipment	**52,316,811**	49,532,281
Total liabilities	**187,016,643**	163,590,303
Of which: Borrowings	**134,798,160**	116,245,105
Notes payable	**31,263,669**	32,326,713
Net assets	**22,965,590**	23,508,969
Net assets per share *(RMB)*	**1.82**	1.86

3. SELECTED FINANCIAL RATIOS

	For the six months ended June 30,/ As at June 30, 2018	2017	For the year ended December 31,/ As at December 31, 2017
Return on average total assets[1]	**1.13%**	1.53%	1.21%
Return on average equity[2]	**9.83%**	11.47%	9.30%
Net interest margin of finance lease business[3]	**1.59%**	2.66%	2.33%
Net lease yield of operating lease business[4]	**8.41%**	9.14%	9.13%
Cost-to-income ratio[5]	**6.73%**	4.84%	7.08%
Non-performing asset ratio[6]	**0.79%**	1.11%	0.78%
Non-performing asset ratio of finance lease business[7]	**1.32%**	1.87%	1.31%
Gearing Ratio[8]	**6.59 times**	5.48 times	5.72 times
Credit ratings			
Standard & Poor's	**A**	A+	A
Moody's	**A1**	A1	A1
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 amortisation expenses of property and equipment held for administrative purposes, staff costs and other operating expenses by total revenue and other income.

(6) Non-performing asset ratio refers to the percentage of non-performing assets over total assets before allowance for impairment losses as at the applicable date.

(7) Non-performing asset ratio of finance lease business refers to the percentage of non-performing assets of finance lease business over finance lease related assets before allowance for impairment losses as at the applicable date.

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

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

	Regulatory requirements	As at June 30, 2018	As at December 31, 2017	As at December 31, 2016
Capital adequacy indicators[1]				
Core tier-one capital adequacy ratio[2]	≥7.5%[3]	**11.25%**	13.19%	13.42%
Tier-one capital adequacy ratio[4]	≥8.5%[3]	**11.25%**	13.19%	13.42%
Capital adequacy ratio[5]	≥10.5%[3]	**12.44%**	14.10%	14.03%
Asset quality indicators				
Allowance to non-performing finance lease related assets[6]	≥150%	**286.53%**	215.15%	164.28%

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

(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 2018.

(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.

Wang Xuedong
Chairman

In the first half of 2018, against the complex changes in domestic and overseas economic environment and in-depth implementation of de-leveraging and strict regulatory requirements in the financial industry, we insisted on striving progress while maintaining stability, seizing structural market opportunities, and obtaining satisfactory results in terms of strategic layout, business development, corporate governance, risk control and internal management.

In the first half of the year, the total lease financing to new lessees of the Group amounted to RMB34.514 billion, representing a year-on-year increase of 72.0%, recording the best level as compared with that of the same period in the last decade, while total revenue and other gains amounted to RMB6.873 billion, representing a year-on-year increase of 16.6%. Net profit amounted to RMB1.118 billion, with annualized return on average total assets of 1.13% and annualized return on average equity of 9.83%. The capital adequacy ratio, non-performing asset ratio and allowance coverage ratio amounted to 12.44%, 0.79% and 286.53%, respectively. In a situation where there was a substantial increase in market capital costs and a severe financial risk, the Company's profitability capability remained stable in the first half of the year and there was continuous optimization of the asset quality.

In the first half of the year, business development of the Company achieved a number of breakthroughs. As at 30 June 2018, total assets of the Company exceeded RMB200 billion, reaching RMB209.982 billion, representing an increase of 12.2% as compared with that of the beginning of the year. The number of development projects with decision-making process involved hit a record high, and the average duration for new development projects before being put into market has been shortened from 3.5 months in the previous year to 2.2 months. The specialized business segments, such as aircraft, ship, commercial vehicles, construction machinery and new energy, presented positive development momentum, with more optimized industrial layout and continuous improvement of professionalism. The Company continued to carry out asset transfer by selling 8 aircraft, achieving an asset transfer gains of US$27.25 million. Under the background of the overall shortage of market funds, we continued to expand financing channels, innovate financing methods, and reduce financing costs by leveraging our advantage on credit, achieving that the increase in capital costs of the Company was lower than the increase in market interest rates. We sticked to the risk limits, strengthened risk management and control, continued to improve the risk management and control mode with the "list system" as the core, and carried out in-depth comprehensive risk investigation with an amount of RMB225 million in relation to risks and non-performing projects resolved. As of the end of June 2018, the non-performing assets of the Company amounted to RMB1.694 billion, and the non-performing asset ratio was 0.79%, which kept at a low level.

While achieving satisfactory operating results, we proactively performed social responsibility to build a positive corporate image, and strived to promote healthy, sustainable and harmonious development of economy, society and environment. In the first half of the year, the Company was awarded the "Industry Contribution Award", and its aviation subsidiaries were awarded the "Leasing Company of the Year in China".

At present, there lies both development opportunities and challenges in the finance lease industry in the PRC. Broad potential space for development in the leasing market, intensified supervision and regulation on, and standardized and orderly development of the leasing industry will be conducive to the development of leading enterprises such as CDB Leasing. In the second half of 2018, we will continue to adhere to the origin of the leasing industry, serve the real economy, enhance our professional management capability, and spare no efforts to achieve the goal of becoming a world-class finance lease company.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to the investors for their support, and our public customers and friends from all walks of life for their trust in us. We will put persistent efforts in making more achievements.

王学东

Chairman and Executive Director

August 27, 2018

1. BUSINESS SITUATION

In the first half of 2018, the global economy continued to grow and maintain the trend of recovery, while momentum of marginal growth, however, has diminished. The two major risks currently threatening world economy stem from the emergence of multilateral trade protectionism and the turn of easing monetary policies around the globe. Financial stability may be challenged in emerging markets.

In the first half of 2018, the economy in the PRC was still in the key period of shifting growth drivers, continuing stable economic growth in general with a 6.8% growth in GDP. Under strengthened regulations, there remained a possibility that bond and credit markets risk might be further exposed. It is expected that in the second half of the year, macroeconomic policies will continue to grow steadily, and fiscal policies will be more proactive and focus on leverage stabilization of economic growth; while monetary policies will concentrate on alleviating the financing difficulties and high financing costs for enterprises, proceeding with reform, and at the same time keeping systematic financial risks at bay.

As of the end of 2017, there were a total of 9,090 registered companies offering various types of finance lease in operation across the country (excluding finance leasing companies with a single project), among which 69 were finance leasing companies, 276 were domestic leasing companies and 8,745 were foreign leasing companies. The total number of leasing companies increased by 27.4% as compared with that in the last year. In general, the industry continued to grow steadily, but it still faced several new challenges. First, defaulting of privately owned groups, platform companies and listed companies has posed increasing pressure on risk prevention and control; second, lacking of effective demand, inadequate and innovations on business models or business varieties have all given rise to increasingly fierce competition among peers in the industry; third, cost of the liability side has risen and to a certain extent squeezed profit margins; fourth, corporate informatization level and capabilities of financial technology application were relatively incompetent, thereby restraining improvements on management operation efficiency.

2. COMPANY'S RESPONSES

In the first half of 2018, encountering with the intricate trend of the economy and an increasingly severe financial regulatory environment, the Group actively responded to the situation, adhered to the principle of seeking progress while ensuring stability, and achieved both improvements in business development and risk prevention and control on the basis of compliance operation.

With respect to business arrangement, the Company carried out innovative business development model by implementing localized management, the Company promoted business development with new ideas which were tailor-made for market and customers, achieving remarkable results. The newly increased volume of business arrangement of the Group for the first half of the year amounted to RMB34.514 billion, representing a year-on-year growth of 72.0%, the best level for the corresponding periods in the last decade. In order to optimize the structure of business involvement and strengthen business innovation, the Company invested over RMB9 billion into the aid of small, medium and micro enterprises in the first half of the year, while close to RMB5 billion went into the aid of development of green leasing and equipment manufacturing businesses such as the Cloud Rail, new energy vehicles and solar photovoltaic power, effectively supporting the development of real economy. The subsidiaries from the aviation sector embarked on assets trading business and disposed of 8 aircraft. As for the ship leasing business, we have acquired at a low price, secondhand Ultramax bulk carriers, accomplishing the Company's first secondhand ship leasing project, thus increasing the scale of our ship assets. As for commercial vehicles and construction machinery leasing business, in response to the Inclusive Finance Policies of the PRC, the Company constructed a "10 billion" customer strategic cooperation system with the leading customers in the industry. The Group ventured into the new field of consumer finance, promoting the vehicle leasing business as an extension from the field of commercial vehicles to passenger vehicles.

With regard to financing, the Group has strengthened the study of and judgement towards the capital market, expanded financing channels, optimized the liability structure, and enhanced the liquidity management abilities, controlled financing cost with various measures. In the first half of 2018, the Group's average financing cost was 4.45%, representing an increase of 36 basis points as compared with last year, which was lower than the rise in market interest rate.

As for the prevention and control of risks, the Group has continuously strengthened project initiation review and loan review, continuously refined the post-lease management of the projects, strived to resolve and dispose of risks and non-performing projects, and improved the comprehensive risk management system. As at June 30, 2018, the non-performing assets ratio of the Group is 0.79%, with non-performing ratio keeping at a low level.

3. PERFORMANCE OUTLOOK

In the second half of 2018, the Group will pay close attention to the changes of external situation, focus on development strategies, perspectiveness and initiative of business management, and steadily improve the Company's performance. First, the Group will maintain efforts on business expansion, continue to promote the innovation of leasing business, and continuously improve the level of professionalization. Second, the Group will strengthen asset and liability management, optimize the structure of local and foreign currency liabilities, expand the Company's revenue sources, and reduce the cost of financing operations. Third, the Group will strengthen risk prevention and control, continue to promote the construction of a comprehensive risk management system, and strictly keep the bottom line of risk control. Fourth, the Group will adhere to compliance operations, and strengthen internal control of audit supervision. Fifth, the Group will improve internal management, focus on key performance indicators, strictly implement budget and business plans, and bring the guidance role of incentive and restraint mechanism into play, in order to improve the quality and efficiency of the Company's operation.

4. ANALYSIS ON CONSOLIDATED STATEMENT OF PROFIT AND LOSS ANALYSIS

4.1 Overview on Statement of Profit and Loss Analysis

In the first half of 2018, the Group's revenue was basically in line with its costs and expenses. Total revenue and other income amounted to RMB6,872.8 million, representing an increase of 16.6% as compared with the total revenue and other income of RMB5,893.0 million for the same period of last year. Net profit of the Group for the first half of 2018 amounted to RMB1,118.4 million, representing a decrease of 13.6% as compared with the net profit of RMB1,294.1 million for the same period of last year, due primarily to (1) the increase in financing interest rate of the Group affected by the rise in market interest rate and the increase in comprehensive capital cost as the financing scale of the Group grew with the expansion of asset scale; and (2) the increase in total expenses caused by the increase in the number of employees and costs resulting from the expansion of business scale.

The following table sets forth the statement of profit or loss of the Group for the six months ended June 30, 2018 and comparative figures for the same period of last year.

(RMB in millions, except percentages)	**For the six months ended June 30, 2018**	2017	Change
Revenue			
Finance lease income	**3,171.0**	2,847.6	11.4%
Operating lease income	**2,998.8**	2,930.2	2.3%
Total revenue	**6,169.8**	5,777.8	6.8%
Net investment gains	**78.9**	49.4	59.7%
Other income, gains or losses	**624.1**	65.8	848.5%
Total revenue and other income	**6,872.8**	5,893.0	16.6%
Depreciation and amortisation	**(1,451.6)**	(1,340.7)	8.3%
Staff costs	**(250.2)**	(101.6)	146.3%
Fee and commission expenses	**(34.8)**	(29.5)	18.0%
Interest expense	**(3,164.0)**	(2,239.8)	41.3%
Other operating expenses	**(189.5)**	(169.0)	12.1%
Impairment losses	**(341.4)**	(412.9)	(17.3%)
Total expenses	**(5,431.5)**	(4,293.5)	26.5%
Profit before income tax	**1,441.3**	1,599.5	(9.9%)
Income tax expense	**(322.9)**	(305.4)	5.7%
Net profit	**1,118.4**	1,294.1	(13.6%)

4.2 Revenue

For the first half of 2018, total revenue of the Group amounted to RMB6,169.8 million, representing an increase of 6.8% as compared with the total revenue of RMB5,777.8 million for the same period of last year, due primarily to the increase in finance lease income and operating lease income resulting from the increase in lease financing to lessees in finance lease and operating lease in the second half of 2017 and the first half of 2018.

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:

(RMB in millions, except percentages)	**For the six months ended June 30, 2018**	2017	Change
Finance lease income			
Aircraft Leasing	**80.8**	119.6	(32.4%)
Infrastructure Leasing	**2,109.1**	1,903.5	10.8%
Ship, Commercial Vehicle and Construction Machinery Leasing	**687.0**	477.4	43.9%
Other Leasing Business	**294.1**	347.1	(15.3%)
Total	**3,171.0**	2,847.6	11.4%

For the first half of 2018, finance lease income of the Group amounted to RMB3,171.0 million, accounting for 51.4% of the total revenue and representing an increase of 11.4% as compared with the finance lease income of RMB2,847.6 million for the same period of last year, due primarily to a year-on-year increase in the scale of finance lease assets attributable to the increase in investment in finance lease assets.

With respect to Aircraft Leasing, for the first half of 2018, finance lease income of the Group amounted to RMB80.8 million, representing a decrease of 32.4% as compared with the finance lease income of RMB119.6 million for the same period of last year, due primarily to the expiry of certain aircraft finance lease projects.

With respect to Infrastructure Leasing, for the first half of 2018, finance lease income of the Group amounted to RMB2,109.1 million, representing an increase of 10.8% as compared with the finance lease income of RMB1,903.5 million for the same period of last year, due primarily to a year-on-year increase of infrastructure lease assets as a result of increase in lease financing to lessees.

With respect to Ship, Commercial Vehicle and Construction Machinery Leasing, for the first half of 2018, finance lease income of the Group amounted to RMB687.0 million, representing an increase of 43.9% as compared with the finance lease income of RMB477.4 million for the same period of last year, due primarily to an increase in number of finance lease projects of ship, commercial vehicle and construction machinery.

With respect to Other Leasing Business, for the first half of 2018, finance lease income of the Group amounted to RMB294.1 million, representing a decrease of 15.3% as compared with the finance lease income of RMB347.1 million for the same period of last year, due primarily to the adjustment of the scale of finance 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:

(RMB in millions, except percentages)	**For the six months ended June 30, 2018**	2017	Change
Operating lease income			
Aircraft Leasing	**2,855.2**	2,804.2	1.8%
Infrastructure Leasing	**25.3**	58.2	(56.5%)
Ship, Commercial Vehicle and Construction Machinery Leasing	**73.6**	61.3	20.1%
Other Leasing Business	**44.7**	6.4	598.4%
Total	**2,998.8**	2,930.1	2.3%

For the first half of 2018, operating lease income of the Group amounted to RMB2,998.8 million, accounting for 48.6% of the total revenue and representing an increase of 2.3% as compared with the operating lease income of RMB2,930.1 million for the same period of last year, due primarily to the increasing lease financing to lessees in manufacturing equipment and other leasing business segment, as well as the increase in the asset scale of ship assets. The asset scale of the infrastructure leasing segment recorded a year-on-year decrease, resulting in a decrease of operating lease income.

4.2.3. Net investment gains

For the first half of 2018, net investment gains of the Group amounted to RMB78.9 million, representing an increase of 59.7% as compared with the investment gains of RMB49.4 million for the same period of last year, due primarily to the increase in the investment income of interest rate swap transactions in the first half of 2018.

4.2.4. Other Income, Gains or Losses

For the first half of 2018, other income and gains of the Group amounted to RMB624.1 million, representing an increase of 848.5% as compared with the other income and gains of RMB65.8 million for the same period of last year, due primarily to the increase in fiscal subsidies of aircraft leasing business in the first half of 2018, gains from US dollar exchange rate swap transactions and the exchange gains caused by the appreciation of US dollar.

4.3 Costs and Expenses

For the first half of 2018, total expenses of the Group amounted to RMB5,431.5 million, representing an increase of 26.5% as compared with the total expenses of RMB4,293.5 million for the same period of last year, due primarily to the significant increase in capital cost resulting from the rise in the interest rate for comprehensive financing and the increase in financing scale, and the increase in staff costs resulting from the expansion of business scale.

4.3.1 Depreciation and Amortisation

For the first half of 2018, depreciation and amortisation of the Group amounted to RMB1,451.6 million, representing an increase of 8.3% as compared with the depreciation and amortisation of RMB1,340.7 million for the same period of last year, due primarily to an increase in operating lease assets, in particular those for Aircraft Leasing and Ship Leasing.

4.3.2 Staff Costs

For the first half of 2018, staff costs of the Group amounted to RMB250.2 million, representing an increase of 146.3% as compared with the staff costs of RMB101.6 million for the same period of last year, due primarily to the increase in staff number and staff costs as a result of the expansion of the business scale of the Company and the further expansion of the international team of the aviation business.

4.3.3 Fee and Commission Expenses

For the first half of 2018, fee and commission expenses of the Group amounted to RMB34.8 million, representing an increase of 18.0% as compared with the fee and commission expenses of RMB29.5 million for the same period of last year, due primarily to the increase of handling fees for new bank borrowings resulting from the increase in financing scale.

4.3.4 Interest Expense

For the first half of 2018, interest expense of the Group amounted to RMB3,164.0 million, representing an increase of 41.3% as compared with the interest expense of RMB2,239.8 million for the same period of last year, due primarily to the fact that the financing interest rate of the Group increased due to the increase in market interest rate, and the increase in business volume led to the increase in demand for financing, both of which resulted in the increase in interest expense.

4.3.5 Other Operating Expenses

For the first half of 2018, other operating expenses of the Group amounted to RMB189.5 million, representing an increase of 12.1% as compared with the operating expenses of RMB169.0 million for the same period of last year, due primarily to the increase in insurance expense and other related expenses attributable to the development of the Company's aviation business.

4.3.6 Impairment Losses

For the first half of 2018, impairment losses of the Group amounted to RMB341.4 million, representing a decrease of 17.3% as compared with the impairment losses of RMB412.9 million for the same period of last year, due primarily to the fact that the Group's strengthening of project risk management led to the asset quality maintaining stable in the first half of 2018, and the Group therefore did not experience downward adjustment to the quality classification of large-scale assets.

4.4 Profit before Income Tax

For the first half of 2018, profit before income tax of the Group amounted to RMB1,441.3 million, representing a decrease of 9.9% as compared with RMB1,599.5 million for the same period of last year, due primarily to the increase in market interest rate in the first half of 2018, in turn increasing financing cost of the Group.

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:

	For the six months ended June 30,	
(RMB in millions, except percentages)	**2018**	2017
Finance lease business		
Interest income[(1)]	**3,171.0**	2,847.6
Interest expense[(2)]	**2,270.5**	1,522.7
Net interest income	**900.5**	1,324.9
Average balance of finance lease related assets	**113,522.4**	99,440.2
Net interest margin of finance lease business[(3)]	**1.59%**	2.66%

(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 total interest-earning assets for finance lease business on an annualized basis.

For the first half of 2018, net interest margin of finance lease business of the Group decreased from 2.66% for the same period of 2017 to 1.59%, due primarily to the increase in market interest rate and increase in financing interest rate of the Group. Meanwhile, rate of return of existing finance leasing business has not been increased since the benchmark loan interest rate of the PBOC was yet to be adjusted, therefore the rate of return of net interest of financial leasing business represented a year-on-year decrease.

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, 2018	2017
Net lease yield of operating lease business(1)	**8.41%**	9.14%
Profit margin of operating lease business before income tax of operating lease business(2)	**22.13%**	24.19%

(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 2018, both net lease yield and profit margin before income tax of our operating lease business decreased, due primarily to the increase of US dollar financing interest rate of the Group, influenced by an increased interest rate of US dollars.

4.7 Income Tax Expense

For the first half of 2018, income tax expense of the Group amounted to RMB322.9 million, representing an increase of 5.7% from RMB305.4 million for the same period of last year, 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 the Group's consolidated statements of financial position as at the dates indicated:

(RMB in millions, except percentages)	**As at June 30, 2018**	As at December 31, 2017	Change
Assets			
Cash and bank balances	**19,783.6**	16,207.1	22.1%
Placement to banks and other financial institutions	**200.0**	–	100.0%
Financial assets at fair value through profit or loss	**1,702.2**	1,857.9	(8.4%)
Derivative financial assets	**88.0**	27.7	217.7%
Accounts receivable	**6,843.5**	6,610.0	3.5%
Finance lease receivables	**112,693.4**	98,880.6	14.0%
Prepayments	**10,031.0**	7,530.2	33.2%
Available-for-sale financial assets	**–**	279.6	(100.0%)
Financial assets at fair value through other comprehensive income	**2,136.8**	–	100.0%
Assets held-for-sale	**287.2**	2,697.5	(89.4%)
Investment properties	**1,380.1**	984.7	40.2%
Property and equipment	**52,316.8**	49,532.3	5.6%
Deferred tax assets	**853.2**	642.5	32.8%
Other assets	**1,666.4**	1,849.2	(9.9%)
Total assets	**209,982.2**	187,099.3	12.2%
Liabilities			
Borrowings	**134,798.2**	116,245.1	16.0%
Due to banks and other financial institutions	**3,965.0**	–	100.0%
Financial assets sold under repurchase agreements	**1,120.0**	2,030.0	(44.8%)
Derivative financial liabilities	**79.5**	69.1	15.1%
Accrued staff costs	**171.5**	160.5	6.9%
Tax payable	**116.5**	433.5	(73.1%)
Notes payable	**31,263.7**	32,326.7	(3.3%)
Deferred tax liabilities	**551.9**	540.1	2.2%
Other liabilities	**14,950.4**	11,785.3	26.9%
Total liabilities	**187,016.7**	163,590.3	14.3%
Total equity	**22,965.5**	23,509.0	(2.3%)

5.1 Total Assets

The principal components of the Group's assets were cash and bank balances, accounts receivable, finance lease receivables, prepayments and property and equipment, collectively representing 96.0% of the Group's total assets as at June 30, 2018. As at June 30, 2018, total assets of the Group amounted to RMB209,982.2 million, representing an increase of 12.2% as compared with that of RMB187,099.3 million as at the end of last year, due primarily to the increase in investments on leasing business in the first half of this year and in the new balance of leased assets, and relatively sufficient liquidity reserve scale with the increase in business investment.

5.1.1 Finance Lease Receivables

(RMB in millions, except percentages)	**June 30, 2018**	December 31, 2017	Change
Finance lease receivables – gross	**142,605.8**	125,760.3	13.4%
Less: Unearned finance income	**(25,679.1)**	(24,075.6)	6.7%
Finance lease receivables – net	**116,926.7**	101,684.7	15.0%
Less: Allowance for impairment losses	**(4,233.3)**	(2,804.1)	51.0%
Finance lease receivables – carrying value	**112,693.4**	98,880.6	14.0%

As at June 30, 2018, finance lease receivables of the Group amounted to RMB112,693.4 million, representing an increase of 14.0% as compared with RMB98,880.6 million as of December 31, 2017, due primarily to the increase in finance lease business during the first half of this year.

5.1.2 Accounts Receivable

As at June 30, 2018, accounts receivable of the Group amounted to RMB6,843.5 million, representing an increase of 3.5% as compared with that of RMB6,610.0 million as at December 31, 2017, due primarily to the increase in accounts receivable from lease business.

5.1.3 Prepayments

As at June 30, 2018, prepayments of the Group amounted to RMB10,031.0 million, representing an increase of 33.2% as compared with that of RMB7,530.2 million as at December 31, 2017, due primarily to the recovery of shipping market in the first half of 2018, and the Group has in turn put greater emphasis on the development of ship business and increased investment on building new ships.

5.1.4 Property and Equipment

As at June 30, 2018, equipment held for operating lease of the Group amounted to RMB51,620.3 million, representing an increase of 6.0% as compared with that of RMB48,691.9 million as at December 31, 2017, due primarily to the expansion of scale of the Group's aircraft fleet and, at the same time, an increase in operating lease balance benefited from the appreciation of USD.

As at June 30, 2018, property and equipment held for administrative purpose of the Group amounted to RMB696.5 million, representing a decrease of 17.1% from RMB840.4 million as at December 31, 2017, due primarily to the transfer of non-self-use portion of the Group's newly constructed office building to investment properties.

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

(RMB in millions, except percentages)	**June 30, 2018**	December 31, 2017	Change
Property and equipment			
Equipment held for operating lease businesses	**51,620.3**	48,691.9	6.0%
Property and equipment held for administrative purposes	**696.5**	840.4	(17.1%)
Property and equipment – carrying value	**52,316.8**	49,532.3	5.6%

5.1.5 Cash and Bank Balances

As at June 30, 2018, cash and bank balances of the Group were RMB19,783.6 million, representing an increase of 22.1% from RMB16,207.1 million as at December 31, 2017, due primarily to an acceleration in investment progress and an increase in financing demand. The Group has increased its liquidity reserve as at the end of the period based on the prudent strategy on liquidity management.

5.1.6 Placement to Banks and Other Financial Institutions

As at June 30, 2018, placement to banks and other financial institutions of the Group was RMB200.0 million, representing an increase of RMB200.0 million from RMB0 as at December 31, 2017, due primarily to short-term lending of retained funds for the purpose of raising capital revenue.

5.1.7 Financial Assets at Fair Value through Profit or Loss

As at June 30, 2018, financial assets at fair value through profit or loss of the Group were RMB1,702.2 million, representing a decrease of 8.4% from RMB1,857.9 million as at December 31, 2017, due primarily to the redemption of a portion of the investment principals from asset management schemes by the Group.

5.1.8 Other Assets

Other assets primarily included interest receivables, other receivables, prepaid expenses, deductible value-added tax and land use rights. As at June 30, 2018, other assets of the Group amounted to RMB1,666.4 million, representing a decrease of 9.9% from RMB1,849.2 million as at December 31, 2017, due primarily to land use rights corresponding to the non-self-use part of the new office building has been written off as investment properties while part of its other receivables have been recovered, thus reducing the Group's other assets.

5.2 Lease Assets

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

(RMB in millions, except percentages)	**June 30, 2018**	December 31, 2017	Change
Finance lease related assets			
Finance lease receivables	**112,693.4**	98,880.6	14.0%
Accounts receivable – advances for finance lease projects	**5,850.4**	6,139.1	(4.7%)
Total	**118,543.8**	105, 019.7	12.9%

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

(RMB in millions, except percentages)	**June 30, 2018**	December 31, 2017	Change
Operating lease assets			
Investment properties	**1,380.1**	984.7	40.2%
Property and equipment – equipment held for operating lease	**51,620.3**	48,691.9	6.0%
Total	**53,000.4**	49,676.6	6.7%

5.3 Liabilities

As at June 30, 2018, total liabilities of the Group amounted to RMB187,016.7 million, representing an increase of 14.3% as compared with RMB163,590.3 million as at December 31, 2017, due primarily to the increase in lease financing to lessees, a larger financing scale, as well as the increase in bank borrowings and balance of the Group's due to banks and other financial institutions.

5.3.1 Borrowings

As at June 30, 2018, the balance of borrowings of the Group amounted to RMB134,798.2 million, representing an increase of 16.0% as compared with RMB116,245.1 million as at December 31, 2017, due primarily to an increased scale of business, leading to an increased scale of borrowings.

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, 2018, the balance of the Group's due to banks and other financial institutions was RMB3,965.0 million, due primarily to newly increased due to banks and other financial institutions in the first half of 2018.

5.3.3 Notes Payable

As at June 30, 2018, the balance of notes payable of the Group amounted to RMB31,263.7 million, representing a decrease of 3.3% as compared with RMB32,326.7 million as at December 31, 2017, due primarily to reduction of scale of bonds payable since part of the bonds were due for repayment in the first half of 2018.

5.3.4 Other Liabilities

As at June 30, 2018, the balance of other liabilities of the Group amounted to RMB14,950.4 million, representing an increase of 26.9% as compared with RMB11,785.3 million as at December 31, 2017, primarily due to new notes payable for lease business and declaration and payment of the 2017 dividend in the first half of 2018, which was be paid in July 2018.

6. ANALYSIS ON CONSOLIDATED STATEMENT OF CASH FLOWS

(RMB in millions, except percentages)	**For the six months ended June 30, 2018**	2017	Change
Net cash flow from operating activities	**11,511.0**	3,858.1	198.4%
Net cash flow from investing activities	**(9,718.5)**	(3,976.7)	144.4%
Net cash flow from financing activities	**(1,451.0)**	1,761.8	(182.4%)
Net increase/(decrease) in cash and cash equivalents	**341.5**	1,643.2	(79.2%)

For the first half of 2018, net cash inflow from operating activities of the Group amounted to RMB11,511.0 million, representing an increase of 198.4% as compared with that of the same period of last year, due primarily to (1) the increase in borrowings and interbank lending by the Group for the purpose of meeting the requirements of lease financing to lessees; and (2) business expansion of the Group and better operating results recorded for the first half of 2018. In the first half of 2018, net cash outflow from investing activities of the Group amounted to RMB9,718.5 million, representing an increase of 144.4% 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 for operating lease during the period. In the first half of 2018, net cash outflow from financing activities of the Group amounted to RMB1,451.0 million, which was primarily since part of the bonds were due for payment during the first half of 2018.

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 2018, we set Aircraft Leasing and Infrastructure Leasing as two core business segments, adopted a proactive approach for Ship, Commercial Vehicle and Construction Machinery Leasing and prudently controlled the expansion of Other Leasing Business, which further optimized the business structure. In the first half of 2018, the total lease financing to lessees of the Group amounted to RMB34.514 billion, and the lease financing to lessees in Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business were RMB2.981 billion, RMB15.425 billion, RMB11.176 billion and RMB4.932 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,			
Segment revenue and	**2018**		2017	
other income	**Amount**	**Percentage**	Amount	Percentage
Aircraft Leasing	**3,411.5**	**49.6%**	3,022.9	51.3%
Infrastructure Leasing	**2,261.5**	**32.9%**	2,025.1	34.4%
Ship, Commercial Vehicle and Construction Machinery Leasing	**844.7**	**12.3%**	513.9	8.7%
Other Leasing Business	**355.1**	**5.2%**	331.1	5.6%
Total	**6,872.8**	**100.0%**	5,893.0	100.0%

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

(RMB in millions, except percentages)	**June 30, 2018**		December 31, 2017	
Segment assets	**Amount**	**Percentage**	Amount	Percentage
Aircraft Leasing	**72,238.5**	**34.6%**	71,110.6	38.1%
Infrastructure Leasing	**88,271.8**	**42.2%**	77,423.2	41.5%
Ship, Commercial Vehicle and Construction Machinery Leasing	**34,556.0**	**16.5%**	26,588.3	14.3%
Other Leasing Business	**14,062.7**	**6.7%**	11,334.7	6.1%
Total	**209,129.0**	**100.0%**	186,456.8	100.0%

7.1 Overview of Business Segments

7.1.1 Aircraft Leasing

On the back of steady macroeconomic expansion, the commercial aviation industry continued to demonstrate growth and profitability. Airlines have added capacity and demand for aircraft remains strong, particularly in Asia Pacific. As fuel costs are increasing, airlines have also been adding new generation aircraft with better fuel efficiency. These factors continue to support the demand for leased aircraft. On the other hand, competition from lessors and other investors remains heightened, as investors continue to be drawn to the aircraft leasing sector.

According to the International Monetary Fund, real global GDP grew 4.8% in 2017, and is forecast to grow at a similar level in 2018. During this time, global passenger traffic as measured in Revenue Passenger Kilometre surged 8.1% in 2017, according to the International Air Transport Association ("IATA"). This metric is expected to grow by 7.0% in 2018, a decrease from 2017, but still above the long term historical average. Traffic growth continues to be led by the Asia Pacific region, at 10.9% in 2017 and 9.5% forecast for 2018; all other regions also grew in 2017 and are forecast to continue to do so in 2018, per IATA.

Overall, airlines continued to be highly profitable. Globally, IATA forecasts the airline industry to deliver USD33.8 billion in net profit in 2018, a small decrease from USD38 billion in 2017. This decrease is expected to be partly a result of higher operating costs, including rising fuel prices. According to IATA, increasing fuel costs are forecast to raise operating costs for the industry by approximately 24% year-on-year in 2018. IATA estimated that half of this year's 1,900 new aircraft deliveries will replace the existing aircraft, as airlines look to improve fleet fuel efficiency and reduce costs.

Amidst these market conditions, the Group has been able to leverage its aircraft leasing platform to deliver on its strategies. With rising fuel prices, the Group is well positioned to serve airline customers with its orderbook, nearly all of which comprises the latest technology and most fuel-efficient aircraft types.

As of June 30, 2018, the Group owned and managed a well-diversified portfolio of 216 aircraft on lease to 54 lessees in 28 jurisdictions. As of June 30, 2018, total assets of the Aircraft Leasing segment of the Group amounted to RMB72,238.5 million, representing an increase of 1.6% as compared with that as of December 31, 2017, and the total revenue and other income of the Aircraft Leasing segment amounted to RMB3,411.5 million, representing an increase of 12.9% as compared with that for the same period last year. The assets of the Aircraft Leasing segment accounted for 34.6% of the overall Group, representing a decrease of 3.5% as compared with that as of December 31, 2017. The revenue and other income of the Aircraft Leasing segment accounted for 49.6% of the overall Group, representing a decrease of 1.7% as compared with that for the same period last year.

In the first half of 2018, the Group delivered 9 new aircraft, all of which were leased to airlines under operating leases. As of June 30, 2018, the Group had a portfolio of 408 aircraft, consisting of 211 owned aircraft, 5 managed aircraft and 192 committed aircraft, with committed aircraft comprised of 181 direct orders with manufacturers and 11 sale-and-leaseback transactions. As of June 30, 2018, 185 owned aircraft of the Group were held for operating lease and 26 owned aircraft of the Group were under finance lease. The Group also had 3 flight simulators under finance lease. As of June 30, 2018, the weighted average age by net book value of the Group's owned aircraft under operating lease was 4.6 years and the weighted average remaining lease term by net book value of the Group's owned aircraft held for operating lease was 5.9 years.

The Group's owned and in-service fleet mainly includes narrow-body types such as Airbus A320ceo family and Boeing 737 NG family aircraft, and wide-body aircraft types such as the Airbus A330 and the Boeing 777–300ER. Weighted by net book value, the aircraft portfolio consists of 68% narrow-body aircraft, 25% wide-body aircraft and 7% regional, cargo and other aircraft. The Group's orderbook contains next-generation, liquid, narrow-body types including the Airbus A320neo and Boeing 737 Max families.

The following table shows the composition of the Group's fleet and committed aircraft as at June 30, 2018:

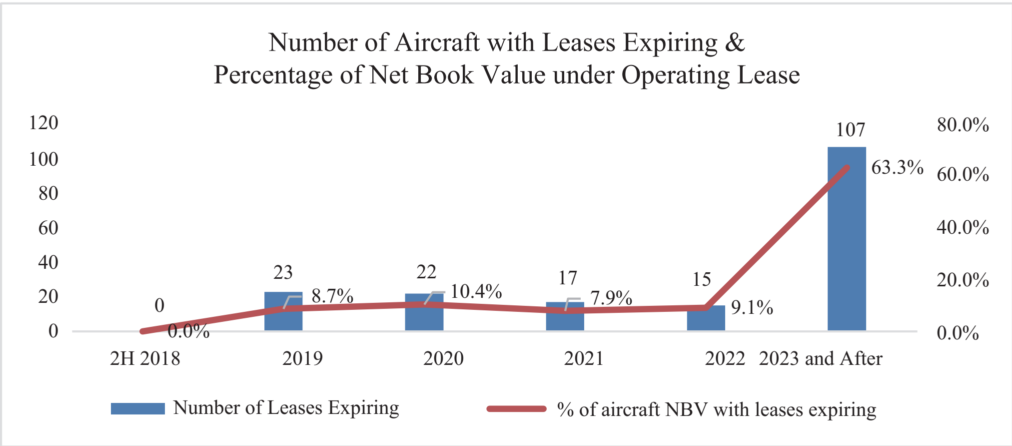
	Owned aircraft	Managed aircraft	Committed aircraft	Total
Airbus				
A319–100	7	–	–	7
A320–200	50	–	–	50
A321–200	15	–	1	16
A330–200	8	–	–	8
A330–300	17	–	–	17
A330–900	–	–	2	2
A320neo	16	–	67	83
A321neo	–	–	32	32
Airbus Total	**113**	**–**	**102**	**215**
Boeing				
737–700	2	–	–	2
737–800	58	3	2	63
747–400SF	3	–	–	3
777–300ER	3	2	–	5
737 Max 8	–	–	72	72
737 Max 10	–	–	10	10
787–9	–	–	6	6
Boeing Total	**66**	**5**	**90**	**161**
Embraer				
E190–100LR	20	–	–	20
Embraer Total	**20**	**–**	**–**	**20**
Other	**12**	**–**	**–**	**12**
Total	**211**	**5**	**192**	**408**

In the above table, all Other aircraft, all 747–400SF, 7 A320–200, 3 737–800 and 1 A330–200 aircraft were held under finance lease. In addition to the above committed aircraft, the Group has 65 non-binding entitlements with other aircraft manufacturers, including 20 ARJ21 and 15 C919 aircraft from The Commercial Aircraft Corporation of China, Ltd., and 30 MA700 aircraft from AVIC Aircraft Co., Ltd.

As of June 30, 2018, 16 (including 9 sale-and-leaseback aircraft) committed aircraft were scheduled for delivery in the second half of 2018, 25 (including 2 sale-and-leaseback aircraft) in 2019, 32 in 2020, 29 in 2021, 32 in 2022 and 58 after 2022.

As of June 30, 2018, among the 181 aircraft ordered directly from manufacturers, 16 were subject to leases with airlines. All 7 new aircraft ordered directly from manufacturers scheduled for delivery in the second half of 2018 were subject to leases with airlines by July 24, 2018.

The following chart shows the breakdown of the number of leases and percentage of net book value as of June 30, 2018 of those owned aircraft under operating lease with leases expiring in the future, excluding any aircraft for which the Group has a sale or lease commitment[1].



During the first half of 2018, the Group completed lease extensions for 11 aircraft. As of June 30, 2018, all owned and managed aircraft, except for 1 aircraft, were subject to lease. However, by July 24, 2018, all owned and managed aircraft were subject to lease.

The Group continued trading aircraft in the first half of 2018, selling 8 owned aircraft with a gain on disposal of USD27.25 million and a total net book value of USD313.83 million. In the first half of 2018, the Group's owned aircraft under operating lease maintained a 99.98% fleet utilization.

In the first half of 2018, the annualized pre-tax return on Aircraft Leasing segment was 2.50%, representing an increase of 0.10 percentage point from 2.40% for full year of 2017.

1 Percentages in the chart don't add up to 100% due to the exclusion of aircraft with sale or lease commitment.

The following table sets forth a breakdown of the Group's aircraft leasing revenue and assets of Aircraft Lease by region of lessee for the first half of 2018:

Region	Percentage of lease revenue for the first half of 2018	Percentage of net book value as at June 30, 2018
PRC	56.5%	53.0%
Asia Pacific (excluding PRC)	18.0%	19.7%
Europe	16.5%	17.3%
Middle East and Africa	3.0%	2.9%
America	6.0%	6.5%
Off-Lease	–	0.6%
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, 2018
Manufacturer	
Airbus	61.5%
Boeing	32.3%
Others	6.2%
Total	100.0%

7.1.2 Infrastructure Leasing

Infrastructure Leasing is one of the core business segments of the Group. In the first half of 2018, the Group has promoted the development of the Infrastructure Leasing business, and has continued to develop clean energy. In the first half of 2018, lease financing to lessees in Infrastructure Leasing business segment continued to maintain the highest proportion. The Group, focusing on its development strategy, fully harnessed the advantages of its diverse financing channels, solid capital position and lower capital cost. Leveraging on its long-term accumulated experience in infrastructure projects, the Group has selected key regions to promote business development. The Infrastructure Leasing segment includes the leasing of transportation infrastructure (toll roads, railways, rail transit), urban infrastructure (municipal facilities, affordable housing) and energy infrastructure as classified by type of leased assets.

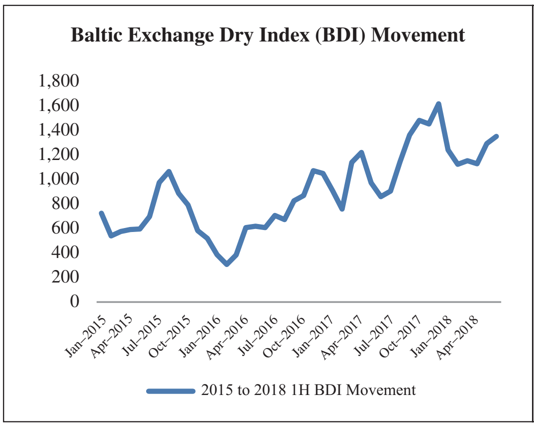
As at June 30, 2018, total assets of the Infrastructure Leasing segment amounted to RMB88,271.8 million, representing an increase of approximately 14.0% compared to that as at December 31, 2017. The assets of the segment accounted for 42.2% of the total leased assets of the Group, continuing to maintain a relatively high proportion of assets. As at June 30, 2018, the remaining weighted average lease term by asset balance of such segment was 6.7 years. In the first half of 2018, the total revenue and other income of the Infrastructure Leasing segment of the Group amounted to RMB2,261.5 million, representing a year-on-year growth of 11.7%.

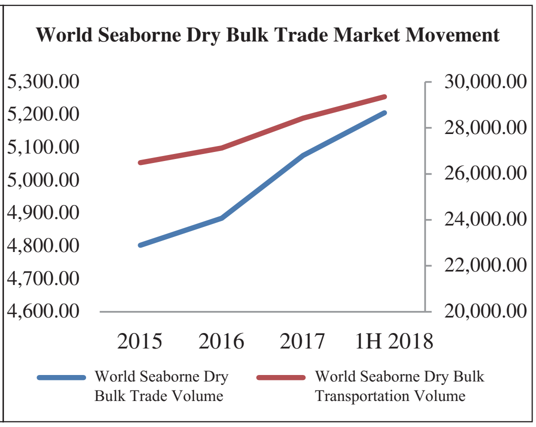
The Company has put greater efforts on development of clean energy business in this year. The Central Economic Work Conference has identified pollution prevention as one of the three major battles in 2018 by the "Opinions on Strengthening the Protection of the Ecological Environment in All Aspects and Firmly Winning the Battle of the Preventing and Controlling Environmental Pollution" promulgated on June 24, 2018. Energy revolution is the most essential armament for the battle against pollution. Clean energy has risen gradually from the position of a supplemental source to a substitution source of energy within the power supply system. As the country continues to optimize clean energy subsidy policies, technological innovation in the clean energy industry has accelerated, the scale effect has emerged, the cost of clean energy has been continuously reduced, the market size has been increasing, and a large number of excellent enterprises have participated in the clean energy industry. In the first half of 2018, the Group has made an investment of RMB1,172.2 million in clean energy businesses. The sub-segments include distributed photovoltaic power, clean heat supply, clean gas supply, clean thermal power, etc. The Group has proactively expanded from the field of new energy supply towards clean energy applications such as clean heat supply and clean gas supply, encompassing a whole industry chain of clean energy. As of June 30, 2018, assets in relation to clean energy leasing business amounted to RMB8,101.7 million, representing an increase of 12.3% of RMB888.8 million as at December 31, 2017.

7.1.3 Ship, Commercial Vehicle and Construction Machinery Leasing

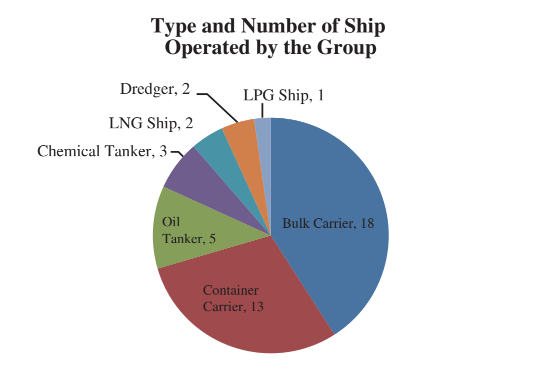
In the first half of 2018, the Group focused on optimizing its business segment, carrying out business model innovation, selecting quality leased assets and customers for commencement of business. As at June 30, 2018, total assets of Ship, Commercial Vehicle and Construction Machinery Leasing business amounted to RMB34,556.0 million, increasing by 30.0% as compared with that as at December 31, 2017. In the first half of 2018, total revenue and other income of Ship, Commercial Vehicle and Construction Machinery Leasing segment amounted to RMB844.7 million, representing a year-on-year growth of 64.4%.

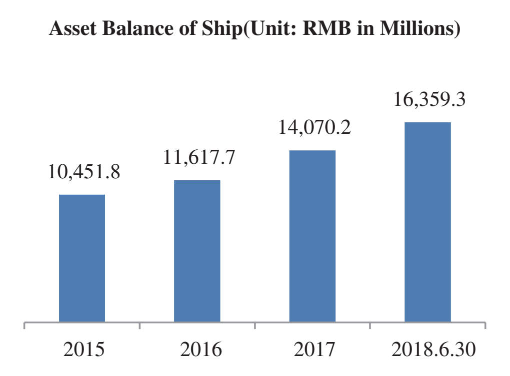
With regard to the Ship Leasing business, for the first half of 2018, the shipping market continued to maintain a positive trend of recovery. The BDI has been on the rise, with an average point of 1,205.83 in the first half of 2018, representing an increase of 23.8% as compared with the same period of last year; global seaborne trade volume (ton) increased by 3.2%; seaborne trade turnover (ton. NM) increased by 3.6%; and the capacity increased by 1.3%.





The Group seized the market recovery window of opportunity, and continued to select energy-saving, environmental-friendly and technologically advanced mainstream ships, which abide with global standards and have relatively high preservability and added value as leased assets across the world. The Group targets on domestic and foreign leading cargo owners, traders, ship owners and shipyards as partners, by the aid of third party service platforms such as well-known ship management companies, classification societies and ship research institutes in the market. Adhering to prudent principles, the Group proactively conducted ship operating lease business, established new growth drivers for our business, effectively prevented risks, advanced our market competitiveness, and better served the real economy. The Group delivered two 260,000 dwt ore carriers (finance lease) and two 60,000 dwt bulk carriers (operating lease) in the first half of 2018, and ordered thirteen 60,000 dwt secondhand bulk carriers (operating lease) to be delivered for use in the second half of 2018. As at June 30, 2018, the Group owned and leased a total of 44 ships of different types (and also 10 new ships under construction and 13 secondhand ships to be delivered with deposit been paid). The Group provided ship leasing services to 25 domestic and overseas customers. The average age of our owned fleet was five years. As at June 30, 2018, the underlying assets of Ship Leasing business amounted to RMB16,359.2 million, representing an increase of RMB2,289.0 million or 16.3% as compared with that as at December 31, 2017, accounting for approximately 47.4% of the segment assets of the Ship, Commercial Vehicle and Construction Machinery Leasing business.

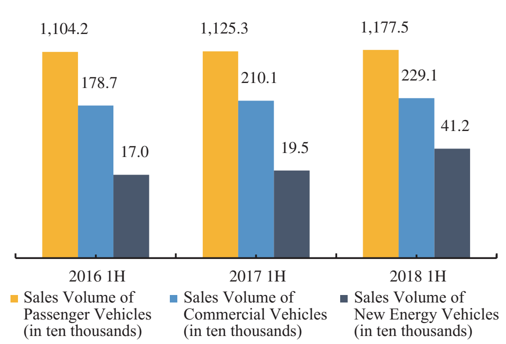




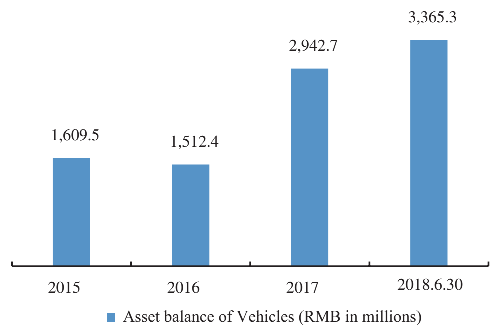
In order to better conduct Ship Leasing business and adhere to the philosophy of "talent as the top resource", in the first half of 2018, the Group successfully engaged a group of professional talents from the fields such as shipping management, shipbuilding, ship operations, ship management and shipping finance with rich practical experience. The Group has also built a relatively comprehensive Ship Leasing business management team, laying a solid foundation for the development of the Company's Ship Leasing business. In the second half of 2018, the Group will continue to cultivate the market segments, maintain a close relationship with related market entities, strive to timely and effectively capture business opportunities, expand the scale of fleet, further consolidate the position of the Group in domestic and overseas ship leasing market, and gradually establish the brand of "CDB Ships (國銀船舶)".

With respect to the Vehicle Leasing business, in the first half of 2018, the vehicle market did not waver to changes in policies such as withdrawal of the preferential vehicle tax policies and raised threshold for new energy vehicle subsides, but continued to release positive signals with a slow growth trend. In the first half of 2018, in accordance with the statistical information released by the Ministry of Industry and Information Technology of the People's Republic of China, commercial vehicles maintained a relatively better growth trend compared to the stable growth of the passenger vehicle market. The cumulative production and sales of passenger vehicles were 11.854 million units and 11.775 million units, representing year-on-year increases of 3.2% and 4.6%, respectively. The cumulative production and sales of commercial vehicles were respectively 2.204 million units and 2.291 million units, representing year-on-year increases of 7.9% and 9.0%, respectively. In addition, the production and sales of new energy vehicles grew rapidly to 413,000 units and 412,000 units, representing year-on-year increases of 94.8% and 111.3%, respectively.

Total Sales Volume in Domestic Vehicle Market

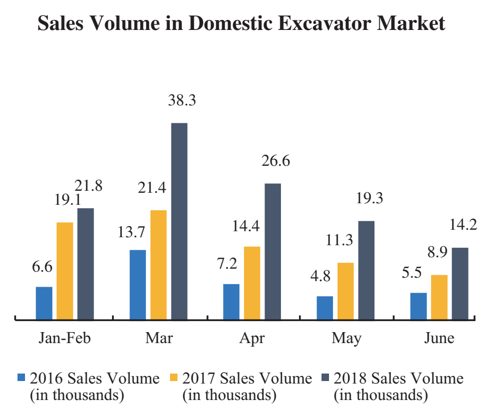


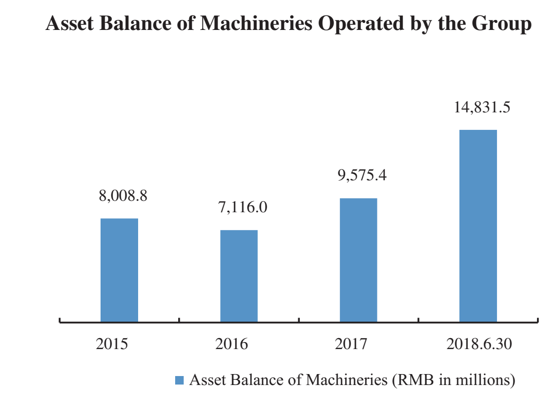
Asset Balance of Ship Owned by the Group



In the first half of 2018, the Group followed the steady growth of the market, increased cooperation with large-scale key manufacturers, proactively developed cooperation channels with medium-sized manufacturers, and strengthened cooperation with companies in the leasing industry, to develop after-sale leaseback business of vehicle assets that meet the needs of business development, as well as proactively expanded cooperation with domestic large-scale manufacturers of new energy passenger vehicles and public transportation companies, and expanded the scope of public transportation business. As at June 30, 2018, the underlying assets of Vehicle Leasing business of the Group amounted to RMB3,365.3 million, representing an increase of RMB422.6 million or 14.4% as compared with that as at December 31, 2017, accounting for 9.7% of the segment assets of the Ship, Commercial Vehicle and Construction Machinery Leasing business. In the second half of 2018, the Group will seize the market opportunities to expand the scale of its vehicle business, enrich product types, and increase business promotion while expanding cooperation with passenger vehicles companies. The Group has gradually entered the field of passenger vehicles, improved the applicable scope of vehicle financial leasing products and market penetration, and reshaped the brand effectiveness of the Group's vehicle business.

With respect to the Construction Machinery Leasing business, in the first half of 2018, the overall development in the industry continued its warming trend of 2017. According to the statistics of China Construction Machinery Association, production of excavators – the "bellwether" product of the industry, was 137,000 units in the first half of 2018, representing a year-on-year increase of 43.5%, while the sales of excavators were 120,000, representing a year-on-year increase of 50%. Following gradual implementation of the "Belt and Road Initiative" and overall recovery of the global infrastructure industry, it is expected that the construction machinery market will remain prosperous in 2018. The Group has grasped the continuous recovery trend in the industry, and focused on strengthening and enhancing its strategic cooperation with leading manufacturers in the industry, as well as bolstered its contributions to the business, all the while expanding business cooperation with manufacturing and leasing companies, and achieved full transformation from single cooperation with terminal customers to "terminal + platform" cooperative model to meet multi-dimensional capital needs of manufacturers, thus augmenting the capabilities of the Group's integrated financial services.





As at June 30, 2018, the underlying assets of Construction Machinery Leasing of the Group amounted to RMB14,831.5 million, representing an increase of RMB5,256.1 million or 54.9% as compared with that as at December 31, 2017, accounting for 42.9% of the segment assets of the Ship, Commercial Vehicle and Construction Machinery Leasing business. In the second half of 2018, under the premise of controllable risks, the Group will continue to develop key manufacturers, expand the scope of cooperation, and maintain strategic cooperation with leading manufacturers while extending cooperation with medium-sized manufacturers to enhance the brand influence of the Group's construction machinery and financial leasing products as well as market coverage. The Group will solve more financing problems for small and micro enterprises and natural persons, so as to benefit thousands of household with inclusive finance.

7.1.4 Other Leasing Business

In the first half of 2018, the Group reduced leasing business in its non-core segment. While strictly controlling risks, the Group prudently explored leasing business with growth potential. In particular, under the circumstance of the supply-side structural reform of China, real enterprises started to seek high quality development, and there was an increasing demand for devices upgrading, which led to the greater market potential. The Group actively innovated business mode, developed major business layout, supported manufacture of high-end devices and increased its efforts in cooperation with large-scale group customers. In particular, greater efforts were given in areas such as intelligent machines tools, displays and integrated circuits. In the first half of 2018, the Group achieved the investment in high-end devices leasing business with an amount of RMB2,198.0 million.

As at June 30, 2018, total assets of the Other Leasing Business segment amounted to RMB14,062.7 million, representing an increase of RMB2,728.0 million or 24.1% as compared with that as at December 31, 2017. Total revenue and other income of the Other Leasing Business segment amounted to RMB355.1 million, representing an increase of 7.2%. Other Leasing Business segment accounted for 6.7% of the total assets and 5.2% of revenue and other income, respectively.

7.2 Financing

In the first half of 2018, benefitting from high credit ratings ("A" by Standard & Poor's, "A1" by Moody's and "A+" by Fitch), the Group continuously enhanced its funding capability and diversified its financing channels. The Group continued to deepen its cooperation with domestic and overseas banks and other financial institutions to ensure that there would be sufficient funds available for business development. As of June 30, 2018, the Group had established business relationships with 116 banks and was granted uncommitted credit facilities amounting to a total of approximately RMB544.73 billion, including the balance of unused uncommitted credit facilities of approximately RMB396.85 billion. Meanwhile, under the complex and ever-changing macroeconomic conditions in domestic and overseas markets, the Group timely adjusted financing strategies based on macroeconomic trend, innovated financing products and explored financing options continually, to further optimize debt structure and maintain an appropriate financing cost.

In the first half of 2018, due to the fluctuation of international macroeconomic environment, the US dollars interest rate continuously increased; since the domestic financial market was under stringent regulation and de-leveraging policies were promoted continuously, the inter-bank financing costs of Renminbi experienced a rapid increase. The Group controlled comprehensive financing costs through optimizing financing strategies and innovating financing instruments, and achieved satisfactory results. As for financing by Renminbi, the collocation of short-term funds within three months and funds with tenors of 6–12 months were adopted to effectively manage the liquidity risk of key dates of the end of a quarter or a year, and effectively control the financing costs; on the other hand, the lease payment by way of bank acceptance bills was put into the domestic market for the first time, and the comprehensive financing cost was significantly lower than other financing methods at the same period. As for financing by US dollars, the Group continued to optimize the liability structure by selection of financing products denominated in US dollars reasonably and collocation of term structure, thus the Group's financing cost of US dollars stock still maintained a low level despite of the rise cycle and the continuously increase of US dollars interest rate in the global market. In the first half of 2018, the Group's average financing cost was 4.45%, representing an increase of 36 basis points as compared with that of the same period of last year, which was lower than the rise of market interest rates. As for 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. As for 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 2018, the major financing sources of the Group include bank borrowings, issue of notes, due to banks and other financial institutions, and financial assets sold under repurchase agreements. As of June 30, 2018, the Group's borrowings, notes payable, due to banks and other financial institutions, and financial assets sold under repurchase agreements were RMB134,798.2 million, RMB31,263.7 million, RMB3,965.0 million and RMB1,120.0 million, respectively.

7.3 Human Resources

As at June 30, 2018, the Group had 324 employees in total, with approximately 69% domestic employees and 31% overseas employees. The Group has a team of highly educated and high-quality young talents. As at June 30, 2018, approximately 96% of the Group's employees had bachelor's degrees or above, and 52% had master's degree or above, with approximately 52% of the Group's employees under the age of 35. In the first half of 2018 and 2017, the Group incurred employees' remuneration of RMB250.2 million and RMB101.6 million, respectively, accounting for 3.6% and 1.7% 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 compensation and welfare, adjust 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 established a multi-level and flexible remuneration structure, which effectively stimulated the business development of the Group through remuneration incentives. The Group has been constantly improving its policies on remuneration and incentives, and 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 CBIRC, capital adequacy ratio, gearing ratio and the utilization of regulatory capital are closely monitored by the management of the Group.

In the first half of 2018, the Group had been continuously strengthening the establishment of the fundamental capability of its capital management, improving base data system, such as client grading, refining the computation of risk-weighted assets and capital occupation for projects, improving the capital conduction and rationing mechanism, and promoting capital intensification operating transformation. Meanwhile, by optimising the configuration of capital to enhance the efficiency of usage, and by increasing the ratio of provision for impairment loss of assets for replenishment second-tier capital, the Company significantly improved the capability of accumulating internal capital. Moreover, the Company sought for long-term development, improved asset management and planning capability, developed mechanism for long-term asset replenishment, and intensified capital budget management and the matching analysis on capital supply and demand to lay an asset foundation for sustainable and healthy development of the Company.

On June 7, 2012, the CBIRC issued the Capital Administrative Measures, effective from January 1, 2013. In order to ensure the successful implementation of the Capital Administrative Measures, the CBIRC issued the Notice on Transition Arrangements for the Implementation of the Administrative Measures for 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 thousands, except percentages)	**Regulatory requirement**	**June 30, 2018**	June 30, 2017
Net capital:			
Net core tier-one capital		**22,981,812**	22,808,779
Net tier-one capital		**22,981,812**	22,808,779
Net capital		**25,404,411**	23,933,804
Capital adequacy ratio:			
Core tier-one capital adequacy ratio	≥7.5%[1]	**11.25%**	13.45%
Tier-one capital adequacy ratio	≥8.5%[1]	**11.25%**	13.45%
Capital adequacy ratio	≥10.5%[1]	**12.44%**	14.11%

1 Capital requirement to be fulfilled by the end of 2018

9. CAPITAL EXPENDITURES

The capital expenditures of the Group principally comprise of the purchase of property, equipment, aircraft leasing business and construction of office building, etc. As at June 30, 2018, the capital expenditures of the Group amounted to RMB4,579.8 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.

	For the six months ended June 30,	
(RMB in millions)	**2018**	2017
Capital expenditures	**4,579.8**	6,357.0

10. RISK MANAGEMENT

The Group assumes various risks in business operations, including credit risk, interest rate risk, exchange rate risk, liquidity risk, and operation risk. In order to maintain an appropriate balance between risk and return and minimize potential adverse effects on its financial performance, the Group established and continually improves a comprehensive risk management system with a feature of "all round and comprehensive process with participation of all personnel", and continuously identifies, evaluates and monitors risks.

10.1 Credit Risk

Credit risk refers to the risk that the counterparty fails to fulfill its contractual obligations at the due date and causes losses of the Group. Credit risk is the major risk to the Group, primarily arising from finance lease 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, safeguarded the bottom line of risk, and maintained the high quality of finance lease assets through various channels such as enhancing collection, liquidation according to the laws and bulk transfers so as to keep a relatively low non-performing assets ratio comparing with that of the peers in the domestic financial leasing industry.

In the first half of 2018, with the background of "de-leveraging" of the state, social liquidity was continually tightened and the corporate credit risk was significantly intensified. Facing the stringent risk management and control situation, the Group further improved the establishment of comprehensive risk management system, continuously intensified management and control of risk bearing projects, and constantly enhanced credit risk management and control level through various methods, such as listing management, risk situation topic research, project risk indicators and multi-dimension risk investigation, etc.

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

(RMB in millions)	**June 30, 2018**	December 31, 2017
Financial assets		
Cash and bank balances	**19,783.6**	16,207.0
Placement to banks and other financial institutions	**200.0**	–
Financial assets at fair value through profit or loss	**1,689.2**	1,857.9
Derivative financial assets	**88.0**	27.7
Accounts receivable	**6,843.5**	6,610.0
Finance lease receivables	**112,693.4**	98,880.6
Available-for-sale financial assets	**–**	266.6
Financial assets at fair value through other comprehensive income	**2,136.8**	–
Other financial assets	**285.7**	705.8
Total	**143,720.2**	124,555.6

Asset Quality Situation

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 CBIRC 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 CBIRC on April 4, 2007. In addition, the Group formulated its provisioning policies for financial assets in accordance with the statutory requirements relating to the asset quality classification of the China banking industry, 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 asset quality classification:

(RMB in millions, except percentages)	**June 30, 2018**	December 31, 2017
Five-category		
Normal	**203,270.2**	182,711.1
Special mention	**10,037.2**	6,263.5
Substandard	**409.3**	372.0
Doubtful	**475.6**	1,044.7
Loss	**809.2**	65.3
Total assets before allowance for impairment losses	**215,001.5**	190,456.6
Non-performing assets	**1,694.1**	1,482.0
Non-performing asset ratio	**0.79%**	0.78%

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

(RMB in millions, except percentages)	**June 30, 2018**	December 31, 2017
Five-category		
Normal	**116,594.7**	101,843.8
Special mention	**4,988.6**	4,807.8
Substandard	**409.3**	372.0
Doubtful	**475.6**	1,044.7
Loss	**744.5**	0.6
Finance lease related assets	**123,212.7**	108,068.9
Non-performing finance lease related assets	**1,629.4**	1,417.3
Non-performing asset ratio of finance lease business	**1.32%**	1.31%

As at June 30, 2018, the non-performing assets of the Group was RMB1,694.1 million, representing an increase of RMB212.1 million as compared with that as at the end of last year, while the non-performing asset ratio was 0.79%, representing an increase of 0.01 percentage point as compared with that as at the end of last year. As at June 30, 2018, the non-performing finance lease related assets of the Group was RMB1,629.4 million, representing an increase of RMB212.1 million as compared with that as at the end of last year, while the non-performing asset ratio of finance lease business was 1.32%, representing an increase of 0.01 percentage point as compared with that as at the end of last year. Although the comprehensive pressure of credit risk prevention and control increased in the society, the Group's asset quality maintained relatively stable, primarily due to the enhanced credit risk management and control by the Group. For new businesses, the Group insisted on a stable and prudent strategy of risk preference and followed the principle on the selection of sectors and customers in the industry strictly. For existing businesses, the Group took measures to mitigate risk at various stages of business including post lease management and collateral management in order to strengthen credit risk management.

The following table sets forth, as at the dates indicated, the distribution of the Group's finance lease related assets portfolios by segment and the five-category asset quality standards:

(RMB in millions, except percentages)	**Aircraft Leasing**	**Infrastructure Leasing**	**Ship, Commercial Vehicle and Construction Machinery Leasing**	**Other Leasing Business**	**Total**
Five-category					
Normal	2,041.3	77,473.7	28,105.7	8,974.0	116,594.7
Special mention	344.7	2,648.6	–	1,995.3	4,988.6
Substandard	–	352.3	–	57.0	409.3
Doubtful	–	–	–	475.6	475.6
Loss	–	–	577.8	166.7	744.5
Finance lease related assets	2,386.0	80,474.6	28,683.5	11,668.6	123,212.7
Non-performing finance lease related assets	–	352.3	577.8	699.3	1,629.4
Non-performing asset ratio of finance lease business	–	0.44%	2.01%	5.99%	1.32%

The Group for the first time adopted the standard of "IFRS 9: Financial Instruments" ("New Financial Instruments Standard") on January 1, 2018, measuring the expected credit losses of the Group's finance lease related assets on the basis of Expected Credit Loss ("ECL") model in accordance with the requirements of New Financial Instruments Standard.

On the basis of ECL model, the Group divided the credit level changes of finance lease related assets into three stages:

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

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

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

With the ECL model and the above division of credit levels, the followings are carrying amount of finance lease related assets and balances of allowance for impairment losses of finance lease after the initial adoption of New Financial Instruments Standard by the Group on January 1, 2018 (Unit: RMB'000):

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Carrying amount of finance lease related assets	93,962,333	12,688,627	1,418,012	108,068,972
Allowance for impairment losses of finance lease related assets	796,788	2,460,868	1,072,621	4,330,277

The followings are carrying amount and balances of allowance for impairment losses of finance lease related assets after the initial adoption of New Financial Instruments Standard by the Group as at June 30, 2018 (Unit: RMB'000):

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Carrying amount of finance lease related assets	109,908,310	11,674,996	1,629,410	123,212,716
Allowance for impairment losses of finance lease related assets	910,334	2,298,334	1,460,161	4,668,829

Concentration of credit risks

The Group proactively implemented the requirements of the regulatory authorities and timely monitored the financing concentration of a single client through project inspection. At the same time, the Group has established a client's ledger to carry out quarterly monitoring over the financing concentration of group clients in order to prevent credit concentration risk. As the industrial distribution of finance lease receivables of the Group was rather diversified, there was no significant risk on industrial concentration.

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

	June 30, 2018		December 31, 2017	
(RMB in millions, except percentages)	**Amount**	**Percentage**	Amount	Percentage
Aircraft Leasing	**2,386.0**	**2.0%**	2,543.9	2.5%
Infrastructure Leasing	**74,917.2**	**64.1%**	66,236.0	65.1%
Transportation infrastructure	**30,341.4**	**25.9%**	27,047.3	26.6%
Urban infrastructure	**38,438.1**	**33.0%**	33,518.1	33.0%
Energy infrastructure	**6,137.7**	**5.2%**	5,670.6	5.5%
Ship, Commercial Vehicle and Construction Machinery Leasing	**28,683.4**	**24.5%**	23,430.4	23.1%
Ship	**11,743.8**	**10.0%**	11,346.3	11.2%
Commercial Vehicle	**3,248.4**	**2.8%**	2,931.8	2.9%
Construction Machinery	**13,691.2**	**11.7%**	9,152.3	9.0%
Other Leasing Business	**10,940.1**	**9.4%**	9,474.4	9.3%
Commercial property	**1,851.7**	**1.6%**	3,239.8	3.2%
Other sectors	**9,088.4**	**7.8%**	6,234.6	6.1%
Total	**116,926.7**	**100.0%**	101,684.7	100.0%

10.2 Interest Rate Risk

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

Interest margins of the Group may reduce as a result of fluctuation in market interest rates. Therefore, the Group primarily manages the interest rate risk through controlling the repricing durations of the leased assets and its corresponding liabilities.

The Group mainly receives fixed rental income under operating leases in foreign currencies while the corresponding bank borrowings bear floating rate interests. The Group reduced its liability exposure of floating interest rate denominated in US dollar mainly through issuance of bonds carrying fixed rates, switched the floating rate into fixed rate through interest rate swap contracts and hedged the cash flow volatility risk as a result of the liability interest rate fluctuation through interest rate swap contracts as a hedging strategy to effectively match the future fixed rental income and stabilize the margin while mitigating the effect of fluctuation in interest rates of US dollars on the operating and financial performance of the Group.

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 bear 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.

10.3 Exchange Rate Risk

Exchange rate risk refers to the risk of losses in the Group's overall income and economic value resulting from an adverse movement in exchange rates. The Group's exchange rate risk primarily arises from the profits generated from SPVs, which are denominated in foreign currencies and US dollars exposure of the change of part of proceeds raised in listing into US dollars.

The strategy for exchange rate risk management is to proactively match the currencies of assets and liabilities in daily operations, to identify and measure the impact of exchange rate changes on our operations through foreign currency exposure analysis, exchange rate sensitivity analysis and other instruments, and to hedge net exchange rate exposure through currency derivatives instruments. Most of the aircrafts 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, while the major capital sources of which are onshore and offshore US dollar-denominated bank borrowings and offshore US dollar-dominated bonds. Apart from Aircraft Leasing and Ship Leasing business, other leasing businesses of the Group are substantially denominated in Renminbi. Hence, there is no significant exchange rate risk exposure.

In the first half of 2018, the exchange rate volatility of US dollars against Renminbi was over 5,000 basis points. The Group effectively managed the foreign exchange risk and recorded exchange revenue of RMB40.4 million.

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 to meet the repayment needs of matured liabilities and to seize new business development opportunity in order to achieve a stable interest margin level.

The Group managed and balanced between liquidity risk and interest rate margin by adopting the following measures: proactive management of the maturity profile of our assets and liabilities and cash flow mismatch gap control to reduce structured liquidity risk; through adequate granted credit reserve, the Group established diversified funding channels, thereby continuously increasing the transaction capability of the money market, the financing and the daily liquidity management capabilities of the Group, thus and so preserved sufficient funds to repay debts and fuel the Group's business development. The Group established a three-level liquidity reserve system to mitigate and defuse liquidity risk. The three-level liquidity reserve system consists of quasi-cash assets from bank deposits and the money market, etc. as the first level, bank-committed credit line of overdraft as the second level and a portion of high-grade bonds the Group held as the third level liquidity reserve. As at June 30, 2018, the Group had an interbank borrowing and lending limit of RMB12.64 billion. In the first half of 2018, the Group strived to improve its trading capacity in the money market, especially the online financing capacity through national interbank borrowing and lending market, where accumulated due to banks and other financial institutions (including bond collateral repo) amounted to RMB33.2 billion. Meanwhile, the Group maintained a bank-committed overdraft line of RMB1.45 billion and held a certain portion of high-grade bonds, thus ensuring that its liquidity asset reserve can fully mitigate liquidity risk.

During the period of results in the first half of 2018, the liquidity of the Group remained strong. According to the liquidity situation in the market, the Group arranged funding plans in a proper and orderly manner, further optimised the management mechanism on liquidity and persistently advanced the three-level liquidity reserve system, so as to further enhance its liquidity risk management capacity.

10.5 Operational Risk

Operational risk refers to the risk of losses resulting from imperfect or problematic internal process, personnel and system or external events. In the first half of 2018, the overall management of operational risks of the Group was improved. Firstly, the Group amended the Administrative Measures for Operational Risk (《操作風險管理辦法》), regulated the functional division of various departments, clarified the management procedures of operational risk identification, assessment, supervision, control and mitigation, and report, and further regulated operational risk management. Secondly, the Group strictly carried out the corresponding accountability mechanism for operational risk management, strengthened the management of daily operation compliance and information management regulations, and combined with the assessment and accountability mechanism of the departments, in order to improve the compliance awareness and responsibility awareness of employees in daily operation, and enhance the comprehensive risk management and control level. The overall situation of the operational risk of the Company in the first half of 2018 was relatively stable with no major operational risk incidents.

11. PLEDGE OF ASSETS

As at June 30, 2018, properties and equipments for operating lease(net) and properties and equipments for finance lease(net) of the Group amounted to RMB23,720.7 million and RMB2,963.9 million were pledged to banks for bank borrowings, respectively. Bank deposits (net) of RMB3,573.0 million were paid to the bank for bank borrowings. The total collateral assets as aforesaid accounted for 14.4% 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 used all the proceeds according to the disclosure in the Prospectus dated June 24, 2016.

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 during for the six months ended June 30, 2018.

AUDIT COMMITTEE

The Audit Committee comprises four Directors, including three independent non-executive Directors, namely Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu, and one non-executive Director, namely 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 information 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, 2018 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, 2018, Ms. Hu Xiaoyun resigned as a chief financial officer due to redesignation of personnel.

On June 19, 2018, Mr. Geng Tiejun and Ms. Liu Hui resigned as non-executive Directors.

Save as information above, there is no other change of information of the Directors, Supervisors and senior management.

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, 2018, 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, 2018, 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 percentage in the Company's total issued Shares (%)
Central Huijin Investment Ltd.	Domestic Shares	Interests of controlled corporation (1)	8,145,494,832	Long Position	88.68	64.43
	H Shares	Interests of controlled corporation (5)	420,036,000	Long Position	12.15	3.32
China Development Bank Corporation	Domestic Shares	Beneficial owner (1)	8,145,494,832	Long Position	88.68	64.43
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
Guangdong Hengjian Investment Holding Co., Ltd.	H Shares	Interests of controlled corporation (4)	523,310,000	Long Position	15.14	4.14
Hengjian International Investment Holding (Hong Kong) Limited	H Shares	Beneficial owner (4)	523,310,000	Long Position	15.14	4.14
China Reinsurance (Group) Corporation	H Shares	Beneficial owner (5)	420,036,000	Long Position	12.15	3.32
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
Sinotak Limited	H Shares	Beneficial owner	271,250,000	Long Position	7.85	2.15
Mr. Zhang Wei	H Shares	Interests of controlled corporation	271,250,000	Long Position	7.85	2.15

Notes:

(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 in interested the 8,145,494,832 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 420,036,000 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 of the PRC. 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 of the PRC is deemed to be interested in the 193,984,000 H Shares held by Fortune Eris Holding Company Limited.

Save as disclosed above, as at June 30, 2018, 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 RMB11,938 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 one month to three years.

MATERIAL LEGAL, LITIGATION AND ARBITRATION MATTERS

As at June 30, 2018, the underlying amount in relation to the pending litigation against the Company as the defendant was RMB18.5 million in aggregate. Please refer to Note 39: 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 China Development Bank Financial Leasing Co., Ltd.
"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 CBIRC on June 7, 2012 and being effective from January 1, 2013
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) and its predecessor, China Banking Regulatory Commission (中國銀行業監督管理委員會)
"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), a company established in the PRC in 1984 and converted into a joint stock limited company on September 28, 2015, the H Shares of which are listed on the Hong Kong Stock Exchange with stock code of 1606
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
"Director(s)"	director(s) of the Company
"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
"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC

Definitions (Continued)

"Prospectus"	the prospectus of the Company dated June 24, 2016
"Reporting Period"	From January 1, 2018 to June 30, 2018
"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

"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 57 to 116, 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 2018 and the related interim condensed consolidated statements 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 of the Group is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
27 August 2018

Interim Condensed Consolidated Statement of Profit or Loss

	Note	Unaudited Six months ended 30 June 2018 *RMB'000*	 2017 *RMB'000*
Revenue			
Finance lease income	6	**3,170,983**	2,847,558
Operating lease income	6	**2,998,849**	2,930,155
Total revenue		**6,169,832**	5,777,713
Net investment gains	7	**78,897**	49,365
Other income, gains or losses	8	**624,051**	65,815
Total revenue and other income		**6,872,780**	5,892,893
Depreciation and amortisation	9	**(1,451,638)**	(1,340,706)
Staff costs	10	**(250,211)**	(101,577)
Fee and commission expenses	11	**(34,781)**	(29,516)
Interest expense	12	**(3,163,993)**	(2,239,800)
Other operating expenses	13	**(189,423)**	(168,965)
Impairment losses	14	**(341,424)**	(412,896)
Total expenses		**(5,431,470)**	(4,293,460)
Profit before income tax		**1,441,310**	1,599,433
Income tax expense	15	**(322,915)**	(305,366)
Profit for the period attributable to owners of the Company		**1,118,395**	1,294,067
Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share) – Basic and diluted	16	**0.09**	0.10

The notes on pages 64 to 116 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 2018 *RMB'000*	 2017 *RMB'000*
Profit for the period		**1,118,395**	1,294,067
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Changes in fair value of financial assets at fair value through other comprehensive income (available-for-sale financial assets in 2017), net of tax		**78,081**	(3,623)
Gains on cash flow hedges, net of tax		**72,980**	27,121
Currency translation differences		**121,004**	(99,405)
Total other comprehensive income for the period, net of tax		**272,065**	(75,907)
Total comprehensive income for the period attributable to owners of the Company		**1,390,460**	1,218,160

The notes on pages 64 to 116 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
ASSETS			
Cash and bank balances	17	19,783,589	16,207,073
Placement to banks and other financial institutions		200,000	–
Financial assets at fair value through profit or loss	18	1,702,214	1,857,927
Derivative financial assets	19	88,021	27,728
Accounts receivable	20	6,843,490	6,610,039
Finance lease receivables	21	112,693,439	98,880,563
Prepayments	22	10,030,995	7,530,238
Available-for-sale financial assets		–	279,573
Financial assets at fair value through other comprehensive Income	23	2,136,763	–
Assets held-for-sale		287,233	2,697,457
Investment properties		1,380,064	984,709
Property and equipment	24	52,316,811	49,532,281
Deferred tax assets	25	853,241	642,535
Other assets	26	1,666,373	1,849,149
Total assets		209,982,233	187,099,272
Liabilities			
Borrowings	27	134,798,160	116,245,105
Due to banks and other financial institutions		3,965,000	–
Financial assets sold under repurchase agreements	36	1,120,000	2,030,000
Derivative financial liabilities	19	79,458	69,125
Accrued staff costs	28	171,543	160,506
Tax payable		116,486	433,529
Notes payable	29	31,263,669	32,326,713
Deferred tax liabilities	25	551,934	540,123
Other liabilities	30	14,950,393	11,785,202
Total liabilities		187,016,643	163,590,303

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Equity			
Share capital	31	**12,642,380**	12,642,380
Capital reserve		**2,418,689**	2,418,689
Hedging and fair value reserve	32	**141,756**	(9,305)
Translation reserve		**4,880**	(116,124)
General reserves	33	**3,188,170**	3,188,170
Retained profits	34	**4,569,715**	5,385,159
Total equity		**22,965,590**	23,508,969
Total liabilities and equity		**209,982,233**	187,099,272

The notes on pages 64 to 116 form an integral part of this interim condensed consolidated financial information.

The financial statements on pages 57 to 63 were approved by the Board of Directors on 27 August 2018 and were signed on its behalf.

WANG Xuedong **HUANG Min**

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000	Capital reserve RMB'000	Hedging and fair value reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000	Retained profits RMB'000	Total equity RMB'000
		Unaudited Equity attributable to owners of the Group						
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
At 31 December 2017		**12,642,380**	**2,418,689**	**(9,305)**	**(116,124)**	**3,188,170**	**5,385,159**	**23,508,969**
Impact of adoption of IFRS 9	5(a)	**–**	**–**	**–**	**–**	**–**	**(966,771)**	**(966,771)**
At 1 January 2018		**12,642,380**	**2,418,689**	**(9,305)**	**(116,124)**	**3,188,170**	**4,418,388**	**22,542,198**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**1,118,395**	**1,118,395**
Other comprehensive income for the period		**–**	**–**	**151,061**	**121,004**	**–**	**–**	**272,065**
Total comprehensive income for the period		**–**	**–**	**151,061**	**121,004**	**–**	**1,118,395**	**1,390,460**
Dividends recognised as distribution		**–**	**–**	**–**	**–**	**–**	**(967,068)**	**(967,068)**
At 30 June 2018		**12,642,380**	**2,418,689**	**141,756**	**4,880**	**3,188,170**	**4,569,715**	**22,965,590**

The notes on pages 64 to 116 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 **2018** ***RMB'000***	 2017 *RMB'000*
OPERATING ACTIVITIES			
Profit before income tax		**1,441,310**	1,599,433
Adjustments for:			
Notes payable interest expenses	12	**587,541**	309,523
Depreciation and amortisation	9	**1,451,638**	1,340,706
Impairment losses	14	**341,424**	412,896
Losses/(gains) on disposal of equipment held for operating lease businesses	8	**173,849**	(38,838)
Realised gains from derivatives	7	**(23,667)**	(14,277)
Unrealised fair value changes in financial assets at fair value through profit or loss	7	**(49,365)**	(30,163)
Operating cash flows before movements in working capital		**3,922,730**	3,579,280
(Increase)/decrease in mandatory reserve deposits with central banks		**(49,485)**	742
(Increase)/decrease in accounts receivable		**(222,639)**	311,993
Increase in finance lease receivables		**(15,438,468)**	(4,180,482)
Decrease in other assets		**178,751**	22,940
Increase in borrowings		**18,553,055**	6,741,763
Increase/(decrease) in due to banks and other financial institutions		**3,965,000**	(2,040,000)
Decrease in financial assets sold under repurchase agreements		**(910,000)**	(416,000)
Increase/(decrease) in accrued staff costs		**11,037**	(37,668)
Increase in other liabilities		**2,059,903**	288,573
Cash from operations		**12,069,884**	4,271,141
Income taxes paid		**(558,895)**	(413,059)
NET CASH FROM OPERATING ACTIVITIES		**11,510,989**	3,858,082

	Note	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES			
Change in pledged and restricted bank deposits		(3,250,478)	(436,755)
Purchase of financial assets at fair value through other comprehensive income		(1,560,391)	–
Purchase of available-for-sale financial assets		–	(47,684)
Disposal of property and equipment		2,859,333	1,937,649
Purchase of property and equipment		(7,766,998)	(5,429,891)
NET CASH USED IN INVESTING ACTIVITIES		(9,718,534)	(3,976,681)
FINANCING ACTIVITIES			
Proceeds from issue of notes payable		633,970	1,998,000
Repayments of notes payable		(2,000,000)	–
Notes interest paid		(85,000)	(236,189)
NET CASH (PAID IN)/FROM FINANCING ACTIVITIES		(1,451,030)	1,761,811
NET INCREASE IN CASH AND CASH EQUIVALENTS		341,425	1,643,212
Exchange gains/(losses)		135,128	(89,706)
Cash and cash equivalents at beginning of the period		15,002,791	9,789,098
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	37	15,479,344	11,342,604
NET CASH FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		3,298,480	2,884,589
Interest paid, exclusive notes payable interest expenses		(2,576,452)	(1,930,277)
Net interest received		722,028	954,312

The notes on pages 64 to 116 form an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

1 GENERAL INFORMATION

Shenzhen Leasing Co., Ltd. (深圳租賃有限公司) (predecessor of the Company) was established 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. Subsequently, the Company changed its name to CDB Leasing Co., Ltd. (國銀金融租賃有限公司). On 8 September 2015, pursuant to the resolution of shareholders' meeting, the Company's total paid-in capital was increased to RMB9,500,000,000. Pursuant to the approval of China Banking and Insurance Regulatory Commission (the "CBIRC"), the Company became a joint stock company by issuing a total of 9,500,000,000 shares to the 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 registered address of the Company's office is CDB Financial Center, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the People's Republic of China ("PRC").

On 11 July 2016, the Company issued 3,100,000,000 new ordinary shares at the issue price of HK$2 each by way of initial public offering. The gross proceeds amounted to HK$6.2 billion. On the same day, the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Listing"). On 29 July 2016, the Company announced that the Over-allotment Option was partially exercised in respect of an aggregate of 42,380,000 new ordinary shares with an additional gross raised funds 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 2018 ("Interim Financial Information") is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

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

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting' ("IAS 34").

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 ACCOUNTING POLICES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2017, 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 new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standard:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 5 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

IFRS 16 Leases

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

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 41, total operating lease commitment of the Company in respect of leased premises with terms more than 12 months as at 30 June 2018 amounted to RMB333 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 recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

4 ESTIMATES

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

In preparing the interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017 except for those disclosed in note 5 set out below.

5 CHANGES IN ACCOUNTING POLICIES

(a) Impact on the financial statements

As explained in note 5(b) below, IFRS 9 was adopted by the Group without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the initial adoption of IFRS 9 by the Group have not been included. Details of the adjustments are explained as below.

Balance sheet (extract)	Audited 31 December 2017 *RMB'000*	IFRS 9 *RMB'000*	**Unaudited 1 January 2018** ***RMB'000***
ASSETS			
Financial assets at fair value through profit or loss	1,857,927	13,000	**1,870,927**
Accounts receivable	7,208,626	(201,139)	**7,007,487**
Finance lease receivables	98,880,563	(1,079,839)	**97,800,724**
Available-for-sale financial assets	279,573	(279,573)	**–**
Financial assets at fair value through other comprehensive income	–	266,573	**266,573**
Deferred tax assets	642,535	314,207	**956,742**
Equity			
Retained profits	5,385,159	(966,771)	**4,418,388**

5 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 5(c) below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Notes	*RMB'000*
Closing retained earnings as at 31 December 2017 – IAS 39 (Audited)		5,385,159
Reclassify investments from available-for-sale financial assets to financial assets at fair value through profit or loss	(i)	–
Increase in impairment provision for finance lease receivables and accounts receivable	(ii)	(1,280,978)
Increase in deferred tax assets relating to impairment provisions	(ii)	314,207
Adjustment to retained earnings from the adoption of IFRS 9 on 1 January 2018		(966,771)
Opening retained earnings as at 1 January 2018 – IFRS 9 (Unaudited)		4,418,388

5 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 Financial Instruments – Impact of adoption (Continued)

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
	RMB'000	*RMB'000*	*RMB'000*
Closing balance as at 31 December 2017 – IAS 39 (Audited)	279,573	1,857,927	–
Reclassify from available-for-sale financial assets to financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income	(279,573)	13,000	266,573
Opening balance as at 1 January 2018 – IFRS 9 (Unaudited)	–	1,870,927	266,573

Listed bonds were reclassified from available-for-sale financial assets (AFS) to financial assets at fair value through other comprehensive income (FVOCI), as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, listed bonds with a fair value of approximately RMB266,573,000 were reclassified from AFS to FVOCI on 1 January 2018.

5 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 Financial Instruments – Impact of adoption (Continued)

(ii) Impairment of financial assets

The Group has five types of financial assets, that are subject to IFRS 9's new expected credit loss model:

- Cash and bank balances
- Placement to banks and other financial institutions
- Accounts receivable
- Finance lease receivables
- Financial assets at fair value through other comprehensive income

The Group was required to revise its impairment methodology under IFRS 9 for each class of these assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 5(b) above. While cash and bank balances, placement to banks and other financial institutions, and financial assets at fair value through other comprehensive income are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The impairment provision for accounts receivable and finance lease receivables as at 31 December 2017 reconcile to the opening impairment provision on 1 January 2018 as follows:

	Accounts receivable *RMB'000*	**Finance leases receivables** *RMB'000*	**Total** *RMB'000*
At 31 December 2017 – calculated under IAS 39 (Audited)	245,216	2,804,083	3,049,299
Amounts restated through opening retained earnings	201,139	1,079,839	1,280,978
Opening impairment provision as at 1 January 2018 – calculated under IFRS 9 (Unaudited)	446,355	3,883,922	4,330,277

5 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 Financial Instruments – Impact of adoption (Continued)

(ii) Impairment of financial assets (Continued)

Finance lease receivables and accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a lessee to engage in a repayment plan with the Group.

Significant estimates and judgements:

Impairment of accounts receivable and finance leases receivables

The impairment provision for accounts receivable and finance leases receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(i) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

5 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

(i) Investments and other financial assets (Continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets at fair value through profit or loss (FVPL) are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

– Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Finance lease income from finance lease receivables and interest income from other financial assets are included in revenue and net investment gains/(losses) respectively. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income, gains or losses, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income, gains or losses. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income, gains or losses and impairment expenses are presented as separate line item in the statement of profit or loss.

5 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

(i) Investments and other financial assets (Continued)

– Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as investment gains when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income, gains or losses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(ii) Derivatives and hedging

– Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income, gains or losses.

5 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

(ii) Derivatives and hedging (Continued)

– Cash flow hedging that qualify for hedge accounting (Continued)

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedging reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within OCI in the costs of hedging reserve within equity. The Group designates the full change in fair value of the forward contract (including forward points) as the hedging instrument, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedging no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(d) IFRS 15 Revenue from contracts with customers – Impact of adoption

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for financial years commencing on 1 January 2018. The Group has completed the assessment of the impact of IFRS 15 and which has no material impact on the Group for the six-month period ended 30 June 2018.

6 TOTAL REVENUE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance lease income	**3,170,983**	2,847,558
Operating lease income[1]	**2,998,849**	2,930,155
	6,169,832	5,777,713

(1) The Group recognised the operating lease income of approximately RMB53,263,000 and RMB6,382,000 from investment properties in the six months ended 30 June 2018 and 2017, respectively.

7 NET INVESTMENT GAINS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net realised gains from derivatives	**23,667**	14,277
Net realised gains from available-for-sale financial assets	**–**	4,925
Net realised gains from financial assets at fair value through other comprehensive income	**5,865**	–
Unrealised fair value change of financial assets at fair value through profit or loss	**49,365**	30,163
	78,897	49,365

8 OTHER INCOME, GAINS OR LOSSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from deposits with financial institutions	**127,497**	37,031
Management and commission fee income	**15,493**	66,614
Gains on disposal of equipment held for operating lease businesses	**173,849**	38,838
Consulting fee income	**2,522**	1,682
Foreign exchange gains/(losses), net	**40,400**	(93,340)
Government grants and incentives	**197,332**	13,570
Others	**66,958**	1,420
	624,051	65,815

9 DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of investment properties	**18,953**	9,809
Depreciation of property and equipment	**1,416,274**	1,320,723
Amortisation of land use rights	**5,058**	5,004
Amortisation of other intangible assets	**1,846**	2,911
Amortisation of prepaid expenses	**9,507**	2,259
	1,451,638	1,340,706

10 STAFF COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	**204,819**	87,406
Social welfare	**35,929**	10,390
Defined contribution plans – annuity schemes	**2,854**	2,285
Others	**6,609**	1,496
	250,211	101,577

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.

11 FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Business collaboration fee for leasing projects	**13,228**	14,332
Bank charges	**21,553**	15,184
	34,781	29,516

12 INTEREST EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Borrowings	**2,556,904**	1,916,049
Due to banks and other financial institutions	**117,635**	70,166
Financial assets sold under repurchase agreements	**31,283**	66,472
Notes payable	**587,541**	309,523
Deposits from lessees	**1,169**	1,266
Others	**5,350**	102
Less: Interest capitalised on qualifying assets	**(135,889)**	(123,778)
	3,163,993	2,239,800

13 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Auditor's remuneration	**2,607**	1,650
Taxes and surcharges	**38,704**	45,854
Operating lease rentals in respect of rented premises	**21,587**	21,996
Operating lease rentals in respect of rented aircrafts	**37,175**	40,034
Business travel and transportation expenses	**16,659**	10,940
Sundry expenses	**72,691**	48,491
	189,423	168,965

14 IMPAIRMENT LOSSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Impairment losses of financial assets		
Finance lease receivables	**343,513**	383,558
Accounts receivable	**(10,812)**	29,338
Others	**(6,908)**	–
	325,793	412,896
Impairment losses of other assets		
Operating lease assets	**15,631**	–
	341,424	412,896

15 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	**215,004**	313,107
Income tax in other countries	**22,901**	16,059
Deferred income tax	**73,013**	(25,852)
Under provision in prior period	**11,997**	2,052
	322,915	305,366

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.

15 INCOME TAX EXPENSE (CONTINUED)

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before income tax	**1,441,310**	1,599,433
Tax at the statutory tax rate of 25%	**360,328**	399,858
Tax effect of expenses not deductible for tax purpose	**–**	437
Under provision in prior period	**11,997**	2,052
Effect of different tax rates of group entities operating in jurisdictions other than PRC	**(49,410)**	(96,981)
Income tax expense for the period	**322,915**	305,366

16 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to owners of the Company *(RMB'000)*	**1,118,395**	1,294,067
Number of shares:		
Weighted average number of shares in issue *('000)*[1]	**12,642,380**	12,642,380
Basic earnings per share *(RMB Yuan)*	**0.09**	0.10

(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 2018.

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 2018 and 2017.

17 CASH AND BANK BALANCES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Pledged and restricted bank deposits	4,101,128	850,650
Mandatory reserve deposits with central banks	403,117	353,632
Surplus reserve deposits with central banks	19,168	54,300
Cash and bank balances	15,260,176	14,948,491
	19,783,589	16,207,073

The bank deposits amounting to approximately RMB3,572,964,000 and RMB519,121,000 were pledged as collateral for the Group's bank borrowings (Note 27) as at 30 June 2018 and 31 December 2017, respectively.

The bank deposits amounting to approximately RMB105,000,000 and RMB331,529,000 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 2018 and 31 December 2017, respectively.

The bank deposits amounting to approximately RMB423,164,000 were restricted for use, which represented the guaranteed deposit held by the Group in relation to the swap being transferred as at 30 June 2018 (As at 31 December 2017: nil).

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Measured at fair value:		
Equity investment	13,000	–
Asset management schemes	1,689,214	1,857,927
	1,702,214	1,857,927

As at 30 June 2018 and 31 December 2017, 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.

19 DERIVATIVE FINANCIAL INSTRUMENTS

		30 June 2018	
	Contractual/	Fair value	
	Nominal amount	Assets	Liabilities
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	2,901,119	83,714	(1,005)
Others			
Interest rate swaps	3,391,798	4,307	(28,061)
Forward currency	3,722,368	–	(50,392)
	10,015,285	88,021	(79,458)

		31 December 2017	
	Contractual/	Fair value	
	Nominal amount	Assets	Liabilities
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	8,260,682	27,728	(65,188)
Others			
Interest rate swaps	227,247	–	(3,937)
Total	8,487,929	27,728	(69,125)

20 ACCOUNTS RECEIVABLE

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Operating leases receivable[(1)]	681,616	451,042
Advances for finance lease projects[(2)]	6,285,991	6,384,326
Other accounts receivable[(3)]	311,426	19,887
	7,279,033	6,855,255
Less: Allowances for impairment losses		
– Allowances for advances for finance lease project	(435,543)	(245,216)
	6,843,490	6,610,039

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. As at 30 June 2018, the aging of the operating leases receivable was all within one year (31 December 2017: within one year).

(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 mainly represented those transferred finance lease receivables under asset transfer agreements, the aging of which was within one year.

20 ACCOUNTS RECEIVABLE (CONTINUED)

Movements of impairment provision on accounts receivable during the period ended 30 June 2018 and the year ended 31 December 2017 are as follows:

	For the six months ended 30 June 2018 ***RMB'000*** **(Unaudited)**	For the year ended 31 December 2017 *RMB'000* (Audited)
At the end of the previous year	**245,216**	215,927
Impact of adoption of IFRS 9 *(Note 5(b)(ii))*	**201,139**	–
At the beginning of the period/year	**446,355**	215,927
(Reversal)/provision during the period/year	**(10,812)**	82,261
Write-offs	**–**	(52,972)
At the end of the period/year	**435,543**	245,216

To measure the expected credit losses under IFRS 9, accounts receivable has been grouped into 3 stages for the beginning and the end of this period, as disclosed in the table below:

	30 June 2018 ***RMB'000*** **(Unaudited)**	1 January 2018 *RMB'000* (Unaudited)
Stage 1	**5,557,301**	5,643,315
Stage 2	**728,690**	741,011
Stage 3	**–**	–
	6,285,991	6,384,326

21 FINANCE LEASE RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Minimum finance lease receivables		
Not later than one year	41,844,130	24,055,231
Later than one year and not later than five years	67,798,839	65,313,630
Later than five years	32,962,798	36,391,404
Gross amount of finance lease receivables	142,605,767	125,760,265
Less: Unearned finance income	(25,679,042)	(24,075,619)
Net amount of finance lease receivables	116,926,725	101,684,646
Less: Allowances for impairment losses	(4,233,286)	(2,804,083)
Carrying amount of finance lease receivables	112,693,439	98,880,563
Present value of minimum finance lease receivables		
Not later than one year	33,839,577	18,790,393
Later than one year and not later than five years	54,645,736	52,180,292
Later than five years	28,441,412	30,713,961
Total	116,926,725	101,684,646

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.

No finance lease receivable was pledged as collateral for the Group's bank borrowing (Note 27) as at 30 June 2018 (31 December 2017: RMB2,603,287,000).

The Group entered into repurchase agreements (Note 36) with certain counterparties to sell the Group's finance lease receivables with carrying amounts of approximately RMB1.35 billion, and RMB3.88 billion as at 30 June 2018 and 31 December 2017, respectively.

21 FINANCE LEASE RECEIVABLES (CONTINUED)

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 impairment provision on finance lease receivables during the six months ended 30 June 2018 and the year ended 31 December 2017 are as follows:

	For the six months ended 30 June 2018 ***RMB'000*** **(Unaudited)**	For the year ended 31 December 2017 *RMB'000* (Audited)
At the end of the previous year	**2,804,083**	2,396,067
Impact of adoption of IFRS 9 *(Note (5)(b)(ii))*	**1,079,839**	–
At the beginning of the period/year	**3,883,922**	2,396,067
Provision during the period/year	**343,513**	769,262
Write-offs	**–**	(337,932)
Foreign currency translation	**5,851**	(23,314)
At the end of the period/year	**4,233,286**	2,804,083

To measure the expected credit losses under IFRS 9, finance lease receivables have been grouped into 3 stages for the beginning and the end of this period, as disclosed in the table below:

	30 June 2018 ***RMB'000*** **(Unaudited)**	1 January 2018 *RMB'000* (Unaudited)
Stage 1	**104,351,009**	88,319,018
Stage 2	**10,946,306**	11,947,616
Stage 3	**1,629,410**	1,418,012
	116,926,725	101,684,646

22 PREPAYMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Prepayments for operating lease assets purchases	10,030,995	7,530,238

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Measured at fair value:		
Bonds investment – listed	1,652,908	–
Certificate of deposit – listed	483,855	–
	2,136,763	–

24 PROPERTY AND EQUIPMENT

Equipment held for operating lease businesses

Unaudited	Aircraft *RMB'000*	Ship *RMB'000*	Special equipment *RMB'000*	Total *RMB'000*
Cost				
As at 1 January 2018	57,554,683	1,269,429	354,583	59,178,695
Additions	3,157,608	309,463	407,692	3,874,763
Disposals/written-off	–	–	(90,548)	(90,548)
Foreign currency translation	712,341	5,603	–	717,944
As at 30 June 2018	61,424,632	1,584,495	671,727	63,680,854
Accumulated depreciation				
As at 1 January 2018	(10,023,996)	(95,639)	(126,137)	(10,245,772)
Charge for the period	(1,355,774)	(28,326)	(24,893)	(1,408,993)
Eliminated on disposals/written-off	–	–	33,189	33,189
Foreign currency translation	(161,852)	(593)	–	(162,445)
As at 30 June 2018	(11,541,622)	(124,558)	(117,841)	(11,784,021)
Accumulated impairment				
As at 1 January 2018	(241,023)	–	–	(241,023)
Additions	(15,631)	–	–	(15,631)
Foreign currency translation	(19,865)	–	–	(19,865)
As at 30 June 2018	(276,519)	–	–	(276,519)
Net carrying amount				
As at 1 January 2018	47,289,664	1,173,790	228,446	48,691,900
As at 30 June 2018	49,606,491	1,459,937	553,886	51,620,314

24 PROPERTY AND EQUIPMENT (CONTINUED)

Equipment held for operating lease businesses (Continued)

Audited	Aircrafts *RMB'000*	Ship *RMB'000*	Special equipment *RMB'000*	Total *RMB'000*
Cost				
As at 1 January 2017	55,555,017	825,103	584,366	56,964,486
Additions	13,210,857	444,326	–	13,655,183
Disposals/written-off	(4,671,072)	–	(229,783)	(4,900,855)
Transferred to assets held-for sale	(2,966,200)	–	–	(2,966,200)
Foreign currency translation	(3,162,354)	–	–	(3,162,354)
Transferred to finance lease receivables	(411,565)	–	–	(411,565)
As at 31 December 2017	57,554,683	1,269,429	354,583	59,178,695
Accumulated depreciation				
As at 1 January 2017	(9,597,448)	(40,181)	(149,564)	(9,787,193)
Charge for the year	(2,551,264)	(56,081)	(48,432)	(2,655,777)
Eliminated on disposals/written-off	1,161,265	–	71,859	1,233,124
Transferred to assets held-for sale	224,736	–	–	224,736
Foreign currency translation	532,664	623	–	533,287
Transferred to finance lease receivables	206,051	–	–	206,051
As at 31 December 2017	(10,023,996)	(95,639)	(126,137)	(10,245,772)
Accumulated impairment				
As at 1 January 2017	(319,466)	–	–	(319,466)
Additions	(61,346)	–	–	(61,346)
Disposals	77,769	–	–	77,769
Transferred to assets held-for sale	44,007	–	–	44,007
Foreign currency translation	18,013	–	–	18,013
As at 31 December 2017	(241,023)	–	–	(241,023)
Net carrying amount				
As at 1 January 2017	45,638,103	784,922	434,802	46,857,827
As at 31 December 2017	47,289,664	1,173,790	228,446	48,691,900

24 PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment held for administrative purposes

Unaudited	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*
Cost							
As at 1 January 2018	40,295	17,331	7,396	18,049	17,769	796,391	897,231
Additions	644,717	4,050	–	11,000	–	45,272	705,039
Disposals/written-off	–	(125)	–	(214)	–	–	(339)
Transferred to buildings, investment properties and other assets	–	–	–	–	–	(841,663)	(841,663)
Foreign currency translation	–	(25)	–	52	–	–	27
As at 30 June 2018	685,012	21,231	7,396	28,887	17,769	–	760,295
Accumulated depreciation							
As at 1 January 2018	(14,750)	(14,194)	(6,105)	(8,106)	(13,695)	–	(56,850)
Charge for the period	(3,090)	(1,691)	(108)	(1,637)	(755)	–	(7,281)
Eliminated on disposals/ written-off	–	121	–	194	–	–	315
Foreign currency translation	–	5	–	13	–	–	18
As at 30 June 2018	(17,840)	(15,759)	(6,213)	(9,536)	(14,450)	–	(63,798)
Net carrying amount							
As at 1 January 2018	25,545	3,137	1,291	9,943	4,074	796,391	840,381
As at 30 June 2018	667,172	5,472	1,183	19,351	3,319	–	696,497

24 PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment held for administrative purposes (Continued)

Audited	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*
Cost							
As at 1 January 2017	40,295	17,233	6,808	16,612	17,726	437,934	536,608
Additions	–	137	1,141	4,421	43	358,457	364,199
Disposals/written-off	–	(31)	(553)	(2,538)	–	–	(3,122)
Foreign currency translation	–	(8)	–	(446)	–	–	(454)
As at 31 December 2017	40,295	17,331	7,396	18,049	17,769	796,391	897,231
Accumulated depreciation							
As at 1 January 2017	(12,972)	(11,981)	(6,467)	(7,034)	(11,927)	–	(50,381)
Charge for the year	(1,778)	(2,249)	(163)	(1,323)	(1,768)	–	(7,281)
Eliminated on disposals/ written-off	–	29	525	224	–	–	778
Foreign currency translation	–	7	–	27	–	–	34
As at 31 December 2017	(14,750)	(14,194)	(6,105)	(8,106)	(13,695)	–	(56,850)
Net carrying amount							
As at 1 January 2017	27,323	5,252	341	9,578	5,799	437,934	486,227
As at 31 December 2017	25,545	3,137	1,291	9,943	4,074	796,391	840,381

25 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 2018 ***RMB'000*** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Deferred tax assets		
– Deferred tax asset to be recovered after more than 12 months	**845,679**	635,225
– Deferred tax asset to be recovered within 12 months	**7,562**	7,310
	853,241	642,535
Deferred tax liabilities		
– Deferred tax liability to be recovered after more than 12 months	**(551,883)**	(540,123)
– Deferred tax liability to be recovered within 12 months	**(51)**	–
	(551,934)	(540,123)
	301,307	102,412

Deferred income tax liabilities of RMB84 million (31 December 2017: RMB78 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.

25 DEFERRED TAXATION (CONTINUED)

The following are the major deferred tax assets (liabilities) recognised and movements thereon in the six months ended 30 June 2018 and the year ended 31 December 2017:

Unaudited	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 or loss *RMB'000*	Changes in fair value of financial assets at fair value through other comprehensive income *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*
As at 31 December 2017	544,791	18,580	(41,842)	3,589	22,271	(484,796)	40,344	(525)	102,412
Impact of adoption of IFRS 9 *(Note 5(b)(ii))*	314,207	–	–	–	–	–	–	–	314,207
As at 1 January 2018	858,998	18,580	(41,842)	3,589	22,271	(484,796)	40,344	(525)	416,619
(Charged)/credited to profit or loss	(35,961)	(104)	(12,341)	–	(12,036)	(7,029)	(6,135)	593	(73,013)
Charged to OCI	–	(16,272)	–	(26,027)	–	–	–	–	(42,299)
As at 30 June 2018	823,037	2,204	(54,183)	(22,438)	10,235	(491,825)	34,209	68	301,307

Audited	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 or 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*
As at 1 January 2017	450,818	41,514	(25,929)	(8,318)	6,229	(401,154)	85,277	953	149,390
(Charge)/credit to profit or loss	97,139	(954)	(15,913)	–	12,777	(83,642)	(45,177)	(1,135)	(36,905)
(Charge)/credit to OCI	–	(21,980)	–	11,907	–	–	–	–	(10,073)
As at 31 December 2017	547,957	18,580	(41,842)	3,589	19,006	(484,796)	40,100	(182)	102,412

26 OTHER ASSETS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Deductible value-added tax	**829,985**	639,926
Land use rights	**415,296**	420,354
Other receivables	**311,258**	746,928
Prepaid expenses	**131,022**	76,864
Interest receivable	**22,683**	9,427
Deposits for lease of business place	**12,708**	12,060
Notes receivable	**6,000**	4,378
Other intangible assets	**4,364**	6,204
	1,733,316	1,916,141
Less: Allowances for impairment losses – other receivables	**(66,943)**	(66,992)
	1,666,373	1,849,149

27 BORROWINGS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Secured bank borrowings(1)	**18,467,297**	16,050,090
Unsecured bank borrowings	**116,330,863**	100,195,015
	134,798,160	116,245,105

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Carrying amount repayable:		
Within one year	**113,770,372**	97,496,301
More than one year, but not exceeding two years	**3,020,638**	3,634,895
More than two years, but not exceeding five years	**11,708,489**	9,679,316
More than five years	**6,298,661**	5,434,593
	134,798,160	116,245,105

27 BORROWINGS (CONTINUED)

(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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Property and equipment	26,684,636	25,080,572
Prepayments	–	425,997
Finance lease receivables	–	2,603,287
Bank deposits	3,572,964	519,121
	30,257,600	28,628,977

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Fixed-rate borrowings:		
Within one year	107,134,078	78,974,840
More than one year, but not exceeding five years	3,351,038	2,694,504
More than five years	4,545,742	5,209,022
	115,030,858	86,878,366

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

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Effective interest rate:		
Fixed-rate borrowing	1.50%-6.00%	1.32%-6.00%
Floating-rate borrowing	"LIBOR+1.08% to LIBOR+2.3% SHIBOR+0.45% to SHIBOR+0.79%"	"LIBOR+0.15% to LIBOR+3.30% SHIBOR+0.79% PBOC Rate*90.00%"

28 ACCRUED STAFF COST

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Salaries, bonus and allowances	**148,859**	141,776
Social welfare and others	**22,684**	18,730
	171,543	160,506

29 NOTES PAYABLE

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Guaranteed unsecured notes	**23,276,554**	22,344,343
Unguaranteed unsecured notes	**7,987,115**	9,982,370
	31,263,669	32,326,713

Name	Principal amount USD'000	Issue price	Value date	Maturity date	Coupon rate
Guaranteed unsecured notes issued-due 2022(1)	1,000,000	99.22%	2012-12-04	2022-12-04	3.25%
Guaranteed unsecured notes issued-due 2019(2)	250,000	99.47%	2014-12-02	2019-12-02	3.25%
Guaranteed unsecured notes issued-due 2024(2)	400,000	99.09%	2014-12-02	2024-12-02	4.25%
Guaranteed unsecured notes issued-due 2020(6)	400,000	99.68%	2017-8-01	2020-8-01	2.63%
Guaranteed unsecured notes issued-due 2022(6)	600,000	99.51%	2017-8-01	2022-8-01	3.00%
Guaranteed unsecured notes issued-due 2023(7)	400,000	99.28%	2017-10-24	2023-4-24	3.00%
Guaranteed unsecured notes issued-due 2027(7)	400,000	99.27%	2017-10-24	2027-10-24	3.50%
Guaranteed unsecured notes issued-due 2023(8)	100,000	96.50%	2018-3-09	2023-4-24	3.00%

29 NOTES PAYABLE (CONTINUED)

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 2020[(4)]	2,000,000	100.00%	2017-8-24	2020-8-24	4.55%
Unguaranteed unsecured notes issued-due 2018[(5)]	1,500,000	100.00%	2017-10-24	2018-10-24	4.50%
Unguaranteed unsecured notes issued-due 2020[(5)]	1,500,000	100.00%	2017-10-24	2020-10-24	4.65%

(1) As at 4 December 2012, an overseas subsidiary of the Group issued notes with principal amount of USD1,000,000,000 in global market. The notes were guaranteed by the Group's related party, the Hong Kong branch of China Development Bank, and the maturity dates for the note is 4 December 2022.

(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 global market. 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, CDB Aviation Lease Finance Designated Activity Company, 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 PRC. The maturity date for the notes is 27 October 2019.

(4) As at 24 August 2017, the Group issued notes with principal amount of RMB2,000,000,000 in PRC. The maturity date for the notes is 24 August 2020.

(5) As at 24 October 2017, the Group issued two different notes with principal amount of RMB1,500,000,000 for each in PRC. The maturity date for these two notes are 24 October 2018 and 24 October 2020, separately.

(6) As at 1 August 2017, CDBL Funding 2 issued notes with principal amount of USD400,000,000 and USD600,000,000 in global market. The notes were guaranteed by another Hong Kong subsidiary of the Group, Metro Excel Limited, and have the benefit of a keepwell deed and asset purchase deed provided by the Company, and the maturity dates for the notes are 1 August 2020 and 1 August 2022, respectively.

(7) As at 24 October 2017, CDBL Funding 1, an Ireland subsidiary of the Group issued notes with principal amount of USD500,000,000 and USD400,000,000 in global market. 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, CDB Aviation Lease Finance Designated Activity Company, and the maturity dates for the notes are 24 April 2023 and 24 October 2027, respectively.

(8) As at 9 March 2018, CDBL Funding 1, an Ireland subsidiary of the Group issued notes with principal amount of USD100,000,000 in global market. 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, CDB Aviation Lease Finance Designated Activity Company, and the maturity date for the notes is 24 April 2023.

30 OTHER LIABILITIES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Guaranteed deposits from lessees	7,207,268	6,594,483
Account payables	2,276,010	931,336
Maintenance deposits from lessees	2,068,663	2,115,297
Interest payable	1,251,482	867,792
Dividends payable	975,338	–
Other payables	631,969	683,320
Project arrangement fee in advance	161,706	23,486
Deferred income	122,421	123,896
Receipt in advance for selling of aircraft	104,718	112,564
Other taxes payable	92,202	65,547
Management consulting fees payable	53,284	58,970
Accrued liabilities	5,332	5,332
Payables of agency collection for sale of ship	–	203,179
Total	14,950,393	11,785,202

31 SHARE CAPITAL

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Registered, issued and fully paid	12,642,380	12,642,380

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.

32 HEDGING AND FAIR VALUE RESERVE

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

	For the six months ended 30 June 2018 RMB'000 (Unaudited)	For the year ended 31 December 2017 RMB'000 (Audited)
At the beginning of the period/year	(9,305)	(67,956)
Fair value changes on derivatives	89,253	116,354
Fair value changes on available-for-sale financial assets	–	(47,630)
Fair value changes on financial assets at fair value through other comprehensive income	104,107	–
Income tax effects	(42,299)	(10,073)
At the end of the period/year	141,756	(9,305)

33 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 2018	Opening RMB'000	Additions RMB'000	Closing RMB'000
Statutory reserve(1)	387,800	–	387,800
Reserve for general risk(2)	2,800,370	–	2,800,370
	3,188,170	–	3,188,170

33 GENERAL RESERVES (CONTINUED)

Year ended 31 December 2017	Opening	Additions	Closing
	RMB'000	*RMB'000*	*RMB'000*
Statutory reserve[(1)]	173,608	214,192	387,800
Reserve for general risk[(2)]	2,491,660	308,710	2,800,370
	2,665,268	522,902	3,188,170

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

34 RETAINED PROFITS

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

	For the six months ended 30 June 2018	For the year ended 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At the end of the previous year	**5,385,159**	4,479,625
Impact of adoption of IFRS 9 *(Note 5(b)(ii))*	**(966,771)**	–
At the beginning of the period/year	**4,418,388**	4,479,625
Profit for the period	**1,118,395**	2,130,963
Appropriation to general reserves	**–**	(522,902)
Cash dividends	**(967,068)**	(702,527)
At the end of the period/year	**4,569,715**	5,385,159

35 DIVIDENDS

A dividend in respect of the year ended 31 December 2017 of RMB0.7585 per 10 ordinary shares was declared in May 2018, and was recognised as a liability in this interim condensed consolidated financial information.

36 TRANSFERS OF FINANCIAL ASSETS

Repurchase agreements

As at 30 June 2018, the Group entered into repurchase agreements with certain counterparties to sell the Group's finance lease receivables with carrying amounts of approximately RMB1.35 billion (31 December 2017 : RMB3.88 billion).

Sales and repurchase agreements are transactions in which the Group sells 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Carrying amount of transferred assets	1,346,985	3,881,706
Carrying amount of associated liabilities	(1,120,000)	(2,030,000)
Net position	226,985	1,851,706

37 CASH AND CASH EQUIVALENTS

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cash on hand	**61,559**	34
Cash in central banks	**19,168**	54,300
Cash in banks	**15,198,617**	14,948,457
Placement to banks and other financial institutions	**200,000**	–
	15,479,344	15,002,791

38 CONTINGENT LIABILITIES

As at 30 June 2018 and 31 December 2017, 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.

39 CAPITAL COMMITMENTS

Capital expenditures contracted by the Group as at 30 June 2018 and 31 December 2017 but are not yet to be recognised on the statements of financial position are as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Acquisition of equipment held for operating lease businesses	**76,660,982**	71,436,057
Acquisition of property and equipment held for administrative purposes	**499**	149
Total	**76,661,481**	71,436,206

40 FINANCE LEASE COMMITMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Finance lease commitments	8,075,773	7,790,322

Finance lease commitments relate to finance lease contracts signed by the Group as a lessor that are not yet effective as at 30 June 2018 and 31 December 2017.

41 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 2018 and 31 December 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	34,013	83,997
In the second to fifth years inclusive	81,005	253,963
Over five years	217,788	–
Total	332,806	337,960

41 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 2018 and 31 December 2017, the Group is entitled to receive the minimum cash lease rentals under non-cancellable operating lease which fall due as follows:

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Within one year	**6,174,441**	6,517,045
In the second to fifth years inclusive	**17,618,379**	18,199,004
Over five years	**9,872,625**	11,196,403
Total	**33,665,445**	35,912,452

42 RELATED PARTY TRANSACTION

Parent Company

As at 30 June 2018, China Development Bank directly owned 64.4% of the share capital of the Company.

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

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

The Group had the following balances with China Development Bank:

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Bank balances	**385,825**	414,484
Operating leases receivable	**744**	748
Available-for-sale financial assets	**–**	266,573
Financial assets at fair value through other comprehensive income	**1,136,055**	–
Interest receivable	**12,792**	9,427
Bank borrowings	**5,339,563**	16,123,342
Interest payable	**14,389**	56,766
Derivative financial liabilities	**9,955**	46,913

42 RELATED PARTY TRANSACTION (CONTINUED)

Parent Company (Continued)

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**175**	372
Interest expense	**232,019**	136,895
Guarantee fee	**750**	7,621
Operating lease income	**41,551**	449
Lease expenses – fee and commission expenses	**13,794**	14,340
	288,289	159,677

The Hong Kong branch of the China Development Bank provided guarantee to the Group for notes described in note 29(1).

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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Basic salaries and allowances	**3,537**	4,050
Bonuses	**6,855**	6,161
Employer's contribution to pension schemes	**249**	265
	10,641	10,476

43 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 ship, commercial vehicles and construction machinery; and

(d) Other leasing business: mainly engaged in the leasing of commercial property and manufacturing equipment in various sectors such as chemicals, papermaking, textile, coal and steel.

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

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

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the six months ended 30 June 2018 and 2017.

43 SEGMENT REPORTING (CONTINUED)

The operating and reportable segment information provided to the CODM during the six months ended 30 June 2018 and 2017 is as follows:

	Aircraft leasing *RMB'000*	Infrastructure leasing *RMB'000*	Ship, commercial vehicle and construction machinery leasing *RMB'000*	Other leasing business *RMB'000*	Consolidated total *RMB'000*
Unaudited					
For the six months ended 30 June 2018					
Segment revenue and results					
Finance lease income	80,818	2,109,074	687,030	294,061	3,170,983
Operating lease income	2,855,192	25,275	73,634	44,748	2,998,849
Segment revenue	2,936,010	2,134,349	760,664	338,809	6,169,832
Segment other income and gains (other losses)	475,502	127,132	84,049	16,265	702,948
Segment revenue and other income	3,411,512	2,261,481	844,713	355,074	6,872,780
Segment expenses	(2,566,273)	(1,852,737)	(698,655)	(313,805)	(5,431,470)
Profit before income tax	845,239	408,744	146,058	41,269	1,441,310
Profit before impairment losses and income tax	857,947	566,218	281,057	77,512	1,782,734

43 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 2018					
Segment assets and liabilities					
Segment assets	72,238,526	88,271,777	34,556,030	14,062,659	209,128,992
Deferred tax assets					853,241
Group's total assets					209,982,233
Segment liabilities	63,792,506	79,090,808	30,961,927	12,619,468	186,464,709
Deferred tax liabilities					551,934
Group's total liabilities					187,016,643
For the six months ended 30 June 2018					
Other segment information					
Depreciation of investment properties	–	–	–	(18,953)	(18,953)
Depreciation of properties and equipment	(1,357,418)	(28,650)	(29,616)	(590)	(1,416,274)
Amortisation	(9,507)	(4,603)	(1,579)	(722)	(16,411)
Impairment losses	(12,708)	(157,474)	(134,999)	(36,243)	(341,424)

43 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					
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

43 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*
Audited					
As at 31 December 2017					
Segment assets and liabilities					
Segment assets	71,110,637	77,423,020	26,588,340	11,334,740	186,456,737
Deferred tax assets					642,535
Group's total assets					187,099,272
Segment liabilities	62,982,768	67,167,605	23,066,461	9,833,346	163,050,180
Deferred tax liabilities					540,123
Group's total liabilities					163,590,303
Unaudited					
For the six months ended 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)

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.

44 FINANCIAL INSTRUMENTS

Categories of financial instruments

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Financial assets		
Cash and bank balances	19,783,589	16,207,073
Placement to banks and other financial institutions	200,000	–
Accounts receivable	6,843,490	6,610,039
Finance lease receivables	112,693,439	98,880,563
Other financial assets	285,706	705,801
Financial assets at fair value through profit or loss	1,702,214	1,857,927
Derivative financial assets	88,021	27,728
Available-for-sale financial assets	–	279,573
Financial assets at fair value through other comprehensive income	2,136,763	–
	143,733,222	124,568,704

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Financial liabilities		
Borrowings	134,798,160	116,245,105
Due to banks and other financial institutions	3,965,000	–
Financial assets sold under repurchase agreement	1,120,000	2,030,000
Notes payable	31,263,669	32,326,713
Other financial liabilities	14,574,064	11,572,273
Derivative financial liabilities	79,458	69,125
	185,800,351	162,243,216

45 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

45.1 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 2017.

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

45.2 Liquidity risk

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

45.3 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 AFS- Bonds investment in active markets and as level 2, which include notes payable, FVPL, foreign currency forward contracts and interest rate swaps.

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

The valuation techniques used by the Group include the discounted cash flow model for cash and bank balances, borrowings, placement to banks and other financial institutions, accounts receivable, finance lease 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.

45 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Fair value estimation (Continued)

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 2018	As at 31 December 2017	**As at 30 June 2018**	As at 31 December 2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Notes payable	**31,263,669**	32,326,713	**30,713,239**	32,406,501

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.

45 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Fair value estimation (Continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

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

Financial assets/ financial liabilities	Fair value as at				Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 30 June 2018 *RMB'000* (Unaudited)		As at 31 December 2017 *RMB'000* (Audited)			
1) Available-for-sale financial assets – Bonds investment	Assets–	–	Assets–	266,573	Level 1	open market quotations
2) Financial assets at fair value through other comprehensive income *(note 23)*	Assets–	2,136,763	Assets–	–	Level 1	open market quotations

45 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Fair value estimation (Continued)

Financial assets/ financial liabilities	Fair value as at: As at 30 June 2018 RMB'000 (Unaudited)		Fair value as at: As at 31 December 2017 RMB'000 (Audited)		Fair value hierarchy	Valuation technique(s) and key input(s)
3) Financial assets at fair value through profit or loss *(note 18)*	**Assets–**	**1,689,214**	Assets–	1,857,927	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.
4) Foreign currency forward contracts *(note 19)*	**Liabilities–**	**50,392**	Liabilities–	–	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.
5) Interest rate swaps *(note 19)*	**Assets–** **Liabilities–**	**88,021** **29,066**	Assets– Liabilities–	27,728 69,125	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.

46 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 2018, the capital adequacy ratio is 12.44% (31 December 2017：14.10%).