国银租赁

CHINA DEVELOPMENT BANK LEASING

國銀金融租賃股份有限公司

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.

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

Stock Code: 1606

2019 中期報告

Interim Report

Contents

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

Company Overview

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 of China Development Bank. Its leasing assets and business partners reach throughout nearly 40 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 established 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, 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 cycles in the industry and regulatory reforms, and gained abundant experience in our exploration in business sectors, product innovation, risk management and control, operating management and other aspects. We have been continuously adhering to the balanced development of scale, quality and efficiency. Through exploration of different business sectors in a planned manner, continuous product innovation and business improvement as well as optimization of corporate governance, CDB Leasing outpaced peers in terms of asset scale, profitability and risk control, and formed a business development model with obvious advantages of core competitiveness and prominent sustainable development capabilities.

The continued improvement in marketization and internationalization of the PRC financial industry, the increasing customer demand for customized leasing products and services, and current policies of financial supply-side reform launched by the state for enhancing the financial service’s capability to serve the real economy have brought important opportunities to the leasing industry. We believe that our long operating history, market leading position, well-developed business model and premier brand will enable us to seize such opportunities, achieve sustained growth, and continue to maintain our leading position in the fast developing PRC leasing industry, constantly upgrade our business model, improve our professional service capabilities and strive to move forward for achieving the vision of building a world-class leasing company.

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Xuedong *(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. 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. Wang Yiyun
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)*

H SHARE REGISTRAR

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

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

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

REGISTERED OFFICE

CDB Financial Center
No. 2003 Fuzhong Third Road
Futian District
Shenzhen
Guangdong Province
PRC

HEADQUARTER

CDB Financial Center
No. 2003 Fuzhong Third Road
Futian District
Shenzhen
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

WEBSITE OF THE COMPANY

http://www.cdb-leasing.com

STOCK CODE

1606

LISTING DATE

July 11, 2016

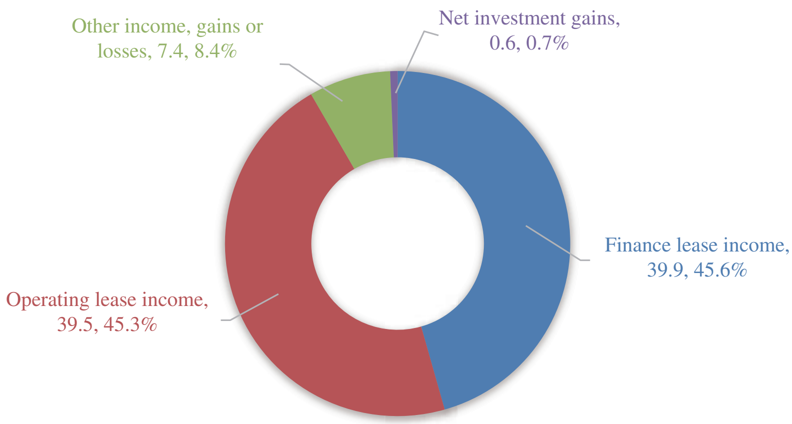
1. SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(RMB in thousands)	For the six months ended June 30, 2019	2018	For the year ended December 31, 2018
Finance lease income	**3,985,182**	3,170,983	7,036,316
Operating lease income	**3,954,215**	2,998,849	6,584,804
Total revenue	**7,939,397**	6,169,832	13,621,120
Net investment gains	**60,788**	78,897	211,662
Other income, gains or losses	**738,379**	624,051	1,708,528
Total revenue and other income	**8,738,564**	6,872,780	15,541,310
Total expenses	**(6,917,040)**	(5,431,470)	(12,267,089)
Of which: Depreciation and amortisation	**(1,746,754)**	(1,451,638)	(2,989,253)
Interest expense	**(3,646,820)**	(3,163,993)	(6,863,247)
Impairment losses	**(1,006,022)**	(341,424)	(1,293,092)
Profit before income tax	**1,821,524**	1,441,310	3,274,221
Profit for the Reporting Period	**1,361,203**	1,118,395	2,506,984
Basic and diluted earnings per Share *(expressed in RMB per Share)*	**0.11**	0.09	0.20

In the first half of 2019, finance lease income accounted for 45.6% of the operating income of the Group, representing a year-on-year decrease of 0.5 percentage point; operating lease income accounted for 45.3%, representing a year-on-year increase of 1.7 percentage points; other income, gains or losses accounted for 8.4%, representing a year-on-year decrease of 0.7 percentage point; and net investment gains accounted for 0.7%, representing a year-on-year decrease of 0.4 percentage point.

Breakdown of Operating Income

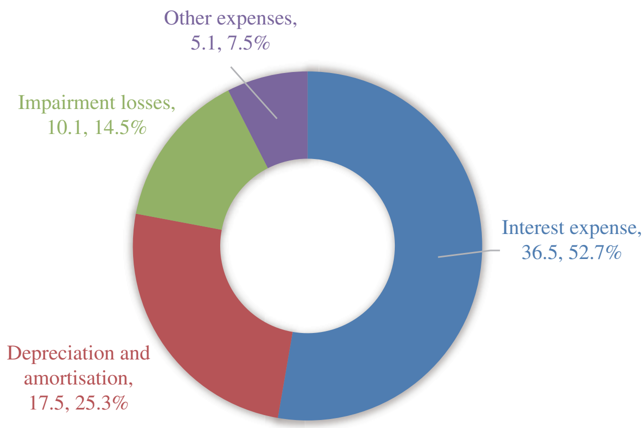
(Unit: RMB 00'million, Percentage)



In the first half of 2019, interest expense accounted for 52.7% of the operating expenses of the Group, representing a year-on-year decrease of 5.6 percentage points; depreciation and amortization accounted for 25.3%, representing a year-on-year decrease of 1.4 percentage points; impairment losses accounted for 14.5%, representing a year-on-year increase of 8.2 percentage points; and other expenses accounted for 7.5%, representing a year-on-year decrease of 1.2 percentage points.

Breakdown of Operating Expenses

(Unit: RMB 00'million, Percentage)



Note: Data of percentages in the chart was calculated in data of thousands of RMB Yuan, and difference exists between such data and data calculation on the basis of RMB00' million to one decimal place.

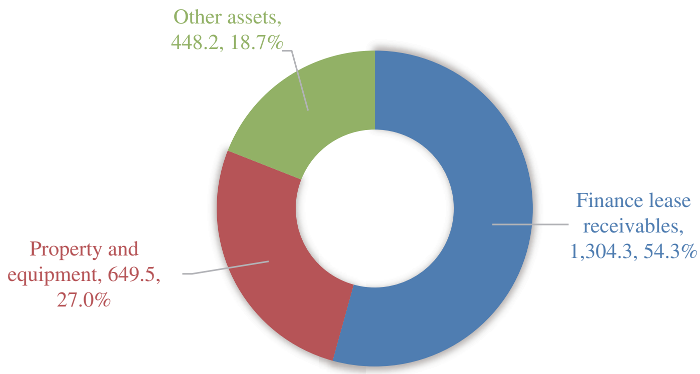
2. SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(RMB in thousands)		**June 30, 2019**	December 31, 2018
Total assets		**240,195,636**	238,066,986
Of which:	Cash and bank balances	**19,380,106**	23,497,845
	Accounts receivable	**3,828,159**	5,405,652
	Finance lease receivables	**130,425,960**	125,141,605
	Prepayments	**15,173,039**	12,332,839
	Property and equipment	**64,948,333**	63,038,585
Total liabilities		**216,216,496**	213,863,956
Of which:	Borrowings	**149,517,841**	157,186,898
	Bonds payable	**46,794,798**	38,596,346
Net assets		**23,979,140**	24,203,030
Net assets per Share *(RMB)*		**1.90**	1.91

In the first half of 2019, finance lease receivables accounted for 54.3% of the total assets of the Group, representing an increase of 1.7 percentage points as compared with that in 2018; property and equipment accounted for 27.0%, representing an increase of 0.5 percentage point as compared with that in 2018; and other assets accounted for 18.7%, representing a decrease of 2.2 percentage points as compared with that in 2018.

Breakdown of Net Book Value of the Total Assets

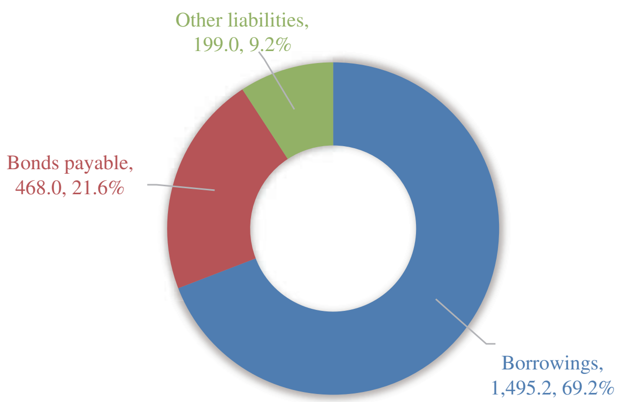
(Unit: RMB 00'million, Percentage)



In the first half of 2019, borrowings accounted for 69.2% of the total liabilities of the Group, representing a decrease of 4.3 percentage points as compared with that in 2018; bonds payable accounted for 21.6%, representing an increase of 3.6 percentage points as compared with that in 2018; and other liabilities accounted for 9.2%, representing an increase of 0.7 percentage point as compared with that in 2018.

Breakdown of Net Book Value of the Total Liabilities

(Unit: RMB 00'million, Percentage)



Note: Data of percentages in the chart were calculated in data of thousands of RMB Yuan, and difference exists between such data and data calculation on the basis of RMB00' million to one decimal place.

3. SELECTED FINANCIAL RATIOS

	For the six months ended June 30,/As at June 30, 2019	2018	For the year ended December 31,/As at December 31, 2018
Return on average total assets(1)	**1.14%**	1.13%	1.18%
Return on average equity(2)	**11.30%**	9.83%	10.73%
Net interest margin of finance lease business(3)	**2.46%**	1.59%	1.80%
Net lease yield of operating lease business(4)	**8.25%**	8.41%	8.51%
Cost-to-income ratio(5)	**6.04%**	6.73%	6.99%
Non-performing asset ratio(6)	**0.88%**	0.79%	0.89%
Non-performing asset ratio of finance lease business(7)	**1.50%**	1.32%	1.56%
Gearing Ratio (8)	**7.46 times**	6.59 times	7.15 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. Net lease income of operating lease business is calculated as the difference between operating lease income and interest expense of operating lease business on an annualized basis.

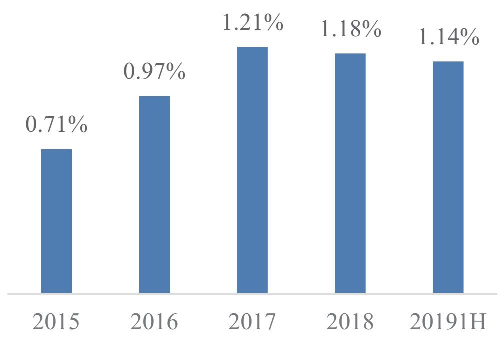
(5) Calculated by dividing the sum of the depreciation and amortisation expenses of property and equipment held for administrative purposes, staff costs and other operating expenses by total revenue and other income.

(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.

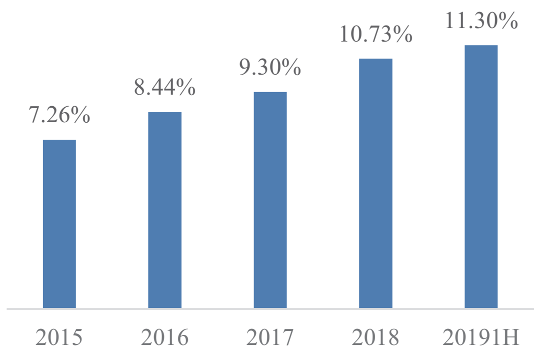
(7) Non-performing asset ratio of finance lease business refers to the percentage of non-performing assets of finance lease business over finance lease related assets before allowance for impairment losses as at the applicable date.

(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 bonds payable.

Return on average total assets



Return on average equity



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

	Regulatory requirement	**June 30, 2019**	December 31, 2018	December 31, 2017
Capital adequacy indicators (1)				
Core tier-one capital adequacy ratio (2)	≥7.5%	**10.43%**	10.72%	13.19%
Tier-one capital adequacy ratio (3)	≥8.5%	**10.43%**	10.72%	13.19%
Capital adequacy ratio (4)	≥10.5%	**11.61%**	11.91%	14.10%
Asset quality indicators				
Allowance to non-performing finance lease related assets (5)	≥150%	**284.67%**	253.12%	215.15%

(1) Calculated based on the Capital Administrative Measures (《資本管理辦法》) published by the CBIRC on June 7, 2012, which became effective on January 1, 2013 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) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.

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

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

Wang Xuedong
Chairman

In the first half of 2019, undeterred by the economic downward pressure and the changes in domestic and international environments, we have maintained our strategic focus, adhered to high-quality development, made practical progresses in our various projects in accordance with the operational goals and budget plans set up at the beginning of the year, and achieved fruitful results in areas such as strategic layout, business investment, corporate governance, risk control, and internal management.

In the first half of the year, the Company accurately grasped the structural development opportunities in the industry, continued to maintain steady growth of business results. As of the end of June 2019, total assets of the Company amounted to RMB240.2 billion, representing a year-on-year increase of 14.4%; net profit realized amounted to RMB1.36 billion, achieving an industry-leading annualized return on net assets of 11.3%. Non-performing asset ratio of the Company amounted to 0.88%, while allowance coverage ratio amounted to 284.67%. In the first half of the year, the lease financing to new lessees of the Company amounted to RMB42.207 billion, representing a year-on-year increase of 22.3% as well as the record high of the same period. While increasing total volume of its investment, the Company continuously promoted its professional development and optimized its business layout, profitability and professional operation level of specialized segments such as aircraft, ships, new energy, commercial vehicles and construction machinery have seen significant increments, market influence and brand awareness have also been steadily increased.

While achieving better operating results, we continued to optimize our internal management, complete organizational restructuring, establish specialized professional departments for businesses such as ships, new energy and equipment and inclusive finance, so as to enhance our professional management capabilities; steadily we promoted the optimization of our business processes, continuously improved our operation coordination, so as to improve operational efficiency; we proactively monitored market trends, adjusted our investment and financing strategies in a timely manner, comprehensively utilized various financing channels, effectively controlled cost of funds and continuously improved our asset management capabilities. The Company was awarded the "Best Brand Value Award" ("最佳品牌價值獎") and the "2019 Financial Leasing Company Tianji Award" ("2019年度金融租賃公司天璣獎"), etc. in the first half of 2019.

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 2019, we will continue to adhere to the development direction towards marketization, specialization, diversification and internationalization, continuously enhance our development quality, lead the leasing industry in the PRC, serve the real economy, and spare no efforts to achieve the goal of becoming a world-class financial leasing company.

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

Chairman and Executive Director
August 27, 2019

1. BUSINESS SITUATION

In the first half of 2019, the trend of recovery of global economy experienced decline, while trade and investment activities were sluggish. There was a slowdown in the growth of the manufacturing industry and the growth of major economies diminished. The economy was mainly exposed to risks such as the prolonged conflicts arising from international trades, contraction of room for adjustment to the fiscal and monetary policies worldwide, and the potential relaxation of monetary policy by US Federal Reserve. While emerging markets had been fighting against challenges, China and India were still serving as the main drivers for global growth.

In the first half of the year, there were increasing uncertainties of external environment for China's economic development. The government launched a series of policies, including "Six Stabilizers", which facilitated the stable operation of the economy with GDP growth of 6.3% in the first half of the year. However, as a result of the combined effect of weakened growth in the global economy, trade conflicts, and geopolitics risks in certain regions, downward pressure and hidden worries were seen in the economy with stable operation. Looking forward to the second half of the year, amidst uncertain conflicts arising from US-China trade, macro-economic policies are expected to be strictly implemented: (1) financial policies will be reinforced; (2) monetary policies will continue to give full play to countercyclical adjustment and the measures will be adopted by the PBOC on the reform of interest rate marketization; (3) supply-side structural reform will be further promoted and market vitality and confidence will be boosted; (4) urban policy and control over real estates will continue to be in force and illegal funds will be prohibited in the real estate market; and (5) the impact of non-economic factors on economy and finance will be properly addressed.

As of the end of the first half of 2019, the number of finance lease companies across China reached a total of 12,027 (excluding single-project companies, branches, SPVs and acquired overseas companies), representing an increase of 250 companies, or 2.1%, as compared with 11,777 companies as at the end of the previous year. The balance of national finance lease contracts was approximately RMB6,690 billion, representing an increase of approximately RMB40 billion, or 0.6%, as compared with RMB6,650 billion as at the end of 2018.

Following the rapid growth at preliminary stage, the growth in the number of leasing companies has been gradually slowed down. Under the policy of financial deleveraging and strict regulation, it is necessary for leasing companies to comply with more stringent requirements for risk prevention in the sophisticated environment. As a result of intensified market competition and further diversified industry, preeminent players in the industry will develop their comprehensive competitive strengths, while the leasing industry was showing a development trend of increase in market concentration, providing large, standardized and professional leasing companies, like CDB Leasing, with favourable development opportunities.

2. COMPANY'S RESPONSES

In the first half of 2019, the Group, centering on the work plans determined at the beginning of the year, promoted in-depth specialised development, further improved operation and management quality and results, and adhered to the overall principle of seeking progress while ensuring stability and new development concept to achieve the target of high quality development.

In respect of business, the Group seized the business opportunity brought by the deepened supply-side structural reform and actively supporting the real economy, progressively promoted customer management work, put great efforts to establish "customer-oriented" business development model, and maintained a remarkable development momentum. In the first half of the year, the Group made an additional investment of RMB42,207 million in business, representing a year-on-year increase of 22.3%. In respect of aviation business, the Group made steady progress in order placement, renewal and sublease of aircraft upon expiration, sale-and-leaseback, asset package trading and other business, and entered into letter of intent for re-financing of 12 regional aircraft. In respect of infrastructure business, the Group focused on major areas, commenced major projects in the Yangtze River Economic Zone, Guangdong-Hong Kong-Macao Greater Bay Area, Beijing-Tianjin-Hebei Region and other major regions. In respect of ship business, the Group consolidated its cooperation with global renowned enterprises, including Oldendorff Carriers, Germany, and Mediterranean Shipping Company; 11 ships were newly delivered for operating lease and 4 ships were sold in the first half of the year. In respect of inclusive financial business, the Group made progress in the development of construction machinery and vehicle business by making an aggregate investment of RMB9,066 million. In respect of new energy business, the Group fulfilled the requirements for the development of green finance by implementing photovoltaic and wind power projects via direct financing leasing, leaseback and sublease, etc., with an aggregate investment amount of RMB1,930 million.

In respect of financing, the Group reduced domestic and foreign currency financing costs by taking several measures simultaneously, such as leveraging the market trend, and adjusting the strategy in a timely manner. In respect of RMB, the Group reduced additional financing costs, and brought the cost of existing capital to decline through expansion of financing channels and effective commencement of transactions in the inter-bank market. In respect of US dollar, the Group issued public offering bonds of USD700 million and private placement bonds of USD484 million in total, and raised USD500 million by establishing Ninja Syndicate for the first time in the first half of the year.

In respect of risk control, the Group improved the effectiveness of comprehensive risk management by optimising risk control system, strengthening listing management, and exerting greater efforts to eliminate risks and non-performing projects. As of the end of the first half of 2019, the Group's risk resistance capability was further consolidated with a non-performing assets ratio of 0.88%, and an allowance to non-performing finance lease related assets of 284.67%.

3. PERFORMANCE OUTLOOK

In the second half of 2019, the Group will, centering on the annual business plan, put great efforts on facilitating business development, and continue to improve operation management, in order to ensure realization of the targets of budget and business plan. First, the Group will accelerate professional development, and improve competitiveness in the leasing business; second, the Group will continue to deepen risk concept and awareness of risk prevention and control, and improve risk management and control capability in all respects; third, the Group will accelerate the improvement of asset and liability management level, and consolidate sustainable profitability; fourth, the Group will deepen the implementation of basic management work, and consolidate the foundation of high quality development; fifth, the Group will implement the requirement of strict governance, and ensure compliant and robust operations; sixth, the Group will deepen the understanding of domestic and foreign economic situation and the uncertainties of trade friction, strengthen market research and judgment, insist on strategic direction, and maintain sound development.

4. ANALYSIS ON CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

4.1. Overview of Consolidated Statement of Profit and Loss

In the first half of 2019, the Group achieved total revenue and other income of RMB8,738.6 million, representing an increase of 27.1% as compared with the total revenue and other income of RMB6,872.8 million for the same period of last year. Net profit of the Group for the first half of 2019 amounted to RMB1,361.2 million, representing an increase of 21.7% as compared with the net profit of RMB1,118.4 million for the same period of last year, due primarily to (1) a year-on-year increase in assets under lease as a result of a larger investment amount maintained; (2) increase in net interest yield of finance lease business as a result of rise in yield of finance lease business and decrease in the rate of RMB capital cost.

The following table sets forth the statement of profit or loss of the Group for the six months ended June 30, 2019 and comparative figures for the same period of last year.

(RMB in millions, except percentages)	For the six months ended June 30, 2019	2018	Change
Revenue			
Finance lease income	**3,985.2**	3,171.0	25.7%
Operating lease income	**3,954.2**	2,998.8	31.9%
Total revenue	**7,939.4**	6,169.8	28.7%
Net investment gains	**60.8**	78.9	-22.9%
Other income, gains or losses	**738.4**	624.1	18.3%
Total revenue and other income	**8,738.6**	6,872.8	27.1%
Depreciation and amortisation	**(1,746.8)**	(1,451.6)	20.3%
Staff costs	**(229.9)**	(250.2)	-8.1%
Fee and commission expenses	**(23.7)**	(34.8)	-31.9%
Interest expense	**(3,646.8)**	(3,164.0)	15.3%
Other operating expenses	**(263.9)**	(189.5)	39.3%
Impairment losses	**(1,006.0)**	(341.4)	194.7%
Total expenses	**(6,917.1)**	(5,431.5)	27.4%
Profit before income tax	**1,821.5**	1,441.3	26.4%
Income tax expense	**(460.3)**	(322.9)	42.6%
Net profit	**1,361.2**	1,118.4	21.7%

4.2. Revenue

For the first half of 2019, total revenue of the Group amounted to RMB7,939.4 million, representing an increase of 28.7% as compared with the total revenue of RMB6,169.8 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 and a year-on-year increase in lease yield in the second half of 2018 and the first half of 2019.

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

4.2.1. Finance Lease Income

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

	For the six months ended June 30,		
(RMB in millions, except percentages)	**2019**	2018	Change
Finance lease income			
Aircraft Leasing	**70.8**	80.8	-12.4%
Infrastructure Leasing	**2,599.8**	2,109.1	23.3%
Ship, Vehicle and Construction Machinery Leasing	**1,049.4**	687.0	52.8%
Other Leasing Business	**265.2**	294.1	-9.8%
Total	**3,985.2**	3,171.0	25.7%

For the first half of 2019, finance lease income of the Group amounted to RMB3,985.2 million, accounting for 50.2% of the total revenue and representing an increase of 25.7% as compared with the finance lease income of RMB3,171.0 million for the same period of last year, due primarily to the increase in yield of finance lease and continued significant investment in assets under finance lease, and a year-on-year increase in the scale of finance lease assets.

With respect to Aircraft Leasing, for the first half of 2019, finance lease income of the Group amounted to RMB70.8 million, representing a decrease of 12.4% as compared with the finance lease income of RMB80.8 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 2019, finance lease income of the Group amounted to RMB2,599.8 million, representing an increase of 23.3% as compared with the finance lease income of RMB2,109.1 million for the same period of last year, due primarily to a year-on-year increase of infrastructure lease assets as a result of the increase in yield of finance lease and the increase in lease financing to lessees.

With respect to Ship, Vehicle and Construction Machinery Leasing, for the first half of 2019, finance lease income of the Group amounted to RMB1,049.4 million, representing an increase of 52.8% as compared with the finance lease income of RMB687.0 million for the same period of last year, due primarily to an increase in investment volume of finance lease projects of ship, vehicle and construction machinery as a result of the increase in yield of finance lease.

With respect to Other Leasing Business, for the first half of 2019, finance lease income of the Group amounted to RMB265.2 million, representing a decrease of 9.8% as compared with the finance lease income of RMB294.1 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:

	For the six months ended June 30,		
(RMB in millions, except percentages)	**2019**	2018	Change
Operating lease income			
Aircraft Leasing	**3,605.3**	2,855.2	26.3%
Infrastructure Leasing	**21.2**	25.3	-16.2%
Ship, Vehicle and Construction Machinery Leasing	**239.0**	73.6	224.7%
Other Leasing Business	**88.7**	44.7	98.4%
Total	**3,954.2**	2,998.8	31.9%

For the first half of 2019, operating lease income of the Group amounted to RMB3,954.2 million, accounting for 49.8% of the total revenue and representing an increase of 31.9% as compared with the operating lease income of RMB2,998.8 million for the same period of last year, due primarily to the maintenance of significant growth rate of asset scale of Aircraft Leasing segment; and expanded asset scale of Ship Leasing segment as a result of accelerated investment progress.

4.2.3. Net Investment Gains

For the first half of 2019, net investment gains of the Group amounted to RMB60.8 million, representing a decrease of 22.9% as compared with the investment gains of RMB78.9 million for the same period of last year, due primarily to the decrease in the number of fixed income investment projects in the first half of 2019.

4.2.4. Other Income, Gains or Losses

For the first half of 2019, other income and gains of the Group amounted to RMB738.4 million, representing an increase of 18.3% as compared with the other income and gains of RMB624.1 million for the same period of last year, due primarily to the increase in the interest income from the deposit in financial institutions in the first half of 2019.

4.3. Costs and Expenses

For the first half of 2019, total cost and expenses of the Group amounted to RMB6,917.1 million, representing an increase of 27.4% as compared with the total cost and expenses of RMB5,431.5 million for the same period of last year, due primarily to the increase in investment in assets for leasing and the increase in the amount of risk provisions due to downgrade of certain projects, the increase in interest expense due to expanded financing scale and the increase in depreciation and amortization due to increase in assets for operating lease.

4.3.1. Depreciation and Amortisation

For the first half of 2019, depreciation and amortisation of the Group amounted to RMB1,746.8 million, representing an increase of 20.3% as compared with the depreciation and amortisation of RMB1,451.6 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 2019, staff costs of the Group amounted to RMB229.9 million, representing a decrease of 8.1% as compared with the staff costs of RMB250.2 million for the same period of last year, due primarily to the decrease in expenses of performance bonus for the first half of the year.

4.3.3. Fee and Commission Expenses

For the first half of 2019, fee and commission expenses of the Group amounted to RMB23.7 million, representing a decrease of 31.9% as compared with the fee and commission expenses of RMB34.8 million for the same period of last year, due primarily to the decrease of handling fees for bank borrowings.

4.3.4. Interest Expense

For the first half of 2019, interest expense of the Group amounted to RMB3,646.8 million, representing an increase of 15.3% as compared with the interest expense of RMB3,164.0 million for the same period of last year, due primarily to the increase in interest expense as a result of the increase in the scale of bank borrowings and bonds payable as compared with the same period last year along with the growth in business.

4.3.5. Other Operating Expenses

For the first half of 2019, other operating expenses of the Group amounted to RMB263.9 million, representing an increase of 39.3% as compared with the other operating expenses of RMB189.5 million for the same period of last year, due primarily to the increase in taxes and surcharges as a result of business development of the Company, and the increase of related expenses as a result of the development of aviation and ship business of the Company.

4.3.6. Impairment Losses

For the first half of 2019, impairment losses of the Group amounted to RMB1,006.0 million, representing an increase of 194.7% as compared with the impairment losses of RMB341.4 million for the same period of last year, due primarily to the increase in investment in assets for leasing and adjustment to the rating of certain projects.

4.4. Profit before Income Tax

For the first half of 2019, profit before income tax of the Group amounted to RMB1,821.5 million, representing an increase of 26.4% as compared with that of RMB1,441.3 million for the same period of last year, due primarily to the increase in income from leasing business, the decrease in the rate of financing cost and the increase in income arising from tax and expense reduction in the first half of 2019.

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)	**2019**	2018
Finance lease business		
Interest income [(1)]	**3,985.2**	3,171.0
Interest expense [(2)]	**2,331.9**	2,270.5
Net interest income	**1,653.3**	900.5
Net interest margin of finance lease business [(3)]	**2.46%**	1.59%

(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 2019, net interest margin of finance lease business of the Group increased from 1.59% for the same period of 2018 to 2.46%, due primarily to the year-on-year increase in net interest margin of finance lease business as a result of the decrease in market interest rate and the decrease in financing interest rate of the Group and a higher yield from projects launched in 2018, realising higher revenue in the first half of 2019.

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:

	For the six months ended June 30,	
Operating lease business	**2019**	2018
Net lease yield of operating lease business [(1)]	**8.25%**	8.41%
Profit margin before income tax of operating lease business [(2)]	**18.08%**	22.13%

(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 2019, net lease yield of our operating lease business experienced a year-on-year decrease, primarily due to the fact that our business consists mainly of assets denominated in USD and cost of financing in USD increased in the first half of the year; and profit margin before income tax decreased, due primarily to the increase in provision for impairment.

4.7. Income Tax Expense

For the first half of 2019, income tax expense of the Group amounted to RMB460.3 million, representing an increase of 42.6% from RMB322.9 million for the same period of last year, due primarily to the increase in net lease income and the increase of proportion of profit before tax from domestic business.

5. ANALYSIS ON CONDENSED 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)	**June 30, 2019**	December 31, 2018	Change
Assets			
Cash and bank balances	**19,380.1**	23,497.8	-17.5%
Placement to banks and other financial institutions	**–**	500.0	-100.0%
Financial assets at fair value through profit or loss	**374.1**	1,919.1	-80.5%
Derivative financial assets	**9.1**	36.9	-75.3%
Accounts receivable	**3,828.2**	5,405.7	-29.2%
Finance lease receivables	**130,426.0**	125,141.6	4.2%
Prepayments	**15,173.0**	12,332.8	23.0%
Financial assets at fair value through other comprehensive income	**–**	495.7	-100.0%
Assets held-for-sale	**576.6**	1,325.0	-56.5%
Investment properties	**1,056.7**	1,075.3	-1.7%
Property and equipment	**64,948.3**	63,038.6	3.0%
Deferred tax assets	**1,289.8**	1,088.2	18.5%
Other assets	**3,133.7**	2,210.3	41.8%
Total assets	**240,195.6**	238,067.0	0.9%
Liabilities			
Borrowings	**149,517.8**	157,186.9	-4.9%
Due to banks and other financial institutions	**2,000.0**	–	100.0%
Financial assets sold under repurchase agreements	**–**	880.0	-100.0%
Derivative financial liabilities	**849.8**	282.7	200.6%
Accrued staff costs	**203.2**	249.9	-18.7%
Tax payable	**336.0**	440.6	-23.7%
Bonds payable	**46,794.8**	38,596.3	21.2%
Deferred tax liabilities	**688.5**	614.1	12.1%
Other liabilities	**15,826.4**	15,613.5	1.4%
Total liabilities	**216,216.5**	213,864.0	1.1%
Total equity	**23,979.1**	24,203.0	-0.9%

5.1. Total Assets

The Group's assets mainly comprised cash and bank balances, accounts receivable, finance lease receivables, prepayments and property and equipment, collectively representing 97.3% of the Group's total assets as at June 30, 2019. As at June 30, 2019, total assets of the Group amounted to RMB240,195.6 million, representing an increase of 0.9% as compared with that of RMB238,067.0 million as at the end of last year, due primarily to significant investments on leasing business maintained in the first half of 2019, the increase in asset recovery and transfer, the decrease in liquidity reserves funds and the slight increase in asset scale as compared with that at the beginning of the year.

5.1.1. Finance Lease Receivables

(RMB in millions, except percentages)	**June 30, 2019**	December 31, 2018	Change
Finance lease receivables – gross	**166,366.1**	159,252.6	4.5%
Less: Unearned finance income	**(30,726.0)**	(29,435.5)	4.4%
Finance lease receivables – net	**135,640.1**	129,817.1	4.5%
Less: Allowance for impairment losses	**(5,214.1)**	(4,675.5)	11.5%
Finance lease receivables – carrying value	**130,426.0**	125,141.6	4.2%

As at June 30, 2019, finance lease receivables of the Group amounted to RMB130,426.0 million, representing an increase of 4.2% as compared with that of RMB125,141.6 million as of December 31, 2018, due primarily to significant investments on finance lease business maintained in the first half of 2019, and the increase in asset recovery and transfer.

5.1.2. Accounts Receivable

As at June 30, 2019, accounts receivable of the Group amounted to RMB3,828.2 million, representing a decrease of 29.2% as compared with that of RMB5,405.7 million as at December 31, 2018, due primarily to the decrease in accounts receivable of projects upon lease.

5.1.3. Prepayments

As at June 30, 2019, prepayments of the Group amounted to RMB15,173.0 million, representing an increase of 23.0% as compared with that of RMB12,332.8 million as at December 31, 2018, due primarily to the greater emphasis laid by the Group on the development of ship and aircraft business and increased investment on building new ships and aircraft.

5.1.4. Property and Equipment

As at June 30, 2019, equipment held for operating lease of the Group amounted to RMB64,036.3 million, representing an increase of 3.1% as compared with that of RMB62,117.7 million as at December 31, 2018, due primarily to the increase in the scale of ships held for operating lease of the Group.

As at June 30, 2019, property and equipment held for administrative purposes of the Group amounted to RMB912.0 million, representing a decrease of 1.0% from RMB920.9 million as at December 31, 2018, due primarily to the increase in the depreciation of property and equipment held for administrative purposes.

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

(RMB in millions, except percentages)	**June 30, 2019**	December 31, 2018	Change
Property and equipment			
Equipment held for operating lease	**64,036.3**	62,117.7	3.1%
Property and equipment held for administrative purposes	**912.0**	920.9	-1.0%
Property and equipment – carrying value	**64,948.3**	63,038.6	3.0%

5.1.5. Cash and Bank Balances

As at June 30, 2019, cash and bank balances of the Group were RMB19,380.1 million, representing a decrease of 17.5% from RMB23,497.8 million as at December 31, 2018, due primarily to enhanced management of liquidity and reduced liquidity reserves funds by the Group.

5.1.6. Financial Assets at Fair Value through Profit or Loss

As at June 30, 2019, financial assets at fair value through profit or loss of the Group were RMB374.1 million, representing a decrease of 80.5% from RMB1,919.1 million as at December 31, 2018, due primarily to the redemption of a portion of the investment principals from asset management schemes by the Group.

5.1.7. Other Assets

Other assets primarily included maintenance right assets, other receivables, prepaid expenses, deductible value-added tax and land use rights. As at June 30, 2019, other assets of the Group amounted to RMB3,133.7 million, representing an increase of 41.8% from RMB2,210.3 million as at December 31, 2018, due primarily to the increase in maintenance right 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, 2019**	December 31, 2018	Change
Finance lease related assets			
Finance lease receivables	**130,426.0**	125,141.6	4.2%
Accounts receivable – advances for finance lease projects	**2,992.7**	4,679.4	-36.0%
Total	**133,418.7**	129,821.0	2.8%

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, 2019**	December 31, 2018	Change
Operating lease assets			
Investment properties	**1,056.7**	1,075.3	-1.7%
Property and equipment – equipment held for operating lease	**64,036.3**	62,117.7	3.1%
Total	**65,093.0**	63,193.0	3.0%

Finance lease assets of the Group increased by 2.8% as compared with that at the beginning of the year, and operating lease assets increased by 3.0% as compared with that at the beginning of the year. In the first half of 2019, the Group maintained significant investment in leasing, and increased asset recovery and transfer. The balance of lease assets maintained slight growth as compared with that at the beginning of the year.

5.3. Liabilities

As at June 30, 2019, total liabilities of the Group amounted to RMB216,216.5 million, representing an increase of 1.1% as compared with that of RMB213,864.0 million as at December 31, 2018, due primarily to growth in the scale of liabilities in commensurate with that of assets.

5.3.1. Borrowings

As at June 30, 2019, the balance of borrowings of the Group amounted to RMB149,517.8 million, representing a decrease of 4.9% as compared with that of RMB157,186.9 million as at December 31, 2018, due primarily to the decrease in the scale of borrowings as a result of the increase in bond financing limit by the Group in the first half of 2019.

5.3.2. Bonds Payable

As at June 30, 2019, the balance of bonds payable of the Group amounted to RMB46,794.8 million, representing an increase of 21.2% as compared with that of RMB38,596.3 million as at December 31, 2018, due primarily to the increase in the scale of bonds payable as a result of additional issuance of bonds in the first half of 2019.

5.3.3. Other Liabilities

As at June 30, 2019, the balance of other liabilities of the Group amounted to RMB15,826.4 million, representing an increase of 1.4% as compared with that of RMB15,613.5 million as at December 31, 2018, due primarily to the declaration of 2018 dividend in the first half of 2019.

6. ANALYSIS ON STATEMENT OF CASH FLOWS

(RMB in millions, except percentages)	For the six months ended June 30, **2019**	2018	Change
Net cash flows from operating activities	**(8,659.9)**	11,511.0	-175.2%
Net cash flows from investing activities	**(356.0)**	(9,718.5)	-96.3%
Net cash flows from financing activities	**7,564.9**	(1,451.0)	-621.4%
Net increase/(decrease) in cash and cash equivalents	**(1,451.0)**	341.5	-524.9%

For the first half of 2019, net cash outflow from operating activities of the Group amounted to RMB8,659.9 million, due primarily to due payment of borrowings in the first half of 2019. For the first half of 2019, net cash outflow from investing activities of the Group amounted to RMB356.0 million, representing a decrease of RMB9,362.5 million as compared with that of the same period of last year, due primarily to (1) the increase in the cash inflow from disposal of financial assets during the period; (2) the decrease in the restricted bank deposit of the Group in 2019. For the first half of 2019, net cash inflow from financing activities of the Group amounted to RMB7,564.9 million, due primarily to the issuance of US dollar bonds and private bonds amounted to USD1,180 million in the first half of 2019, representing an increase of USD1,080 million as compared with that of the same period of last year.

7. BUSINESS OVERVIEW

The major business segments of the Group include Aircraft Leasing, Infrastructure Leasing, Ship, Vehicle and Construction Machinery Leasing and Other Leasing Business. In the first half of 2019, we set Aircraft Leasing and Infrastructure Leasing as two core business segments, adopted a proactive approach for Ship, 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 2019, the total lease financing to lessees of the Group amounted to RMB42.207 billion, and the lease financing to lessees in Aircraft Leasing, Infrastructure Leasing, Ship, Vehicle and Construction Machinery Leasing and Other Leasing Business were RMB5.974 billion, RMB21.047 billion, RMB12.686 billion and RMB2.500 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,			
	2019		2018	
Segment revenue and other income	**Amount**	**Percentage**	Amount	Percentage
Aircraft Leasing	**4,207.7**	**48.2%**	3,411.5	49.6%
Infrastructure Leasing	**2,757.0**	**31.5%**	2,261.5	32.9%
Ship, Vehicle and Construction Machinery Leasing	**1,409.1**	**16.1%**	844.7	12.3%
Other Leasing Business	**364.8**	**4.2%**	355.1	5.2%
Total	**8,738.6**	**100.0%**	6,872.8	100.0%

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

(RMB in millions, except percentages)	**June 30, 2019**		December 31, 2018	
Segment Assets	**Amount**	**Percentage**	Amount	Percentage
Aircraft Leasing	**85,397.2**	**35.7%**	88,370.1	37.3%
Infrastructure Leasing	**94,267.9**	**39.5%**	94,546.7	39.9%
Ship, Vehicle and Construction Machinery Leasing	**47,280.0**	**19.8%**	42,976.8	18.1%
Other Leasing Business	**11,960.7**	**5.0%**	11,085.2	4.7%
Total	**238,905.8**	**100.0%**	236,978.8	100.0%

7.1. Overview of Business Segments

7.1.1. Aircraft Leasing

The airline industry did show some volatility during the first half of 2019 due primarily to concerns of a global economic growth slowdown, intense competition amongst airlines, the uncertainty over the US-China trade negotiations and the grounding of Boeing 737 MAX aircraft.

In respect of the aviation market, both Airbus and Boeing forecast traffic growth to continue to outpace world GDP growth, at rates between 4.5% to 5% for the next 20 years. This long-term outlook is expected to be driven by continued solid economic growth, growing middle classes, increasing consumer spending on services, and evolving airline business models that bring more value to passengers.[1]

Despite rising aircraft fuel costs, most of the leading airline groups retained healthy profit levels in the first half of 2019. Load factors and aircraft utilization improved substantially and made a major contribution to the improvement in profitability, especially for low-cost operators. Airlines added flying capacity to their networks in order to take advantage of growing demand, particularly in Asia Pacific. In addition, new generation aircraft with better fuel efficiency started to make helpful fuel cost savings for airlines.

These factors continue to support the demand for leased aircraft and lessors will continue to play a vital role in providing airlines with access to capital funding. Competition from lessors and other investors remains heightened, though, as investors continue to be drawn to the aircraft leasing sector.

Amidst these market conditions, the Group has been able to leverage its aircraft leasing platform to deliver on its strategies. Aircraft leasing is one of the core business segments of the Group. In the first half of 2019, aircraft leasing business segment has still maintained growth amidst intensely competitive environment mainly benefited from the Group's advantage and scale in the aircraft leasing business, as well as its own business model and smooth cooperation with manufacturers and strong relationships with airlines and aircraft investors around the globe.

[1] Airbus and Boeing forecast 2018

Major highlights for the first half of 2019 include:

- Signed lease transactions for 15 aircraft with five customers;
- Signed agreements to sell 10 aircraft and to acquire 14 aircraft via portfolio acquisitions;
- Acquired 16 aircraft on operating lease (including two via direct OEM orders, one via sale-lease back and 13 via portfolio acquisitions);
- Signed financing transactions for USD745 million;
- Added 12 new airline customers.

As of June 30, 2019, the Group owned and managed a well-diversified portfolio of 227 delivered aircraft assets on lease to 60 lessees in 36 jurisdictions. As of June 30, 2019, total assets of the Aircraft Leasing segment of the Group amounted to RMB85,397.2 million, representing a decrease of 3.4% compared to December 31, 2018, and the total revenue and other income of the Aircraft Leasing segment amounted to RMB4,207.7 million, representing an increase of 23.3% compared to the same period of last year. The assets of the Aircraft Leasing segment accounted for 35.7% of the overall Group, representing a decrease of 1.6% compared to December 31, 2018. The revenue and other income of the Aircraft Leasing segment accounted for 48.2% of the overall Group, representing a decrease of 1.4% compared to the same period of last year.

As of June 30, 2019, the Group had a total portfolio of 423 aircraft, consisting of 222 owned aircraft, five managed aircraft and 196 committed aircraft. As of June 30, 2019, 210 owned aircraft of the Group were held for operating leases and 12 owned aircraft of the Group were under finance leases. As of June 30, 2019, the weighted average age by net book value of the Group's owned aircraft held for operating leases was 4.7 years, the weighted average remaining lease term by net book value of the Group's owned aircraft held for operating leases was 6.8 years.

The Group's owned and in-service fleet mainly includes narrow-body types such as Airbus A320 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 fleet consists of 64% narrow-body aircraft, 31% wide-body aircraft and 5% regional and other aircraft. As of June 30, 2019, the net book value of the Group's owned aircraft was USD8,795.8 million.

The Group's orderbook contains next-generation, liquid and narrow-body types. As of June 30, 2019, the Group has committed to purchase 99 aircraft from Boeing and 85 aircraft from Airbus. These aircraft are scheduled to be delivered between the second half of 2019 and 2025. The Group also has contractual commitments to acquire a further 12 aircraft under sale and leaseback and portfolio acquisition transactions. The aggregate of these commitments net after deduction of predelivery payments paid is RMB58.2 billion.

The following table shows the composition of the Group's fleet and committed aircraft as of June 30, 2019:

	Owned aircraft	Managed aircraft	Committed aircraft	Total
Airbus				
A319-100	7	–	–	7
A320-200	57	–	2	59
A321-200	17	–	–	17
A330-200	8	–	–	8
A330-300	25	–	–	25
A330-900	–	–	2	2
A350-900	1	–	–	1
A320neo	22	–	58	80
A321neo	2	–	29	31
Airbus Total	139	–	91	230
Boeing				
737-700	2	–	–	2
737-800	55	3	4	62
777-300ER	3	2	–	5
737 Max 8	2	–	91	93
737 Max 10	–	–	10	10
Boeing Total	62	5	105	172
Embraer				
E190-100LR	20	–	–	20
Embraer Total	20	–	–	20
Other	1	–	–	1
Total	222	5	196	423

In the above table, seven Airbus A320–200, three Boeing 737–800, one other aircraft and one Airbus A330–200 aircraft were held under finance lease.

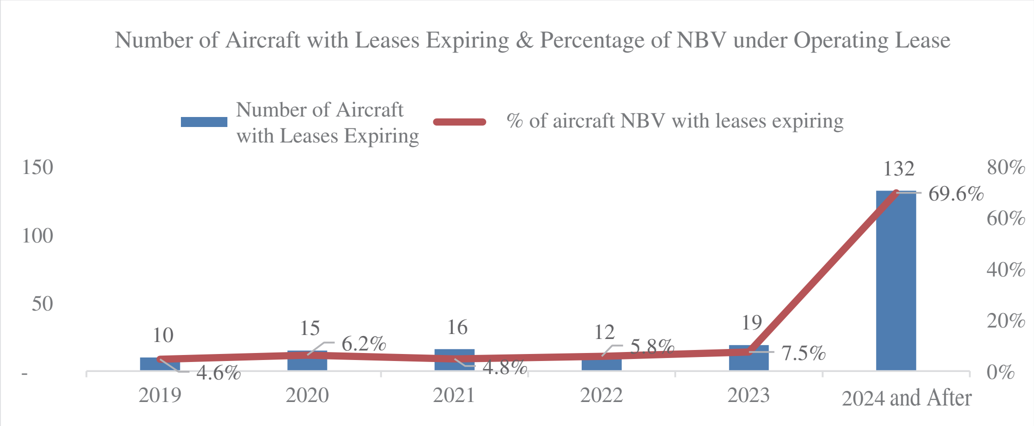
In addition to the above committed aircraft, the Group has 65 non-binding entitlements with other aircraft manufacturers, consisting of 20 ARJ21 and 15 C919 aircraft from The Commercial Aircraft Corporation of China, Ltd., and 30 MA700 aircraft from AVIC Aircraft Co., Ltd.

Based on contracts, as of June 30, 2019, the number of committed aircraft (including direct OEM orders, sale-lease-backs and portfolio acquisitions) scheduled for delivery was 33 in the second half of 2019, 27 in 2020, 28 in 2021, 32 in 2022 and 76 after 2022.

As of June 30, 2019, of the 184 aircraft committed to be purchased directly from OEMs, 19 were committed for lease. Of the 23 new aircraft scheduled for delivery directly from OEMs in 2019, two had been delivered and 17 were committed to lease.

As of June 30, 2019, the Group was committed to sale-and-leaseback transactions covering six aircraft, which were scheduled for delivery in 2019; the Group was also committed to portfolio acquisitions covering six aircraft, which were scheduled for delivery in 2019.

The following chart shows the breakdown of the number and percentage of net book value balance as of June 30, 2019 of those owned aircraft under operating lease expiring in the future, excluding any aircraft for which the Group has a sale commitment. As of July 31, 2019, five of the ten aircraft to expire in 2019 had agreements signed for lease transitions or extensions and additional two of these ten aircraft had letters of intent signed.



During the first half of 2019, the Group signed agreements for lease transitions for 11 aircraft. As of June 30, 2019, all owned and managed aircraft were committed to lease except for four aircraft that have been terminated early from Jet Airways (India) Limited. As of July 31, 2019, two of these four aircraft were committed to lease.

The Group continued to trade aircraft during the first half of 2019, selling nine owned aircraft in total with a gain on disposal of USD41.8 million and a total net book value of USD327.2 million. In the first half of 2019, the lease of 11 aircraft under finance lease were terminated early. The Group's owned aircraft under operating lease maintained 99.1% fleet utilization.

In the first half of 2019, the net lease yield of the operating leased aircraft for 2019 was 8.4%[2], and the lease yield of the finance leased aircraft was 7.3%[3]. In the first half of 2019, the annualized pre-tax return on Aircraft Leasing segment was 2.5%, no change compared to the same period of last year.

The following table sets forth a breakdown of the Group's revenue and assets of Aircraft Leasing by region of lessee in the first half of 2019:

Region	Percentage of lease revenue in the first half of 2019	Percentage of net book value as of June 30, 2019
The PRC	56.7%	**50.9%**
Europe	16.1%	**17.8%**
Asia Pacific (excluding the PRC)	16.3%	**17.4%**
Middle East and Africa	5.6%	**6.3%**
Americas	5.3%	**5.5%**
Off-Lease	–	**2.1%**
Total	100.0%	**100.0%**

The following table provides a breakdown of the Group's owned Aircraft by manufacturer as of June 30, 2019:

	Percentage by net book value as of June 30, 2019
Manufacturer	
Airbus	**68.0%**
Boeing	**27.0%**
Others	**5.0%**
Total	**100.0%**

2 The calculation is net lease income of aircraft operating lease business / average monthly balance of aircraft operating lease assets. Net lease income of the aircraft operating lease business is defined as the difference between aircraft operating lease income and interest expense of the aircraft operating lease business.

3 The calculation is lease income of aircraft finance lease business / average monthly balance of aircraft finance lease assets.

7.1.2. Infrastructure Leasing

Since 2019, the Company has been seizing business development opportunities brought about by national policies for remedying shortcomings in infrastructure areas, focused on infrastructure areas of transportation, cities and energy, exerted more efforts on business development, and promoted steady growth in the amount of new lease investment.

In the first half of 2019, the Company adhered to legitimate and compliant operation, and maintained stable and compliant development of infrastructure business. Business from infrastructure sector accounted for approximately 50% of the new investment in the first half of the year. In respect of the strategies of business development, a customer-oriented business development model was established, and the construction of the Company's customer management system was enhanced. The Company effectively took advantage of China Development Bank Group's customer resources and project management experience in the infrastructure sector, improved the effect of synergy of the business under the concept of "one China Development Bank, one customer, one set of services", promoted customers' comprehensive financial services, developed a number of quality projects, and achieved sizable results.

The Group had established a relatively mature business model for the Infrastructure Leasing segment, accumulated extensive business experience and gradually enhanced business scale and profitability. As of June 30, 2019, the total assets of the Infrastructure Leasing segment of the Group amounted to RMB94,267.9 million, representing a decrease of RMB278.8 million, or 0.3%, as compared with that as of the end of last year. In the first half of the year, such business segment realized revenue and other income of RMB2,757.0 million, representing a year-on-year increase of RMB495.5 million or 21.9%.

The majority of the Infrastructure Leasing business of the Group was under finance lease, while a minority was under operating lease, and the overall asset quality was good. The finance lease mode of Infrastructure Leasing of the Group is carried out primarily through sale-and-leaseback model, which could effectively help enterprises activate the existing assets.

Infrastructure Leasing business comprises Transportation Infrastructure Leasing (toll roads and rail transit), Urban Infrastructure Leasing (municipal facilities and social housing) and Energy Infrastructure Leasing (energy and electric power equipment) as classified by the type of leased assets.

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

(RMB in millions, except percentages)	Net carrying amount of assets related to leasing business as of June 30, 2019	Percentage of net carrying amount of assets related to leasing business as of June 30, 2019
Transportation Infrastructure Leasing	33,321.1	35.3%
Urban Infrastructure Leasing	45,476.3	48.2%
Energy Infrastructure Leasing	15,470.5	16.5%
Total	94,267.9	100.0%

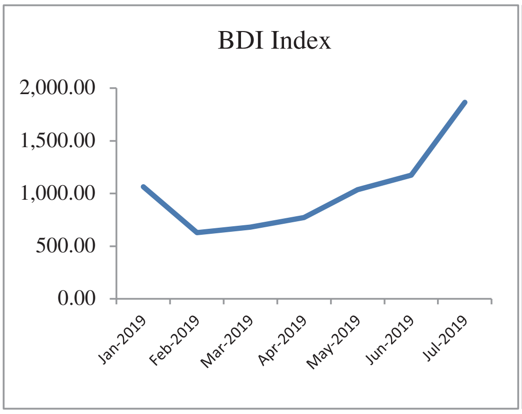
In the second half of the year, the Group will take advantage of China Development Bank's quality customer resources and rich experience in medium- to long-term loans in the area of infrastructure, and carry out leasing business in the areas with sufficient cash flow and clear standards of property rights, such as toll roads, rail transit, energy power, water treatment, heat supply, gas supply and parking lot.

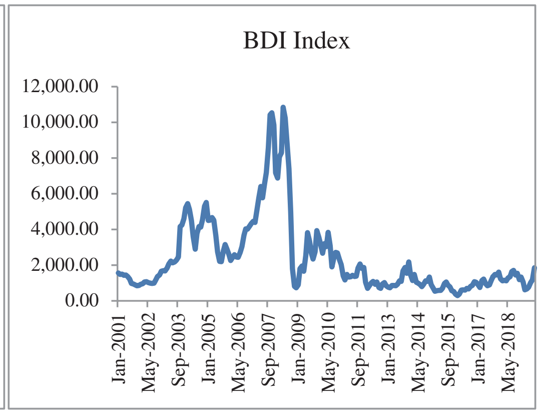
7.1.3. Ship, Vehicle and Construction Machinery Leasing

In the first half of 2019, the Group focused on optimizing its business layout, carrying out business model innovation and selecting quality leased assets and customers for commencement of business. As at June 30, 2019, total assets of Ship, Vehicle and Construction Machinery Leasing business amounted to RMB47,280.0 million, increasing by 10.0% as compared with that as at December 31, 2018. In the first half of 2019, total revenue and other income of Ship, Vehicle and Construction Machinery Leasing business of the Group amounted to RMB1,409.1 million, representing a year-on-year growth of 66.8%.

Ship Leasing

In terms of Ship Leasing business, in the first half of 2019, subject to the impact of Vale SA's dam breach in Brazil, hurricane in Australia and Sino-US trade war, international shipping market experienced a tough start. Baltic Dry Index ("**BDI**") showed a U-shaped curve but a strong rebounce in July 2019, and exceeded 2,000 points. From the historical curve of BDI, international bulk carriers transportation market is still at a historical low as a whole.

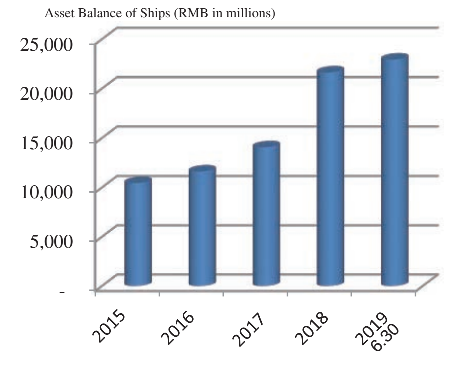


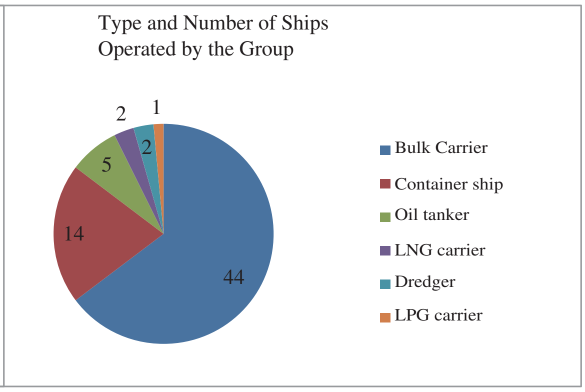


Source: Clarksons, July 2019

Fluctuation of BDI in the first half of the year was relatively significant. Based on consecutive years of in-depth research on bulk carriers transportation market, the Group made steady progress in developing ship operating lease business and obtained good results.

As of June 30, 2019, there were a total of 68 ships under the existing management of the Group, including 44 bulk carriers (including 33 bulk carriers under construction and three bulk carriers to be delivered with deposit paid), 14 container carriers, five oil tankers, two liquefied natural gas ("LNG") carriers, two dredgers and one liquefied petroleum gas ("LPG") carrier.





As of June 30, 2019, the balance of assets in relation to ships of the Group amounted to RMB23,115.3 million, including RMB21,337.7 million for assets leased in relation to ships (comprising of the balance of finance lease of RMB12,095.7 million, the balance of operating lease of RMB5,705.6 million, the balance of prepayments of RMB3,536.4 million), and other related assets of RMB1,777.6 million.

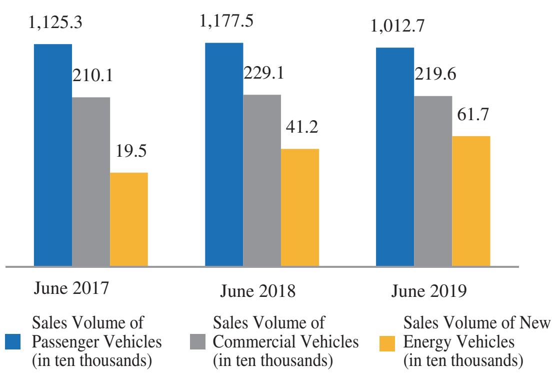
In the first half of 2019, the Group recorded the following in the results of ship operating business: 1. The Group continued to promote major customer strategy, and further expanded cooperation with international leading quality customers in the segmented market, such as Cargill International, Oldendorff Carriers, Mediterranean Shipping Company, Jiangsu Shagang Group, etc.; 2. The Group set up several measures such as setting the minimum rental and fixing the rental of certain ships at floating rental stages using marketing instruments, to enable an augment in the profitability of the Company in ship operating lease business segment; 3. In the first half of the year, the Group successfully completed the delivery of 11 ships for operating lease, including 3 new ships and 8 second-hand ships. The time-chartered ships in service were in good operating and safe condition, and costs were effectively controlled, and operating efficiency of time-chartered ships reached 99%, and RIGHTSHIP[4] ratings of all ships exceeded the requirement set out in lease, and all ships could satisfactorily perform the voyage tasks of charterers.

4 RIGHTSHIP is a ship safety and efficiency assessment organization established by Dry Bulk Cargo Shipper Alliance, with five ratings from 1-5 in an ascending order. The average rating of the Company's ships was 3.93.

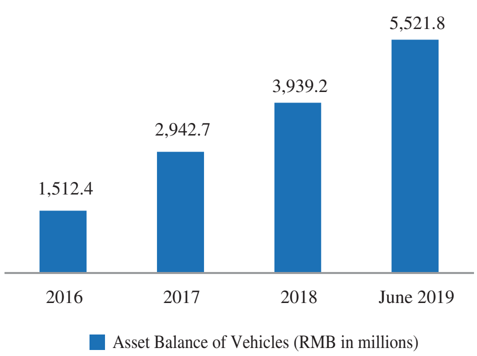
Vehicle Leasing

With respect to the Vehicle Leasing business, in the first half of 2019, subject to the impact of several factors including slowdown in macroeconomic growth, Sino-US trade friction, decrease in consumer demand and destocking as required by the "National V Emission Standard", sales amount of vehicles in China in the first half of 2019 recorded a year-on-year decrease of 12.4%. As manufacturers will expand the supply of vehicle models meeting the National VI Emission Standard in the second half of the year, and local governments expect to successively introduce specific policies to promote automobile consumption, production and sales volume of vehicles is expected to recover in the second half of the year and industry inflection point remains to be seen. Despite the fact that subsidies for new energy vehicles were decreasing gradually and the competition in the industry was still aggravating, since the number of new energy vehicles in possession remained small in the country, the total number of new energy vehicles was still growing in scale. According to the statistics of the Ministry of Industry and Information Technology of the PRC, in the first half of 2019, 9.978 million and 10.127 million passenger vehicles were cumulatively produced and sold in China, representing a year-on-year decrease of 15.8% and 14.0%, respectively; 2.154 million and 2.196 million commercial vehicles were produced and sold, respectively, representing a year-on-year decrease of 17.5% and 17.8%, respectively; and 0.614 million and 0.617 million new energy vehicles were produced and sold, respectively, representing a year-on-year increase of 48.5% and 49.6%, respectively, showing significant scaled-up growth.

Domestic vehicle sales trend



Asset balance of vehicles of the Group

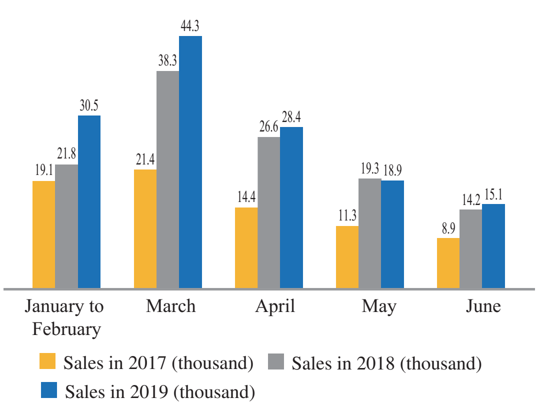


In the first half of 2019, following the principle of robust operation, the Group diversified cooperation channels with large and medium-sized manufacturers, strengthened cooperation with companies in the leasing industry, and balanced the business scale of commercial vehicles and passenger vehicles on a reasonable basis. In the meantime, gradual introduction of financial technology means based on big data, internet of things, artificial intelligence, etc., combined with traditional means of risk control, further enhanced the risk management capability of the passenger vehicle business, and promoted healthy development of the passenger vehicle business. In addition, adhering to strategic guidance, the Group implemented green development concept, actively promoted new energy vehicle leasing business, and materialised the sustainable development combining inclusive finance and green finance. As of June 30, 2019, the underlying assets of Vehicle Leasing business of the Group amounted to RMB5,521.8 million, representing an increase of RMB1,582.6 million or 40.2% as compared with that as at December 31, 2018, accounting for 11.7% of the segment assets of the Ship, Vehicle and Construction Machinery Leasing business.

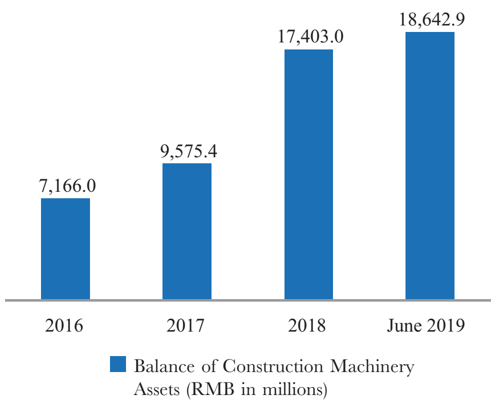
Construction Machinery Leasing

With respect to the Construction Machinery Leasing business, in the first half of 2019, overall prosperity index of construction machinery industry remained, steady growths of industry revenue and results were recorded and operating quality continued to improve. According to the statistics of China Construction Machinery Industry Association, the sales volume of the "indicating" product of the industry – excavator was 0.137 million units, representing a year-on-year increase of 14.2%. As driven by favorable policies including "improving weakness in infrastructure" and special bonds for infrastructure financing, demand in construction machinery industry is expected to remain roughly stable in the second half of 2019. By following the trend of concentrated marketing of leading enterprises in construction machinery industry, the Group will strengthen strategic cooperation with leading manufacturers in the industry, and expand business scale with manufacturers and its leasing companies, provide comprehensive services to terminal customers, and provide all-round and comprehensive financial services to strategic customers driven by two aspects including optimising business model and strengthening refined business management.

Domestic sales in excavator market



Balance of Construction Machinery Assets of the Group



In the first half of 2019, the Group deepened its strategic cooperation relationship with manufacturers. As of June 30, 2019, the underlying assets of Construction Machinery Leasing of the Group amounted to RMB18,642.9 million, representing an increase of RMB1,239.9 million or 7.1% as compared with that as at December 31, 2018, accounting for 39.4% of the segment assets of the Ship, Vehicle and Construction Machinery Leasing business. In the second half of 2019, the Group will increase its efforts in risk control, and maintain the asset quality level of construction machinery business. In addition to maintaining strategic cooperation with leading manufacturers in the industry, the Group will explore cooperation with medium- and small-sized manufacturers, in order to build a diversified customer system for construction machinery business and further improve the systematic and sustainable development capacity of the Group's business.

7.1.4. Other Leasing Business

In the first half of 2019, while strengthening key business areas, the Group continued to adjust other lease business, as well as research and explore new business growth points on the premise of effective management and control of risks.

As of June 30, 2019, total assets of Other Leasing Business segment amounted to RMB11,960.7 million, representing an increase of RMB875.5 million, or 7.9%, as compared with that as of the end of last year.

7.2. Financing

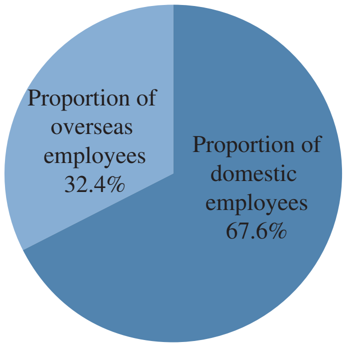
Benefiting from high credit ratings ("A1" by Moody's, "A" by Standard & Poor's, and "A+" by Fitch), the Group continuously enhanced its funding capability and diversified its financing channels. The Group continued to deepen its cooperation with domestic and overseas banks and other financial institutions to ensure that there would be sufficient funds available for business development. As of June 30, 2019, the Group had established business relationships with 121 banks and was granted credit facilities amounting to a total of approximately RMB550.48 billion including unused credit facilities of approximately RMB397.72 billion. Meanwhile, under the complex and everchanging macroeconomic conditions in domestic and overseas markets, the Group timely adjusted financing strategies based on macroeconomic trend, innovated financing products and expanded financing channels continually to further optimize debt structure and maintain an appropriate financing costs. As for financing in debt capital market, the Group successively issued a three-year USD700 million senior bonds with fixed coupon rate through public offering in March 2019, and issued 9 private placement bonds with an accumulated amount of USD484 million in the first half of 2019. As for financing by syndicated loan, the Group raised USD500 million Ninja Syndicate Loan in Japan for the first time.

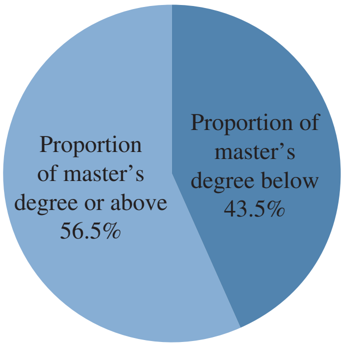
In the first half of 2019, the Group controlled financing cost through proactive adjustment of financing strategies and optimization of financing structure. In respect of RMB financing, financing cost of RMB was significantly reduced due to abundant market liquidity in the first half of the year; in addition, the Group appropriately extended the maturity term of newly-added financing, optimised financing structure and relived pressure on financing turnover. In respect of USD financing, as the Federal Reserve was more expected to reduce other than raise interest rate, rise in cost of newly-added financing by USD was effectively controlled. Further, the issuance of offshore bonds and the launch of ninja syndicated loan expanded USD financing channels. As for interest structure, the Group continued to maintain the original strategy for the risk management on interest rate, and actively managed the matching of assets and liabilities in terms of interest structure. As for the structure of exchange rates, the Group continued to maintain its original strategy for the risk management on exchange rates and maintained the matching of currency between assets and liabilities.

In the first half of 2019, the major financing sources of the Group include bank borrowings, issuance of bonds and short term interbank borrowings through national interbank funding center. As of June 30, 2019, the Group's borrowings, bonds payable and short term interbank borrowings through national interbank funding center were RMB149,517.8 million, RMB46,794.8 million and RMB2,000.0 million, respectively.

7.3. Human Resources

As at June 30, 2019, the Group had 336 employees in total, with approximately 67.6% domestic employees and approximately 32.4% overseas employees. The Group has a team of highly educated and high-quality young talents. As at June 30, 2019, approximately 93.8% of the Group's employees had bachelor's degrees or above, and approximately 56.5% had master's degree or above.





In the first half of 2019 and 2018, the Group incurred employees' staff costs of RMB229.9 million and RMB250.2 million, respectively, accounting for 2.6% and 3.6% of the total revenue and other income of the Group for the respective periods.

The Group attaches great importance to talents, regards human resources as valuable capital for the development of the Company, and strives to enhance the construction of human resources management systems in all aspects including human resources organization system, remuneration incentives, performance assessment, and talent introduction and development. The Group strives to develop a result-oriented performance assessment system, and strives to develop a remuneration and welfare incentive system which is fair internally and competitive externally. The Group adjusts employees' remuneration according to performance, to provide employees with more competitive remuneration packages and effectively stimulate the business development through remuneration incentives; the Group strives to continuously optimize vocational promotion and development path of employees, spares no efforts to constantly improve talent introduction system and training system, expands diversified talent introduction channels, strengthens talent introduction, seeks for more training resources, and continuously promotes and creates an organisational atmosphere for learning.

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 sustainable 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 2019, the Group had been consolidating the fundamental capability of its capital management, promoting capital intensification operating transformation. Firstly, the Group further optimized the system and mechanism of asset management, systematically implemented assessment procedures of internal capital adequacy ratio which is in compliance with the core regulatory requirements and with features of the Group, completed the assessment report of the internal capital adequacy and the management plan report of capital adequacy ratio for the year, and organized to promote the construction of the second pillar; secondly, the Group deepened the capital delicacy management concept, commenced in-depth organization management of capital replenishment and capital utilization by regarding capital planning, capital adequacy ratio management plan and supervision of the capital flow as the basis, and improved the capital utilization efficiency and capital return level; thirdly, the Group enhanced internal and external capital replenishment capability, and developed long-term mechanism for asset replenishment. Through maintaining sound profit growth and effective non-performing assets and provision management, the Group formed solid foundation for internal capital replenishment, while actively promoting external capital replenishment, constantly solidifying the capital strength of the Group, and strengthening the capability of serving the real economy. In the first half of 2019, all capital indicators showed favourable results, and capital adequacy ratio maintained at a sound and reasonable level. Each of the management system and management measures were further implemented.

On June 7, 2012, the CBIRC issued the Capital Administrative Measures, which was effective from January 1, 2013. As at June 30, 2019, the Group has core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 10.43%, 10.43% and 11.61%, respectively, all higher than regulatory requirements.

(RMB in thousands, except percentages)	**Regulatory requirement**	**June 30, 2019**	June 30, 2018
Net capital:			
Net core tier-one capital		**23,976,002**	22,981,812
Net tier-one capital		**23,976,002**	22,981,812
Net capital		**26,703,515**	25,404,411
Capital adequacy ratio:			
Core tier-one capital adequacy ratio	≥7.5%	**10.43%**	11.25%
Tier-one capital adequacy ratio	≥8.5%	**10.43%**	11.25%
Capital adequacy ratio	≥10.5%	**11.61%**	12.44%

9. CAPITAL EXPENDITURES

The capital expenditures of the Group principally comprise of the purchase of property, equipment, aircraft and ship leasing business and construction of office building, etc. As at June 30, 2019, the capital expenditures of the Group amounted to RMB6,637.2 million, which were mainly used for the purchase of aircraft and ships. 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)	**2019**	2018
Capital expenditures	**6,637.2**	4,579.8

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 benefit 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 of loss incurred by the Group due to the failure to perform contractual obligations by counterparties when the contract is due. Credit risk is currently the major risk faced by the Group, primarily arising from finance lease business.

The Group emphasizes the operating philosophy of keeping balance among "scale, efficiency and risks", strictly complies with regulatory requirements and policy limits imposed in the industry, and conducts finance lease business in compliance with laws and regulations in a reasonable manner. The Group has regarded aircraft and infrastructure leasing segments as core business, proactively developed ship, vehicle and construction machinery leasing businesses, and prudently developed other leasing business. We attach great importance to the quantitative management technology of credit risks and the management application, establish a dual-dimensional rating system with credit rating and debt rating, and ensure the effectiveness of medium- to long-term credit risk management of the Company by reinforcing risk pricing capability, so as to guarantee a reasonable level of credit risk and revenue. We maintain appropriate diversification of the Group's lease assets portfolio in different countries, regions, industries, clients and products in order to control the concentration risks within a reasonable level. Regarding the elimination of non-performing and risk-bearing projects, we stabilize the assets quality and safeguard the bottom line against risks through various approaches such as stepping up the collection efforts, collecting according to the laws and bulk transfers. We maintain the high quality of our finance lease assets and a relatively low level of the non-performing assets ratio.

In the first half of 2019, the global economic growth experienced a slowdown trend. The domestic economy picked up with the stimulus of relevant policies including stabilising growth while still facing with larger downward pressure. The credit risk prevention and control situation was still serious. Facing complex and changing internal and external environment, the Group seized the business investment strictly, increased the efforts in industry research and analysis, strengthened risk monitoring and early warning mechanism, enhanced the application of risk control measures for financial technology, exerted more efforts in risk resolution and disposal, enhanced credit risk policies and methodologies, and continuously improved the level of credit risk management and control.

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, 2019	December 31, 2018
Financial assets		
Cash and bank balances	19,380.1	23,497.8
Placement to banks and other financial institutions	–	500.0
Financial assets at fair value through profit or loss	204.6	1,749.6
Derivative financial assets	9.1	36.9
Accounts receivable	3,828.2	5,405.7
Finance lease receivables	130,426.0	125,141.6
Financial assets at fair value through other comprehensive income	–	495.7
Other financial assets	182.3	231.6
Total	154,030.3	157,058.9

Asset Quality Situation

The Group's asset classification system is formulated based on regulations such as the Guidelines on the Risk-based Classification of Loan (《貸款風險分類指引》) (Yin Jian Fa [2007] No. 54) issued by the CBIRC. 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, 2019**	December 31, 2018
Five-category		
Normal	**224,404.7**	229,263.8
Special mention	**20,568.0**	12,611.1
Substandard	**135.3**	895.9
Doubtful	**1,210.6**	528.1
Loss	**829.7**	748.2
Total assets before allowance for impairment losses	**247,148.3**	244,047.1
Non-performing assets	**2,175.6**	2,172.2
Non-performing asset ratio	**0.88%**	0.89%

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, 2019**	December 31, 2018
Five-category		
Normal	**127,776.3**	125,120.6
Special mention	**9,493.9**	7,927.4
Substandard	**135.3**	895.9
Doubtful	**1,210.6**	528.1
Loss	**739.7**	683.4
Finance lease related assets before allowance for impairment losses	**139,355.8**	135,155.4
Non-performing finance lease related assets	**2,085.6**	2,107.4
Non-performing asset ratio of finance lease business	**1.50%**	1.56%

As at June 30, 2019, the non-performing assets of the Group amounted to RMB2,175.6 million, representing an increase of RMB3.4 million as compared with that as at the end of last year, while the non-performing asset ratio was 0.88%, representing a decrease of 0.01 percentage point as compared with that as at the end of last year. As at June 30, 2019, the non-performing finance lease related assets of the Group were RMB2,085.6 million, representing a decrease of RMB21.8 million as compared with that as at the end of last year, while the non-performing asset ratio of finance lease business was 1.50%, representing a decrease of 0.06 percentage point as compared with that as at the end of last year. Although the pressure of risk prevention and control increased, the Group adhered to a sound and prudent strategy of risk appetite, strictly complied with the principles in respect of industry selection and customer selection, and continuously strengthened the management and control of credit risk, thus asset quality maintained relatively stable.

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, Vehicle and Construction Machinery Leasing**	**Other Leasing Business**	**Total**
Five-category					
Normal	1,893.3	86,903.3	29,387.2	9,592.5	127,776.3
Special mention	–	3,286.4	5,842.3	365.2	9,493.9
Substandard	–	135.3	–	–	135.3
Doubtful	–	–	–	1,210.6	1,210.6
Loss	–	–	512.0	227.7	739.7
Finance lease related assets before allowance for impairment losses	1,893.3	90,325.0	35,741.5	11,396.0	139,355.8
Non-performing finance lease related assets	–	135.3	512.0	1,438.3	2,085.6
Non-performing asset ratio of finance lease business	–	0.15%	1.43%	12.62%	1.50%

On the basis of Expected Credit Loss ("**ECL**") models, 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 models and the above division of credit levels, the followings are carrying amounts of finance lease related assets and balances for impairment losses of finance lease by the Group on December 31, 2018 (Unit: RMB in thousands):

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Carrying amount of finance lease related assets	115,166,706	17,671,497	2,317,219	135,155,422
Allowance for impairment losses of finance lease related assets	1,158,150	2,102,878	2,073,431	5,334,459

The followings are carrying amount and balances of allowance for impairment losses of finance lease related assets after the adoption of New Financial Instruments Standard by the Group as at June 30, 2019 (Unit: RMB in thousands):

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Carrying amount of finance lease related assets	117,059,961	20,002,542	2,293,302	139,355,805
Allowance for impairment losses of finance lease related assets	1,308,848	2,484,362	2,143,969	5,937,179

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. Additionally, 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:

(RMB in millions, except percentages)	**June 30, 2019**		December 31, 2018	
	Amount	**Percentage**	Amount	Percentage
Aircraft Leasing	**1,893.3**	**1.4%**	2,042.9	1.6%
Infrastructure Leasing	**87,324.9**	**64.4%**	84,099.7	64.8%
Transportation infrastructure	**31,444.2**	**23.2%**	31,925.6	24.6%
Urban infrastructure	**43,809.0**	**32.3%**	42,318.8	32.6%
Energy infrastructure	**12,071.7**	**8.9%**	9,855.3	7.6%
Ship, Vehicle and Construction Machinery Leasing	**35,741.5**	**26.3%**	34,439.7	26.5%
Ship	**12,680.0**	**9.3%**	14,274.8	11.0%
Vehicle	**5,429.5**	**4.0%**	3,832.0	2.9%
Construction Machinery	**17,632.0**	**13.0%**	16,332.9	12.6%
Other Leasing Business	**10,680.4**	**7.9%**	9,234.8	7.1%
Commercial property	**1,096.1**	**0.8%**	1,791.2	1.4%
Other sectors	**9,584.3**	**7.1%**	7,443.6	5.7%
Total	**135,640.1**	**100.0%**	129,817.1	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 be narrowed down as a result of the fluctuation in market interest rates. Therefore, the Group primarily manages the interest rate risk through balancing the repricing periods of the leasing assets and its corresponding liabilities.

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

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

10.3. Foreign Exchange Risk

Foreign exchange risk refers to the risk of losses in the Group's overall income and economic value resulting from an adverse movement in foreign exchange rates. The foreign exchange risk exposure primarily arises from the foreign currencies-denominated profits generated from subsidiaries, project subsidiaries and SPVs, as well as the exposure to US dollars due to the currency swap into US dollars of part of the proceeds raised in the listing.

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

As of June 30, 2019, the Group's exposure for foreign exchange that affects profit or loss amounted to USD1,294.55 million, and the ending balance of notional amount for hedging transactions amounted to USD785.8 million. The Group recorded foreign exchange loss of RMB5.95 million in the first half of 2019.

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 target of the Group's liquidity risk management is to maintain moderate liquidity reserves and sufficient funding resources to adequately meet the repayment needs of matured liabilities and the funding needs of business development, and to achieve a higher interest rate margins level and control the liquidity management costs.

The Group managed liquidity risk and balanced it with the interest rate margin by adopting the following measures: proactive management of the maturity portfolios of assets and liabilities, and control of cash flow mismatch gap to reduce structured liquidity risk; through adequate bank credit line, the Group established diversified funding sources, thereby continuously increasing the transaction capability of the money market, the financing and the daily liquidity management capabilities of the Group, thus preserved sufficient funds to repay debts and fuel the Group's business development. The Group established a three-level liquidity reserve system to mitigate and defuse liquidity risk. The Group uses quasi-cash assets from bank deposits and the money market, etc. as the first level liquidity reserve, bank-committed credit line of overdraft as the second level liquidity reserve and a portion of senior bonds held by the Group as the third level liquidity reserve. As of June 30, 2019, the Group had an interbank borrowing and lending limit of RMB12.64 billion. In addition, the Group strived to improve its trading capacity in the money market, especially the online financing capacity through national interbank funding centre, and accumulated due to banks and other financial institutions (including bond collateral repo) amounted to RMB64.8 billion. Meanwhile, the Group continuously held a certain portion of senior bonds, thus ensuring that its liquidity capital reserve can fully mitigate liquidity risk.

In the first half of 2019, the liquidity of the Group remained strong. According to the market liquidity situation, the Group arranged financing plans in a reasonable and orderly manner, further optimized the liquidity management mechanism, and gradually optimized the three-level liquidity reserve system to further improve the liquidity risk management capability.

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 2019, the Group further improved and optimized the internal control management system, strengthened the accountability management, raised responsibility awareness, risk awareness and compliance awareness of the employees, conducted self-assessment of business continuity, and further improved business continuity management. The level of operational risk management of the Group was further enhanced. In the first half of 2019, the overall operational risk of the Group was relatively stable with no significant operational risk incidents.

11. PLEDGE OF ASSETS

As at June 30, 2019, properties and equipments for operating lease (net carrying amount) and finance lease receivables (net carrying amount) of the Group amounted to RMB22,984.7 million and RMB2,018.1 million were pledged respectively. Bank deposits (net carrying amount) of RMB43.3 million were paid to the bank for bank borrowings. The total pledged assets as aforesaid accounted for 10.4% 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.

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 (《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 the six months ended June 30, 2019.

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 reviewing and monitoring the financial control, risk management and internal control systems and procedures of the Group and reviewing 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, 2019 have been reviewed by the Audit Committee and Ernst & Young, 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 January 28, 2019, Mr. Wang Yiyun was appointed as an employee representative Supervisor at the employee representative conference, with effect from February 1, 2019.

Save as disclosed above, the Company is not aware of other changes in the Directors', the Supervisors' or the senior management's biographical details which are required to be disclosed pursuant to Rule 13.51B of the Hong Kong Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

On June 30, 2019, 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, 2019, so far as the Directors of the Company 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 and recorded in the register required to be kept by the Company under Section 336 of the SFO:

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)	8,141,332,869	Long position	88.63	64.40
	H Shares	Interests of controlled corporation (5)	439,702,000	Long position	12.72	3.48
China Development Bank	Domestic Shares	Beneficial owner (1)	8,141,332,869	Long position	88.63	64.40
Shengtang Development (Yangpu) Co., Ltd.	Domestic Shares	Interests of controlled corporation (2)	795,625,000	Long position	8.66	6.29
Hainan Traffic Administration Holding Co., Ltd.	Domestic Shares	Interests of controlled corporation (2)	795,625,000	Long position	8.66	6.29
HNA Group Company Limited	Domestic Shares	Beneficial owner (2)	795,625,000	Long position	8.66	6.29
China Three Gorges Corporation	H Shares	Interests of controlled corporation (3)	1,306,500,000	Long position	37.80	10.33
Three Gorges Capital Holdings Co., Ltd.	H Shares	Beneficial owner (3)	1,306,500,000	Long position	37.80	10.33
Hengjian International Investment Holding (Hong Kong) Limited	H Shares	Beneficial owner (4)	523,310,000	Long position	15.14	4.14
Guangdong Hengjian Investment Holding Co., Ltd.	H Shares	Interests of controlled corporation (4)	523,310,000	Long position	15.14	4.14
China Reinsurance (Group) Corporation	H Shares	Beneficial owner (5)	439,702,000	Long position	12.72	3.48
National Council for Social Security Fund	H Shares	Beneficial owner	272,666,000	Long position	7.89	2.16
State-owned Assets Supervision and Administration Commission of the State Council	H Shares	Interests of controlled corporation (6)	193,746,000	Long position	5.61	1.53
China State Shipbuilding Corporation	H Shares	Interests of controlled corporation (6)	193,746,000	Long position	5.61	1.53
CSSC International Holding Company Limited	H Shares	Beneficial owner (6)	193,746,000	Long position	5.61	1.53

Notes:

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

(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 439,702,000 H Shares held by China Reinsurance (Group) Corporation.

(6) CSSC International Holding Company Limited is a wholly-owned subsidiary of China State Shipbuilding Corporation. China State Shipbuilding Corporation is wholly-owned by State-owned Assets Supervision and Administration Commission of the State Council. Hence, pursuant to the SFO, each of China State Shipbuilding Corporation and State-owned Assets Supervision and Administration Commission of the State Council is deemed to be interested in the 193,746,000 H Shares held by CSSC International Holding Company Limited.

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

Save as disclosed above, as at June 30, 2019, to the knowledge of the Directors, no other persons (not being Directors, Supervisors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under 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 RMB19,767 million include a condition requiring that China Development Bank, the controlling Shareholder of the Company, shall hold directly or indirectly, no less than 51% of the Shares of the Company. The terms of such loan agreements range from two months to three years. Loans in a total amount of approximately RMB3,225 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. The terms of such loan agreements range from one month to one year. Loans in a total amount of approximately RMB1,111 million include the conditions requiring that China Development Bank, the controlling Shareholder of the Company, shall hold directly or indirectly, no less than 51% of the Shares of the Company and remain as the single largest Shareholder of the Company. The terms of such loan agreements range from one month to one year.

MATERIAL LEGAL, LITIGATION AND ARBITRATION MATTERS

As at June 30, 2019, the underlying amount in relation to the pending litigation against the Company as the defendant was RMB8.85 million in aggregate. The Company expected such pending litigation would not have material adverse effect on the business, financial condition or operating performance of the Company. Please refer to Note 39: Contingent Liabilities of the financial statements for details.

Definitions

"Airbus"	Airbus S.A.S., a "Société par Actions Simplifiée" incorporated under the laws of France
"Articles of Association"	Articles of Association of China Development Bank Financial Leasing Co., Ltd.
"Board" or "Board of Directors"	the board of directors of our Company
"Boeing"	The Boeing Company, a company incorporated in the State of Delaware of the United States of America
"Capital Administrative Measures"	Administrative Measures for Capital of Commercial Banks (Provisional)《商業銀行資本管理辦法》((試行)), issued by the CBRC on June 7, 2012 and being effective from January 1, 2013
"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
“Prospectus”	the prospectus of the Company dated June 24, 2016
“Reporting Period”	From January 1, 2019 to June 30, 2019
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	Share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“State Council”	State Council of the PRC (中國國務院)
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Supervisor(s)”	supervisor(s) of the Company
“USD” or “US dollar(s)”	United States dollar(s), the lawful currency of the United States

Glossary of Technical Terms

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

TO THE BOARD OF DIRECTORS OF CHINA DEVELOPMENT BANK FINANCIAL LEASING CO, LTD
(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 62 to 116, which comprises the condensed consolidated statement of financial position of China Development Bank Financial Leasing Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2019 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 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") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
27 August 2019

Interim Condensed Consolidated Statement of Profit or Loss

		Unaudited	
		For the six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Revenue			
Finance lease income	5	**3,985,182**	3,170,983
Operating lease income	5	**3,954,215**	2,998,849
Total revenue		**7,939,397**	6,169,832
Net investment gains	6	**60,788**	78,897
Other income, gains or losses	7	**738,379**	624,051
Total revenue and other income		**8,738,564**	6,872,780
Depreciation and amortisation	8	**(1,746,754)**	(1,451,638)
Staff costs	9	**(229,879)**	(250,211)
Fee and commission expenses	10	**(23,737)**	(34,781)
Interest expense	11	**(3,646,820)**	(3,163,993)
Other operating expenses	12	**(263,828)**	(189,423)
Impairment losses	13	**(1,006,022)**	(341,424)
Total expenses		**(6,917,040)**	(5,431,470)
Profit before tax		**1,821,524**	1,441,310
Income tax expense	14	**(460,321)**	(322,915)
Profit after tax		**1,361,203**	1,118,395
Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share) – Basic and diluted	15	**0.11**	0.09

The notes on pages 69 to 116 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

		Unaudited	
		For the six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Profit for the period		**1,361,203**	1,118,395
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Gains/(losses) on financial assets at fair value through other comprehensive income, net of tax		**(13,474)**	78,081
Gains/(losses) on cash flow hedges, net of tax		**(516,192)**	72,980
Currency translation differences		**72,653**	121,004
Total other comprehensive income for the period, net of tax		**(457,013)**	272,065
Total comprehensive income for the period		**904,190**	1,390,460

The notes on pages 69 to 116 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

	Notes	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Assets			
Cash and bank balances	16	**19,380,106**	23,497,845
Placement to banks and other financial institutions		**–**	500,000
Financial assets at fair value through profit or loss (FVTPL)	17	**374,059**	1,919,055
Derivative financial assets	18	**9,055**	36,877
Assets held-for-sale	19	**576,645**	1,324,969
Financial assets at fair value through other comprehensive income (FVOCI)	20	**–**	495,740
Accounts receivable	21	**3,828,159**	5,405,652
Finance lease receivables	22	**130,425,960**	125,141,605
Prepayments	23	**15,173,039**	12,332,839
Investment properties	24	**1,056,725**	1,075,266
Property and equipment	25	**64,948,333**	63,038,585
Deferred tax assets	26	**1,289,843**	1,088,172
Other assets	27	**3,133,712**	2,210,381
Total assets		**240,195,636**	238,066,986
Liabilities			
Borrowings	28	**149,517,841**	157,186,898
Due to banks and other financial institutions		**2,000,000**	–
Financial assets sold under repurchase agreements		**–**	880,000
Derivative financial liabilities	18	**849,771**	282,711
Accrued staff costs	29	**203,163**	249,855
Tax payable		**335,958**	440,571
Bonds payable	30	**46,794,798**	38,596,346
Deferred tax liabilities	26	**688,534**	614,081
Other liabilities	31	**15,826,431**	15,613,494
Total liabilities		**216,216,496**	213,863,956

	Notes	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Equity			
Share capital	32	12,642,380	12,642,380
Capital reserve		2,418,689	2,418,689
Hedging and fair value reserve	33	(707,364)	(177,698)
Translation reserve		245,838	173,185
General reserves	34	4,042,728	4,042,728
Retained profits	35	5,336,869	5,103,746
Total equity		23,979,140	24,203,030
Total liabilities and equity		240,195,636	238,066,986

The notes on pages 69 to 116 form an integral part of this interim condensed consolidated financial information.

The financial statements on pages 62 to 68 were approved by the Board of Directors on 27 August 2019 and were signed on its behalf.

WANG Xuedong **HUANG Min**

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited						
		Equity attributable to owners of the Company						
		Share capital	Capital reserve	Hedging and fair value reserve	Translation reserve	General reserves	Retained profits	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019		**12,642,380**	**2,418,689**	**(177,698)**	**173,185**	**4,042,728**	**5,103,746**	**24,203,030**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**1,361,203**	**1,361,203**
Other comprehensive income for the period	33	**–**	**–**	**(529,666)**	**72,653**	**–**	**–**	**(457,013)**
Total comprehensive income for the period		**–**	**–**	**(529,666)**	**72,653**	**–**	**1,361,203**	**904,190**
Final 2018 dividends declared	36	**–**	**–**	**–**	**–**	**–**	**(1,128,080)**	**(1,128,080)**
At 30 June 2019		**12,642,380**	**2,418,689**	**(707,364)**	**245,838**	**4,042,728**	**5,336,869**	**23,979,140**
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	33	–	–	151,061	121,004	–	–	272,065
Total comprehensive income for the period		–	–	151,061	121,004	–	1,118,395	1,390,460
Final 2017 dividends declared		–	–	–	–	–	(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 69 to 116 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

		Unaudited	
		For the six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
OPERATING ACTIVITIES			
Profit before tax		**1,821,524**	1,441,310
Adjustments for:			
Bonds payable interest expenses	11	**807,173**	587,541
Lease liabilities interest expense		**4,076**	–
Depreciation and amortisation	8	**1,746,754**	1,451,638
Impairment losses	13	**1,006,022**	341,424
(Gains)/losses on disposal of equipment held for operating lease businesses	7	**(283,285)**	173,849
Gains on disposal of finance lease receivables	6	**(47,629)**	–
Realised gains from derivatives	6	**(281)**	(23,667)
Realised gains from FVTPL	6	**(5,359)**	–
Realised gains from FVOCI	6	**(1,488)**	–
Unrealised fair value changes in derivatives	6	**17,273**	–
Unrealised fair value changes in FVTPL	6	**(23,304)**	(49,365)
Operating cash flows before movements in working capital		**5,041,476**	3,922,730
Decrease/(increase) in mandatory reserve deposits with central bank		**28,145**	(49,485)
Decrease/(increase) in accounts receivable		**1,430,906**	(222,639)
Increase in finance lease receivables		**(5,823,014)**	(15,438,468)
(Increase)/decrease in other assets		**(963,663)**	178,751
(Decrease)/increase in borrowings		**(7,669,057)**	18,553,055
Increase in due to banks and other financial institutions		**2,000,000**	3,965,000
Decrease in financial assets sold under repurchase agreements		**(880,000)**	(910,000)
(Decrease)/increase in accrued staff costs		**(46,692)**	11,037
(Decrease)/increase in other liabilities		**(1,141,633)**	2,059,903
Cash from operations		**(8,023,532)**	12,069,884
Income taxes paid		**(636,408)**	(558,895)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(8,659,940)**	11,510,989

	Notes	Unaudited For the six months ended 30 June 2019 RMB'000	 2018 RMB'000
INVESTING ACTIVITIES			
Change in pledged and restricted bank deposits		**3,157,929**	(3,250,478)
Purchase of FVOCI		**–**	(1,560,391)
Disposal of FVTPL		**1,573,659**	–
Disposal of FVOCI		**495,816**	–
Disposal of property and equipment		**3,940,401**	2,859,333
Purchase of property and equipment		**(9,523,783)**	(7,766,998)
NET CASH USED IN INVESTING ACTIVITIES		**(355,978)**	(9,718,534)
FINANCING ACTIVITIES			
Proceeds from issue of bonds payable		**8,164,796**	633,970
Repayments of bonds payable		**–**	(2,000,000)
Bonds interest paid		**(599,892)**	(85,000)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**7,564,904**	(1,451,030)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,451,014)**	341,425
Exchange gains		**19,349**	135,128
Cash and cash equivalents at beginning of the period		**18,375,210**	15,002,791
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	38	**16,943,545**	15,479,344
NET CASH FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**4,276,408**	3,298,480
Interest paid, exclusive bonds payable interest expenses		**(3,462,780)**	(2,576,452)
Net interest received		**813,628**	722,028

The notes on pages 69 to 116 form an integral part of this interim condensed consolidated financial information.

1 GENERAL INFORMATION

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

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

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

This interim condensed consolidated financial information for the six months ended 30 June 2019 ("Interim Financial Information") is presented in Renminbi ("RMB"), which is also the functional currency of the Company, unless otherwise stated.

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

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial statements have been prepared on a historical cost convention, except for derivative financial instruments and financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income which have been measured at fair value.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

Other than as explained below regarding the impact of IFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) Adoption of IFRS 16

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (Continued)

New definition of a lease (Continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts mainly on properties. As a lessee, the Group previously classified leases as operating leases. Under IFRS 16, the Group recognised and measured right-of-use assets and lease liabilities for all these leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the disclosure note of other assets.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase
	RMB'000
	(Unaudited)
Assets	
Increase in right-of-use assets	187,077
Liabilities	
Increase in lease liabilities	187,077

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (Continued)

Summary of new accounting policies (Continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease assets for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (Continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets	Lease liabilities
	RMB'000	*RMB'000*
As at 1 January 2019	187,077	187,077
Additions	10,527	10,527
Depreciation charge	(13,071)	–
Interest expense	–	4,076
Payments	–	(7,188)
Foreign currency translation	382	354
As at 30 June 2019	184,915	194,846

4 CHANGES IN ACCOUNTING ESTIMATES

The Group has resolved to change the estimated useful lives and residual values of certain operating lease aircraft assets to better reflect the introduction of new aircraft engine technology and to more closely align our accounting estimates with those of our aircraft lessor peers and with common industry practice. The estimated useful lives and residual values of different types of aircraft assets are set out below:

	Accounting estimate before change		Accounting estimate after change	
Type of aircraft	**Estimated useful life**	**Residual value**	**Estimated useful life**	**Residual value**
New technology narrow-body aircraft	20	15%	25	15%
New technology wide-body aircraft	20	15%	25	15%
BFE *(Note)*	20	15%	Lease term	0%
Current technology wide-body and narrow-body aircraft	20	15%	20	15%

Note: The cost of Buyer Furnished Equipment ("BFE") for new technology wide-body aircraft is considered to be sufficiently significant that it should be depreciated separately. The useful life of the BFE is primarily determined by the requirement of the current aircraft operator and may have little or no value to any subsequent lessee. Accordingly, new technology wide-body aircraft BFE was depreciated over the life of the lease to a residual value of zero.

The above changes in accounting estimates were implemented with effect from 1 January 2019.The changes in accounting estimates were adopted prospectively with no retrospective adjustment required. There is therefore no impact on the historical financial position or operating results of the Group. Following these changes in estimates, the depreciation charged for the six months ended 30 June 2019 relating to new technology aircraft that was recorded in the statement of financial position as of the end of 2018 decreased by RMB36.4 million. The depreciation charged for the six months ended 30 June 2019 relating to new technology aircraft delivered in the first half of 2019 decreased by RMB5.3 million. In total, the profit of the Group in the six months ended 30 June 2019 increased by RMB41.7 million as a result of this change.

5 TOTAL REVENUE

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance lease income	**3,985,182**	3,170,983
Operating lease income	**3,954,215**	2,998,849
	7,939,397	6,169,832

6 NET INVESTMENT GAINS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Realised gains from financial assets at fair value through other comprehensive income	**1,488**	5,865
Realised gains from financial assets at fair value through profit or loss	**5,359**	–
Realised gains from disposal of finance lease receivables	**47,629**	–
Realised gains from derivatives	**281**	23,667
Unrealised fair value change of derivatives	**(17,273)**	–
Unrealised fair value change of financial assets at fair value through profit or loss	**23,304**	49,365
	60,788	78,897

7 OTHER INCOME, GAINS OR LOSSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from deposits with financial institutions	**291,226**	127,497
Gains on disposal of assets held for operating lease businesses, net	**283,285**	173,849
Government grants and incentives	**78,062**	197,332
Management and commission fee income	**4,933**	15,493
Consulting fee income	**2,522**	2,522
Foreign exchange gains/(losses), net	**(5,950)**	40,400
Others	**84,301**	66,958
	738,379	624,051

8 DEPRECIATION AND AMORTISATION

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	**1,692,533**	1,416,274
Depreciation of investment properties	**18,541**	18,953
Amortisation of lease premium assets	**15,469**	–
Depreciation of right-of-use assets	**13,071**	–
Amortisation of land use rights	**5,217**	5,058
Amortisation of prepaid expenses	**1,070**	9,507
Amortisation of other intangible assets	**853**	1,846
	1,746,754	1,451,638

9 STAFF COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	**187,223**	204,819
Social welfare[(1)]	**26,933**	35,929
Defined contribution plans – annuity schemes	**9,461**	2,854
Others	**6,262**	6,609
	229,879	250,211

(1) 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. 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.

10 FEE AND COMMISSION EXPENSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Business collaboration fee for leasing projects	**11,512**	13,228
Bank charges	**12,225**	21,553
	23,737	34,781

11 INTEREST EXPENSE

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Borrowings	**3,024,638**	2,556,904
Due to banks and other financial institutions	**24,354**	117,635
Financial assets sold under repurchase agreements	**20,056**	31,283
Bonds payable	**807,173**	587,541
Deposits from lessees	**1,553**	1,169
Others	**5,297**	5,350
Less: Interest capitalised on qualifying assets	**(236,251)**	(135,889)
	3,646,820	3,163,993

Interest capitalised on qualifying assets in the six months ended 30 June 2019 represented approximately RMB236,251,000 (2018: RMB125,068,000) on prepayment, and nil on construction in progress (2018: RMB10,821,000).

12 OTHER OPERATING EXPENSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Service fees of operating lease ship business	**68,670**	–
Taxes and surcharges	**48,336**	38,704
Business travel and transportation expenses	**18,276**	16,659
Auditor's remuneration	**5,659**	2,607
Operating lease rentals in respect of rented premises	**3,306**	21,587
Operating lease rentals in respect of rented aircraft	**–**	37,175
Sundry expenses	**119,581**	72,691
	263,828	189,423

13 IMPAIRMENT LOSSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance lease receivables	**537,333**	343,513
Accounts receivable	**146,587**	(10,812)
Operating lease assets	**322,102**	15,631
Others	**–**	(6,908)
	1,006,022	341,424

14 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
– PRC enterprise income tax	**512,229**	215,004
– Income tax in other countries	**190**	22,901
Deferred income tax	**(71,473)**	73,013
Under provision in prior period	**19,375**	11,997
	460,321	322,915

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.

14 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:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**1,821,524**	1,441,310
Tax at the statutory tax rate of 25%	**455,381**	360,328
Tax effect of expenses not deductible for tax purpose	**7,585**	–
Under provision in prior period	**19,375**	11,997
Deferred tax effect of loss during the period	**9,570**	–
Effect of different tax rates of group entities operating in jurisdictions other than PRC	**(31,590)**	(49,410)
Income tax expense for the period	**460,321**	322,915

15 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to owners of the Company *(RMB'000)*	**1,361,203**	1,118,395
Number of shares:		
Weighted average number of shares in issue *('000)* [(1)]	**12,642,380**	12,642,380
Basic earnings per share *(RMB Yuan)*	**0.11**	0.09

(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 months ended 30 June 2019 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 months ended 30 June 2019 and 2018.

16 CASH AND BANK BALANCES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Pledged and restricted bank deposits[1]	**2,039,611**	5,197,540
Mandatory reserve deposits with central bank[2]	**396,950**	425,095
Surplus reserve deposits with central bank[3]	**46,963**	5,404
Cash and bank balances	**16,896,582**	17,869,806
	19,380,106	23,497,845

(1) The bank deposits amounting to approximately RMB43,280,000 were pledged as collateral for the Group's bank borrowings (Note 28) as at 30 June 2019 (31 December 2018: RMB3,682,759,000).

The bank deposits amounting to approximately RMB1,996,331,000 (31 December 2018: RMB1,514,781,000) were restricted for use, which represented the guaranteed deposit of approximately RMB105,603,000 held by the Group in relation to the financial lease receivables transferred as at 30 June 2019 (31 December 2018: RMB287,159,000), RMB1,778,868,000 in relation to the borrowings as at 30 June 2019 (31 December 2018: RMB1,070,102,000), RMB111,860,000 in relation to the notes payable as at 30 June 2019 (31 December 2018: RMB157,520,000), respectively.

(2) The Group places mandatory reserve deposits in the PBOC, which include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

(3) Surplus reserve deposits primarily represent deposits maintained with the PBOC in addition to the mandatory reserve deposits.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Measured at fair value:		
Asset management schemes, unlisted	**204,646**	1,749,642
Equity investment, unlisted	**169,413**	169,413
	374,059	1,919,055

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (CONTINUED)

As at 30 June 2019 and 31 December 2018, the asset management schemes were issued and managed by non-bank financial institutions, which mainly invest on debt securities listed on exchanges and Interbank Bond Market in the PRC. The asset management schemes were designated at fair value through profit or loss as they were managed and their performance were evaluated on a fair value basis, in accordance with the investment strategy, and information about the schemes were provided internally on that basis to the Group's key management personnel.

18 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2019		
	Contractual/ Nominal amount	**Fair value Assets**	**Fair value Liabilities**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	**17,919,836**	**5,368**	**(720,561)**
Cash flow hedge – cross currency swaps	**5,007,746**	**–**	**(37,562)**
Derivatives not under hedge accounting:			
Currency forwards	**4,219,270**	**–**	**(75,795)**
Interest rate swaps	**611,093**	**–**	**(15,853)**
Foreign exchange options	**1,374,940**	**3,687**	**–**
	29,132,885	**9,055**	**(849,771)**

	31 December 2018		
	Contractual/ Nominal amount	Fair value Assets	Fair value Liabilities
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	17,694,858	35,006	(265,775)
Cash flow hedge – cross currency swaps	1,679,195	191	(3,039)
Derivatives not under hedge accounting:			
Currency forwards	4,255,184	–	(13,897)
Interest rate swaps	638,319	1,680	–
	24,267,556	36,877	(282,711)

19 ASSETS HELD-FOR-SALE

In June 2019, the directors of the Group decided to sell four aircraft, which were originally acquired for operating lease business. There are several interested parties and the sales are expected to be completed in 2019.

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Aircraft	576,645	1,324,969

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Measured at fair value:		
Certificate of deposits-listed	–	495,740

21 ACCOUNTS RECEIVABLE

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Operating lease receivables [(1)]	910,363	717,853
Advances for finance lease projects [(2)]	3,715,659	5,338,291
Other accounts receivable	11,685	12,083
	4,637,707	6,068,227
Less: Allowances for impairment losses		
– Allowances for advances for finance lease projects	(722,993)	(658,933)
– Allowances for operating lease receivables	(86,555)	(3,642)
	(809,548)	(662,575)
	3,828,159	5,405,652

21 ACCOUNTS RECEIVABLE (CONTINUED)

(1) The operating lease receivables 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.

(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.

To measure the expected credit losses under IFRS 9, advances for finance lease projects has been grouped into 3 stages, as disclosed in the table below:

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Stage 1	3,000,000	4,622,632
Stage 2	–	–
Stage 3	715,659	715,659
	3,715,659	5,338,291

Movements of allowances for impairment losses on accounts receivable during the period ended 30 June 2019 and the year ended 31 December 2018 are as follows:

	For the six months ended 30 June 2019 *RMB'000* (Unaudited)	For the year ended 31 December 2018 *RMB'000* (Audited)
At the beginning of the period/year	662,575	446,355
Allowance during the period/year	146,587	216,092
Foreign currency translation	386	128
At the end of the period/year	809,548	662,575

22 FINANCE LEASE RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Finance lease receivables		
Not later than one year	**43,813,602**	38,129,019
Later than one year and not later than five years	**87,297,048**	81,655,726
Later than five years	**35,255,498**	39,467,870
Gross amount of finance lease receivables	**166,366,148**	159,252,615
Less: Unearned finance income	**(30,726,002)**	(29,435,484)
Present value of finance lease receivables	**135,640,146**	129,817,131
Less: Allowances for impairment losses	**(5,214,186)**	(4,675,526)
Carrying amount of finance lease receivables	**130,425,960**	125,141,605
Present value of finance lease receivables		
Not later than one year	**35,787,845**	30,761,443
Later than one year and not later than five years	**70,350,603**	65,553,877
Later than five years	**29,501,698**	33,501,811
	135,640,146	129,817,131

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

The finance lease receivables with carrying amount of approximately RMB2,018,097,000 and RMB6,172,480,000 were pledged as collateral for the Group's bank borrowings (Note 28) as at 30 June 2019 and 31 December 2018, respectively.

The Group entered into repurchase agreements with certain counterparties to sell the Group's finance lease receivables with carrying amounts of approximately RMB1,111,562,000 as at 31 December 2018 (30 June 2019: Nil).

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.

22 FINANCE LEASE RECEIVABLES (CONTINUED)

Movements of allowances for impairment losses on finance lease receivables during the six months ended 30 June 2019 and the year ended 31 December 2018 are as follows:

	For the six months ended 30 June 2019 *RMB'000* (Unaudited)	For the year ended 31 December 2018 *RMB'000* (Audited)
At the beginning of the period/year	4,675,526	3,883,922
Allowance during the period/year	537,333	773,735
Foreign currency translation	1,327	17,869
At the end of the period/year	5,214,186	4,675,526

To measure the expected credit losses under IFRS 9, finance lease receivables have been grouped into 3 stages, as disclosed in the table below:

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Stage 1	114,059,961	110,544,074
Stage 2	20,002,542	17,671,497
Stage 3	1,577,643	1,601,560
	135,640,146	129,817,131

23 PREPAYMENTS

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Prepayments for operating lease assets purchases	15,173,039	12,332,839

24 INVESTMENT PROPERTIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cost		
At the beginning of the period/year	1,282,616	1,060,753
Additions	–	414,308
Transfer to property and equipment	–	(192,445)
At the end of the period/year	1,282,616	1,282,616
Accumulated depreciation		
At the beginning of the period/year	(115,684)	(76,044)
Charge for the period/year	(18,541)	(41,164)
Transfer to property and equipment	–	1,524
At the end of the period/year	(134,225)	(115,684)
Accumulated impairment		
At the beginning of the period/year	(91,666)	–
Charge for the period/year	–	(91,666)
At the end of the period/year	(91,666)	(91,666)
Net carrying amount		
At the beginning of the period/year	1,075,266	984,709
At the end of the period/year	1,056,725	1,075,266

The Group recognised the operating lease income of approximately RMB56,353,000 and RMB53,263,000 from investment properties in the six months ended 30 June 2019 and 2018, respectively.

25 PROPERTY AND EQUIPMENT

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Equipment held for operating lease businesses	64,036,297	62,117,692
Property and equipment held for administrative purposes	912,036	920,893
	64,948,333	63,038,585

25 PROPERTY AND EQUIPMENT (CONTINUED)

Equipment held for operating lease businesses

Unaudited	Aircraft *RMB'000*	Ships *RMB'000*	Special equipments *RMB'000*	Total *RMB'000*
Cost				
As at 1 January 2019	70,061,718	4,397,029	671,727	75,130,474
Additions	4,642,449	1,989,173	–	6,631,622
Disposals/written-off	(3,573,148)	(461,980)	–	(4,035,128)
Transferred to assets held-for-sale	(905,028)	–	–	(905,028)
Foreign currency translation	119,656	29,097	–	148,753
As at 30 June 2019	70,345,647	5,953,319	671,727	76,970,693
Accumulated depreciation				
As at 1 January 2019	(12,186,262)	(187,440)	(152,123)	(12,525,825)
Charge for the period	(1,534,179)	(110,190)	(32,268)	(1,676,637)
Disposals/written-off	1,665,443	50,071	–	1,715,514
Transferred to assets held-for-sale	337,055	–	–	337,055
Foreign currency translation	(7,915)	(714)	–	(8,629)
As at 30 June 2019	(11,725,858)	(248,273)	(184,391)	(12,158,522)
Accumulated impairment				
As at 1 January 2019	(486,957)	–	–	(486,957)
Charge for the period	(129,198)	–	(192,904)	(322,102)
Disposals/written-off	35,186	–	–	35,186
Foreign currency translation	(2,001)	–	–	(2,001)
As at 30 June 2019	(582,970)	–	(192,904)	(775,874)
Net carrying amount				
As at 1 January 2019	57,388,499	4,209,589	519,604	62,117,692
As at 30 June 2019	58,036,819	5,705,046	294,432	64,036,297

25 PROPERTY AND EQUIPMENT (CONTINUED)

Equipment held for operating lease businesses (Continued)

Audited	Aircraft *RMB'000*	Ships *RMB'000*	Special equipments *RMB'000*	Total *RMB'000*
Cost				
As at 1 January 2018	57,554,683	1,269,429	354,583	59,178,695
Additions	16,013,871	3,105,226	407,692	19,526,789
Disposals/written-off	(5,421,774)	–	(90,548)	(5,512,322)
Transferred to assets held-for-sale	(1,586,719)	–	–	(1,586,719)
Transferred from assets held-for-sale	658,253	–	–	658,253
Foreign currency translation	2,843,404	22,374	–	2,865,778
As at 31 December 2018	70,061,718	4,397,029	671,727	75,130,474
Accumulated depreciation				
As at 1 January 2018	(10,023,996)	(95,639)	(126,137)	(10,245,772)
Charge for the year	(2,759,102)	(89,002)	(59,175)	(2,907,279)
Disposals/written-off	925,434	–	33,189	958,623
Transferred to assets held-for-sale	261,750	–	–	261,750
Transferred from assets held-for-sale	(40,002)	–	–	(40,002)
Foreign currency translation	(550,346)	(2,799)	–	(553,145)
As at 31 December 2018	(12,186,262)	(187,440)	(152,123)	(12,525,825)
Accumulated impairment				
As at 1 January 2018	(241,023)	–	–	(241,023)
Charge for the year	(209,308)	–	–	(209,308)
Transferred from assets held-for-sale	(16,852)	–	–	(16,852)
Foreign currency translation	(19,774)	–	–	(19,774)
As at 31 December 2018	(486,957)	–	–	(486,957)
Net carrying amount				
As at 1 January 2018	47,289,664	1,173,790	228,446	48,691,900
As at 31 December 2018	57,388,499	4,209,589	519,604	62,117,692

The aircraft and ships with net book value of approximately RMB22,984,654,000 of the Group were pledged as collateral for the Group's bank borrowings as at 30 June 2019 (Note 28) (31 December 2018: RMB29,162,159,000).

25 PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment held for administrative purposes

Unaudited	Buildings *RMB'000*	Computer and electronic equipments *RMB'000*	Motor vehicles *RMB'000*	Office equipments *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost						
As at 1 January 2019	877,457	18,286	4,038	77,531	17,769	995,081
Additions	2,369	1,351	–	1,785	112	5,617
Transferred from other intangible assets	–	–	–	61,446	–	61,446
Disposals/written-off	(2,927)	(199)	–	(754)	–	(3,880)
Foreign currency translation	2,018	–	–	129	–	2,147
As at 30 June 2019	878,917	19,438	4,038	140,137	17,881	1,060,411
Accumulated depreciation						
As at 1 January 2019	(29,384)	(15,853)	(3,132)	(9,242)	(16,577)	(74,188)
Charge for the period	(13,141)	(529)	(108)	(1,703)	(415)	(15,896)
Transferred from other intangible assets	–	–	–	(61,446)	–	(61,446)
Disposals/written-off	2,879	166	–	744	–	3,789
Foreign currency translation	(624)	–	–	(10)	–	(634)
As at 30 June 2019	(40,270)	(16,216)	(3,240)	(71,657)	(16,992)	(148,375)
Net carrying amount						
As at 1 January 2019	848,073	2,433	906	68,289	1,192	920,893
As at 30 June 2019	838,647	3,222	798	68,480	889	912,036

25 PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment held for administrative purposes (Continued)

Audited	Buildings	Computer and electronic equipments	Motor vehicles	Office equipments	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 2018	40,295	17,331	7,396	18,049	17,769	796,391	897,231
Additions	644,717	1,090	–	65,194	–	262,634	973,635
Transfer from investment properties	192,445	–	–	–	–	–	192,445
Transfer to investment properties and buildings	–	–	–	–	–	(1,059,025)	(1,059,025)
Disposals/written-off	–	(141)	(3,358)	(6,128)	–	–	(9,627)
Foreign currency translation	–	6	–	416	–	–	422
As at 31 December 2018	877,457	18,286	4,038	77,531	17,769	–	995,081
Accumulated depreciation							
As at 1 January 2018	(14,750)	(14,194)	(6,105)	(8,106)	(13,695)	–	(56,850)
Charge for the year	(13,110)	(1,790)	(217)	(6,727)	(2,882)	–	(24,726)
Transfer from investment properties	(1,524)	–	–	–	–	–	(1,524)
Disposals/written-off	–	137	3,190	5,807	–	–	9,134
Foreign currency translation	–	(6)	–	(216)	–	–	(222)
As at 31 December 2018	(29,384)	(15,853)	(3,132)	(9,242)	(16,577)	–	(74,188)
Net carrying amount							
As at 1 January 2018	25,545	3,137	1,291	9,943	4,074	796,391	840,381
As at 31 December 2018	848,073	2,433	906	68,289	1,192	–	920,893

25 PROPERTY AND EQUIPMENT (CONTINUED)

As at 30 June 2019, carrying values of property and equipment of the Group for which registration was not completed amounted to approximately RMB821,003,000 (31 December 2018: RMB824,288,000). However, this registration process does not affect the rights of the Group to these assets.

Allowance for impairment loss on the Group's plant and equipment of approximately RMB775,874,000 as at 30 June 2019 (31 December 2018: RMB486,957,000), was included in accumulated impairment.

The impairment loss represents the write-down of the aircraft book value to recoverable amount. The recoverable amount was determined based on the management's best estimate of aircraft values from appraisers' valuation or value in use or estimated selling prices based on signed letter of intent to sell the aircraft.

The estimated future cash flows of the aircraft were discounted to their present value using pretax discount rate to calculate the value in use. For the calculation of value in use, the weighted average discount rates for 30 June 2019 is 5.25% (2018: 5.25%).

26 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 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Deferred tax assets		
– Deferred tax assets to be recovered after more than 12 months	**1,289,105**	1,083,049
– Deferred tax assets to be recovered within 12 months	**738**	5,123
	1,289,843	1,088,172
Deferred tax liabilities		
– Deferred tax liabilities to be recovered after more than 12 months	**(620,069)**	(524,963)
– Deferred tax liabilities to be recovered within 12 months	**(68,465)**	(89,118)
	(688,534)	(614,081)
	601,309	474,091

Deferred income tax liabilities of RMB288 million (31 December 2018: RMB256 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.

26 DEFERRED TAXATION (CONTINUED)

The following are the major deferred tax assets (liabilities) recognised and movements thereon in the six months ended 30 June 2019 and the year ended 31 December 2018:

Unaudited	Allowances for impairment losses RMB'000	Changes in fair value of derivatives RMB'000	Changes in fair value of FVTPL RMB'000	Changes in fair value of FVOCI RMB'000	Deductible tax losses RMB'000	Accelerated depreciation of operating lease assets RMB'000	Deferred income RMB'000	Accrued staff costs RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2019	974,379	33,152	(83,514)	(4,492)	3,634	(483,323)	32,622	–	1,633	474,091
(Charged)/credited to profit or loss	171,992	7,032	11,245	–	2,527	(43,849)	(2,816)	8,303	(82,961)	71,473
Credited to other comprehensive income	–	51,253	–	4,492	–	–	–	–	–	55,745
As at 30 June 2019	1,146,371	91,437	(72,269)	–	6,161	(527,172)	29,806	8,303	(81,328)	601,309

Audited	Allowances for impairment losses RMB'000	Changes in fair value of derivatives RMB'000	Changes in fair value of FVTPL RMB'000	Changes in fair value of FVOCI 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 2018	862,164	18,580	(41,842)	3,589	19,006	(484,796)	40,100	(182)	416,619
(Charged)/credited to profit or loss	112,215	(9,041)	(41,672)	–	(15,372)	1,473	(7,478)	1,815	41,940
(Charged)/credited to other comprehensive income	–	23,613	–	(8,081)	–	–	–	–	15,532
As at 31 December 2018	974,379	33,152	(83,514)	(4,492)	3,634	(483,323)	32,622	1,633	474,091

27 OTHER ASSETS

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Maintenance right assets	**1,306,940**	406,543
Deductible value-added tax	**699,298**	892,579
Land use rights *(Note)*	**404,914**	410,122
Other receivables	**245,647**	278,914
Lease premium assets	**194,706**	111,329
Right-of-use assets	**184,915**	–
Prepaid expenses	**157,510**	152,864
Deposits for lease of business place	**12,980**	12,716
Other intangible assets	**3,137**	5,371
Interest receivable	**–**	16,274
	3,210,047	2,286,712
Less: Allowances for impairment losses – other receivables	**(76,335)**	(76,331)
	3,133,712	2,210,381

Movements of allowances for impairment losses on other receivables during the period/year ended 30 June 2019 and 31 December 2018 are as follows:

	For the six months ended 30 June 2019 *RMB'000* **(Unaudited)**	For the year ended 31 December 2018 *RMB'000* (Audited)
At the beginning of the period/year	**76,331**	66,992
Allowance during the period/year	**–**	9,240
Effect of foreign currency exchange differences	**4**	99
At the end of the period/year	**76,335**	76,331

Note: Land use rights of the Group is the medium-term (50 years) leasehold land in the PRC.

28 BORROWINGS

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Secured bank borrowings [(1)]	17,441,455	29,331,068
Unsecured bank borrowings	132,076,386	127,855,830
	149,517,841	157,186,898

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Carrying amount repayable:		
Within one year	114,590,689	126,317,556
More than one year, but not exceeding two years	5,056,228	4,905,835
More than two years, but not exceeding five years	21,245,821	16,197,723
More than five years	8,625,103	9,765,784
	149,517,841	157,186,898

(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 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Property and equipment	22,984,654	29,162,159
Finance lease receivables	2,018,097	6,172,480
Bank deposits	43,280	3,682,759
	25,046,031	39,017,398

28 BORROWINGS (CONTINUED)

(1) Secured bank borrowings (Continued)

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed-rate borrowings:		
Within one year	**100,876,182**	109,928,067
More than one year, but not exceeding five years	**6,411,513**	4,063,970
More than five years	**2,089,638**	2,687,831
	109,377,333	116,679,868

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 2019	31 December 2018
	(Unaudited)	(Audited)
Effective interest rate:		
Fixed-rate borrowing	**2.95%-5.00%**	1.32%–6.00%
Floating-rate borrowing	**"LIBOR+0.55% to LIBOR+3.40%"**	"LIBOR+0.15% to LIBOR+3.30% SHIBOR+0.79% PBOC Rate*90.00%"

29 ACCRUED STAFF COST

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Salaries, bonus and allowances	115,843	187,713
Social welfare and others	87,320	62,142
	203,163	249,855

30 BONDS PAYABLE

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Guaranteed unsecured bonds	40,300,425	32,105,445
Unguaranteed unsecured bonds	6,494,373	6,490,901
	46,794,798	38,596,346

			As at 30 June 2019		
		Maturity *(Year)*	Face value *RMB'000*	Guaranteed unsecured bonds [1] *RMB'000*	Unguaranteed unsecured bonds *RMB'000*
Currency	**Fixed Coupon Rate**				
RMB	3.00% to 4.65%	2019 to 2022	7,215,000	715,000	6,500,000
HKD	0.00% to 3.60%	2019 to 2022	4,080,743	4,080,743	–
USD	2.63% to 4.25%	2019 to 2027	29,561,210	29,561,210	–
			40,856,953	34,356,953	6,500,000
Currency	**Floating Rate**				
USD	3-month LIBOR + Coupon rate ranging from 1.15% to 1.25%	2021	6,187,230	6,187,230	–
			47,044,183	40,544,183	6,500,000

30 BONDS PAYABLE (CONTINUED)

			As at 31 December 2018		
		Maturity *(Year)*	Face value *RMB'000*	Guaranteed unsecured bonds [(1)] *RMB'000*	Unguaranteed unsecured bonds *RMB'000*
Currency	Fixed Coupon Rate				
RMB	3.00% to 4.65%	2019 to 2020	6,500,000	–	6,500,000
HKD	0.00% to 3.60%	2019 to 2021	1,471,140	1,471,140	–
USD	2.63% to 4.25%	2019 to 2027	24,707,520	24,707,520	–
			32,678,660	26,178,660	6,500,000
Currency	Floating Rate				
USD	3-month LIBOR + Coupon rate ranging from 1.15% to 1.25%	2021	6,176,880	6,176,880	–
			38,855,540	32,355,540	6,500,000

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

31 OTHER LIABILITIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Guaranteed deposits from lessees	**7,739,862**	8,218,463
Maintenance deposits from lessees	**2,121,603**	2,002,759
Account payables	**1,462,404**	1,404,793
Interest payable	**1,231,150**	1,651,416
Dividend payable	**1,128,080**	–
Lease discount liabilities	**970,298**	1,002,168
Notes payable	**559,300**	758,800
Lease liabilities	**194,846**	–
Other payables	**110,870**	169,737
Other taxes payable	**107,795**	135,696
Deferred income	**105,830**	154,737
Management consulting fees payable	**57,965**	70,421
Project arrangement fee in advance	**31,096**	35,794
Accrued liabilities	**5,332**	5,332
Receipt in advance for selling of aircraft	**–**	3,378
	15,826,431	15,613,494

32 SHARE CAPITAL

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Registered, issued and fully paid	**12,642,380**	12,642,380

33 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 2019 *RMB'000* **(Unaudited)**	For the year ended 31 December 2018 *RMB'000* (Audited)
At the beginning of the period/year	**(177,698)**	(9,305)
Fair value changes on derivatives	**(567,445)**	(216,249)
Fair value changes on FVOCI	**(17,966)**	32,324
Income tax effects	**55,745**	15,532
At the end of the period/year	**(707,364)**	(177,698)

34 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 2019	**Opening** *RMB'000*	**Additions** *RMB'000*	**Closing** *RMB'000*
Statutory reserve (1)	**478,953**	**–**	**478,953**
Reserve for general risk (2)	**3,563,775**	**–**	**3,563,775**
	4,042,728	**–**	**4,042,728**

Year ended 31 December 2018	Opening *RMB'000*	Additions *RMB'000*	Closing *RMB'000*
Statutory reserve (1)	387,800	91,153	478,953
Reserve for general risk (2)	2,800,370	763,405	3,563,775
	3,188,170	854,558	4,042,728

34 GENERAL RESERVES (CONTINUED)

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

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

35 RETAINED PROFITS

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

	For the six months ended 30 June 2019 ***RMB'000*** **(Unaudited)**	For the year ended 31 December 2018 *RMB'000* (Audited)
At the beginning of the period/year	**5,103,746**	4,418,388
Profit for the period/year	**1,361,203**	2,506,984
Appropriation to general reserves	**–**	(854,558)
Dividends declared	**(1,128,080)**	(967,068)
At the end of the period/year	**5,336,869**	5,103,746

36 DIVIDENDS

On 15 March 2019, the board of directors has decided to distribute a final dividend of RMB0.8923 per 10 share for the year ended 31 December 2018. The total share capital of the Group amounted to 12,642,380,000, and the total amount of profit distribution amounted to RMB1,128,079,567. The proposed final dividend for the year has been approved by the shareholders at the annual general meeting on 28 June 2019.

37 TRANSFERS OF FINANCIAL ASSETS

Repurchase agreements

As at 30 June 2019, the Group has no repurchase agreements with certain counterparties to sell the Group's finance lease receivables (31 December 2018: RMB1.11 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 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Carrying amount of transferred assets	**–**	1,111,562
Carrying amount of associated liabilities	**–**	(880,000)
Net position	**–**	231,562

38 CASH AND CASH EQUIVALENTS

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

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Cash on hand	**33**	22
Cash in central bank	**46,963**	5,404
Cash in banks	**16,896,549**	17,869,784
Placement to banks and other financial institutions	**–**	500,000
	16,943,545	18,375,210

39 CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, 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.

40 CAPITAL COMMITMENTS

Capital expenditures contracted by the Group as at 30 June 2019 and 31 December 2018 but are not yet to be recognised on the statements of financial position are as follows:

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Acquisition of equipment held for operating lease businesses	**62,823,619**	65,798,012

41 FINANCE LEASE COMMITMENTS

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Finance lease commitments	**18,988,181**	27,001,603

Finance lease commitments relate to finance lease contracts signed by the Group as a lessor that are not yet effective as at 30 June 2019 and 31 December 2018.

42 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 20 years. The Group does not have an option to purchase the leased land at the expiry of the lease periods.

42 OPERATING LEASE COMMITMENTS (CONTINUED)

Non-cancellable operating leases commitments

At 30 June 2019 and 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Within one year	791	30,800
In the second to fifth years inclusive	–	69,620
Over five years	–	174,337
	791	274,757

The Group has lease contracts mainly on properties. As a lessee, the commitments for future minimum lease payments disclosed last year are recognized and measured as right-of-use assets and lease liabilities as at 30 June 2019 under IFRS 16. Therefore the commitments for future minimum lease payments disclosed this period are only short-term leases and leases of low-value assets which the Group has elected not to recognize right-of-use assets and lease liabilities.

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 15 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 2019 and 31 December 2018, the Group is entitled to receive the minimum cash lease rentals under non-cancellable operating lease which fall due as follows:

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Within one year	7,101,961	7,370,279
In the second to fifth years inclusive	21,644,811	22,262,133
Over five years	17,361,322	14,345,144
	46,108,094	43,977,556

43 RELATED PARTY TRANSACTION

43.1 Parent Company

As at 30 June 2019, 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 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Bank balances	1,027,604	640,932
Operating leases receivable	–	4,433
Right-of-use assets	302	–
Interest receivable	259	–
Other receivable	6,286	6,051
Bank borrowings	4,233,722	9,719,240
Interest payable	8,779	24,672
Other liabilities	18,761	–
Derivative financial liabilities	19,450	12,342

43 RELATED PARTY TRANSACTION (CONTINUED)

43.1 Parent Company (Continued)

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**203**	175
Interest expense	**155,314**	232,019
Operating lease income	**49,536**	41,551
Fee and commission expenses	**16,446**	14,544

The Hong Kong branch of the China Development Bank provided guarantee to the Group for bonds described in note 30(1).

43.2 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.

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Basic salaries and allowances	**5,012**	3,537
Bonuses	**7,550**	6,855
Employer's contribution to pension schemes	**457**	249
	13,019	10,641

44 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 condensed consolidated financial statements.

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, vehicle and construction machinery leasing: mainly engaged in the leasing of ships, 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, strategic emerging industries, environmental protection industry, manufacturing sectors supported by national policies, wind power, nuclear power, photovoltaic and other industries etc.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets or liabilities, and the segment results 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 net revenue (segment's revenue deducting depreciation expenses of equipment held for operating lease businesses). 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 2019 and 2018.

44 SEGMENT REPORTING (CONTINUED)

The operating and reportable segment information provided to the CODM during the six months ended 30 June 2019 and 2018 is as follows:

	Aircraft leasing *RMB'000*	Infrastructure leasing *RMB'000*	Ship, vehicle and construction machinery leasing *RMB'000*	Other leasing business *RMB'000*	Consolidated total *RMB'000*
Unaudited					
For the six months ended 30 June 2019					
Segment revenue and results					
Finance lease income	70,783	2,599,799	1,049,400	265,200	3,985,182
Operating lease income	3,605,285	21,250	238,966	88,714	3,954,215
Segment revenue	3,676,068	2,621,049	1,288,366	353,914	7,939,397
Segment other income and gains	531,638	135,909	120,750	10,870	799,167
Segment revenue and other income	4,207,706	2,756,958	1,409,116	364,784	8,738,564
Segment expenses	(3,203,744)	(2,294,972)	(1,097,946)	(320,378)	(6,917,040)
Profit before tax	1,003,962	461,986	311,170	44,406	1,821,524
Profit before impairment losses and income tax	1,156,010	1,120,771	434,719	116,046	2,827,546
Unaudited					
As at 30 June 2019					
Segment assets and liabilities					
Segment assets	85,397,160	94,267,915	47,280,024	11,960,694	238,905,793
Deferred tax assets					1,289,843
Group's total assets					240,195,636
Segment liabilities	74,967,663	88,038,783	41,960,774	10,560,742	215,527,962
Deferred tax liabilities					688,534
Group's total liabilities					216,216,496
For the six months ended 30 June 2019					
Other segment information					
Depreciation of investment properties	–	–	–	(18,541)	(18,541)
Depreciation of properties and equipment	(1,536,046)	(20,286)	(114,378)	(21,823)	(1,692,533)
Depreciation of right-of-use assets	(9,481)	(2,248)	(1,071)	(271)	(13,071)
Amortisation	(16,539)	(534)	(255)	(5,281)	(22,609)
Impairment losses	(152,048)	(658,785)	(123,549)	(71,640)	(1,006,022)

44 SEGMENT REPORTING (CONTINUED)

The operating and reportable segment information provided to the CODM during the six months ended 30 June 2019 and 2018 is as follows (continued):

	Aircraft leasing *RMB'000*	Infrastructure leasing *RMB'000*	Ship, 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	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 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
Audited					
As at 31 December 2018					
Segment assets and liabilities					
Segment assets	88,370,107	94,546,673	42,976,774	11,085,260	236,978,814
Deferred tax assets					1,088,172
Group's total assets					238,066,986
Segment liabilities	79,340,007	85,195,092	38,725,955	9,988,821	213,249,875
Deferred tax liabilities					614,081
Group's total liabilities					213,863,956
Unaudited					
For the six months ended 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)

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.

45 FINANCIAL INSTRUMENTS

Categories of financial instruments

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Financial assets		
Cash and bank balances	19,380,106	23,497,845
Placement to banks and other financial institutions	–	500,000
Financial assets at fair value through profit and loss	374,059	1,919,055
Derivative financial assets	9,055	36,877
Financial assets at fair value through other comprehensive income	–	495,740
Accounts receivable	3,828,159	5,405,652
Finance lease receivables	130,425,960	125,141,605
Other financial assets	182,292	231,573
	154,199,631	157,228,347

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Financial liabilities		
Borrowings	149,517,841	157,186,898
Due to banks and other financial institutions	2,000,000	–
Financial assets sold under repurchase agreements	–	880,000
Bonds payable	46,794,798	38,596,346
Derivative financial liabilities	849,771	282,711
Other financial liabilities	11,166,883	12,282,340
	210,329,293	209,228,295

46 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF THE FINANCIAL INSTRUMENTS

46.1 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 2018.

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

46.2 Liquidity risk

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

46.3 Fair value estimation

46.3.1 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 FVOCI – Bonds investment in active markets and as level 2, which include bonds payable, FVTPL, foreign currency forward contracts and interest rate swaps, but exclude unlisted equity investments which the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

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

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

46 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF THE FINANCIAL INSTRUMENTS (CONTINUED)

46.3 Fair value estimation (Continued)

46.3.1 Determination of fair value and valuation techniques (Continued)

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 unlisted equity investments, 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.

The main level 3 inputs used by the group are derived and evaluated as follows:

Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by the Group's internal credit risk management group.

Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.

46 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF THE FINANCIAL INSTRUMENTS (CONTINUED)

46.3 Fair value estimation (Continued)

46.3.2 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 2019	As at 31 December 2018	**As at 30 June 2019**	As at 31 December 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Bonds payable	**46,794,798**	38,596,346	**47,396,393**	38,269,127

Fair value hierarchy of bonds 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.

46.3.3 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:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

46 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF THE FINANCIAL INSTRUMENTS (CONTINUED)

46.3 Fair value estimation (Continued)

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

As at 30 June 2019	Assets/Liabilities	Level 1	Level 2	Level 3	Total
1) FVTPL – exclude unlisted equity investments *(Note 17)*	Assets	–	204,646	–	204,646
2) Currency forwards *(Note 18)*	Liabilities	–	75,795	–	75,795
3) Interest rate swaps *(Note 18)*	Assets	–	5,368	–	5,368
	Liabilities	–	736,414	–	736,414
4) Unlisted equity investments *(Note 17)*	Liabilities	–	–	169,413	169,413
5) Cross Currency Swaps *(Note 18)*	Liabilities	–	37,562	–	37,562
6) Foreign exchange options *(Note 18)*	Assets	–	3,687	–	3,687
		–	1,063,472	169,413	1,232,885

As at 31 December 2018	Assets/Liabilities	Level 1	Level 2	Level 3	Total
1) FVOCI – Bonds investment	Assets	495,740	–	–	495,740
2) FVTPL – exclude unlisted equity investments *(Note 17)*	Assets	–	1,749,642	–	1,749,642
3) Currency forwards *(Note 18)*	Liabilities	–	13,897	–	13,897
4) Interest rate swaps *(Note 18)*	Assets	–	36,686	–	36,686
	Liabilities	–	265,775	–	265,775
5) Unlisted equity investments *(Note 17)*	Liabilities	–	–	169,413	169,413
6) Cross Currency Swaps *(Note 18)*	Liabilities	–	3,039	–	3,039
	Assets	–	191	–	191
		495,740	2,069,230	169,413	2,734,383

47 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 CBIRC. The Group files the required information to CBIRC quarterly. As at 30 June 2019, the capital adequacy ratio is 11.61% (31 December 2018：11.91%).

48 EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date that require disclosure in these financial statements.