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

2020
INTERIM REPORT

Contents

2 Company Overview
3 Corporate Information
5 Financial Highlights
10 Chairman's Statement
12 Management Discussion and Analysis
54 Other Information
60 Definitions
62 Glossary of Technical Terms
63 Independent Review Report
64 Interim Condensed Consolidated Financial Statements and Notes

Company Overview

China Development Bank Financial Leasing Co., Ltd., a national non-banking financial institution regulated by CBIRC, is the first listed financial leasing company in mainland China and the sole leasing business platform and listing platform of China Development Bank. Its leasing assets and business partners reach throughout over 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 batch of 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 fields including aviation, infrastructure, shipping, inclusive finance, 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 through our exploration in business sectors, product innovation, risk management and control, operation 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, leading market 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, 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, Legal Representative)*
Mr. Peng Zhong *(Vice Chairman)*[1]
Mr. Huang Min

Non-executive Directors
Mr. Li Yingbao
Mr. Wang Bangyi
Ms. Wang Ying[1,3]

Independent Non-executive Directors
Mr. Zheng Xueding
Mr. Xu Jin
Mr. Zhang Xianchu

STRATEGY DECISION COMMITTEE OF THE BOARD

Mr. Wang Xuedong *(Chairman)*
Mr. Peng Zhong[2]
Mr. Li Yingbao
Mr. Zheng Xueding
Mr. Xu Jin

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE OF THE BOARD

Mr. Wang Xuedong *(Chairman)*
Mr. Peng Zhong[2]
Mr. Huang Min
Mr. Li Yingbao
Mr. Wang Bangyi[2]
Ms. Wang Ying[2,3]
Mr. Zheng Xueding

RELATED PARTY TRANSACTION CONTROL COMMITTEE OF THE BOARD

Mr. Xu Jin *(Chairman)*
Mr. Huang Min
Ms. Wang Ying[2,3]
Mr. Zheng Xueding
Mr. Zhang Xianchu

AUDIT COMMITTEE OF THE BOARD

Mr. Zheng Xueding *(Chairman)*
Mr. Li Yingbao
Mr. Wang Bangyi[2]
Mr. Xu Jin
Mr. Zhang Xianchu

REMUNERATION COMMITTEE OF THE BOARD

Mr. Zhang Xianchu *(Chairman)*
Mr. Peng Zhong[2]
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. Zhang Xiaosong *(Chairman)*
Mr. Zhong Qinglin
Mr. Wang Yiyun
Ms. Huang Xuemei
Mr. Ma Yongyi

1 Appointed on January 20, 2020;
2 Appointed on March 16, 2020;
3 Resigned on May 29, 2020.

JOINT COMPANY SECRETARIES

Mr. Huang Min[4]
Ms. Wong Sau Ping *(ACIS, ACS)*[4]
Mr. Liu Yi[5]
Ms. Lam Yuk Ling *(ACIS, ACS)*[5]

AUTHORIZED REPRESENTATIVES

Mr. Huang Min
Ms. Wong Sau Ping *(ACIS, ACS)*[4]
Mr. Liu Yi[5]

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
King & Wood Mallesons
17-18/F, East Tower
World Financial Center
Building 1, No.1 Dongsanhuan Zhonglu
Chaoyang District
Beijing

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

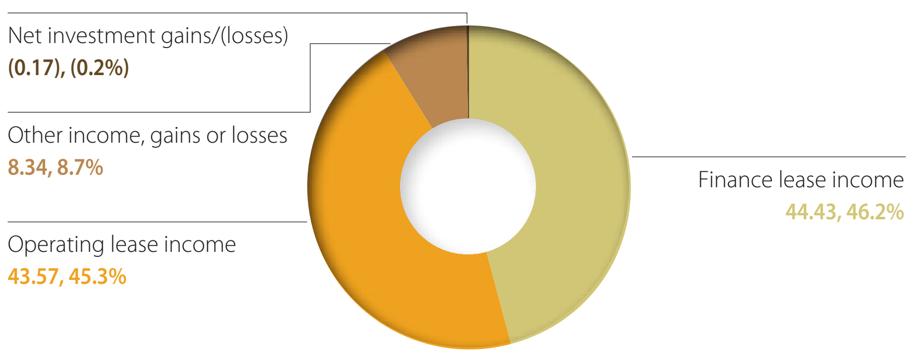
4 Resigned on August 31, 2020;
5 Appointed on August 31, 2020.

1. SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(RMB in thousands)	For the six months ended June 30, 2020	2019	For the year ended December 31, 2019
Finance lease income	**4,442,603**	3,985,182	8,287,442
Operating lease income	**4,357,048**	3,954,215	8,236,710
Total revenue	**8,799,651**	7,939,397	16,524,152
Net investment gains/(losses)	**(16,912)**	60,788	220,355
Other income, gains or losses	**833,793**	738,379	1,598,730
Total revenue and other income	**9,616,532**	8,738,564	18,343,237
Total expenses	**(7,999,695)**	(6,917,040)	(14,350,476)
Of which: Depreciation and amortisation	**(2,016,225)**	(1,746,754)	(3,738,448)
Interest expense	**(3,340,865)**	(3,646,820)	(7,167,284)
Impairment losses	**(2,035,671)**	(1,006,022)	(2,037,187)
Profit before income tax	**1,616,837**	1,821,524	3,992,761
Profit for the Reporting Period	**1,239,347**	1,361,203	2,938,125
Basic and diluted earnings per Share *(RMB Yuan)*	**0.10**	0.11	0.23

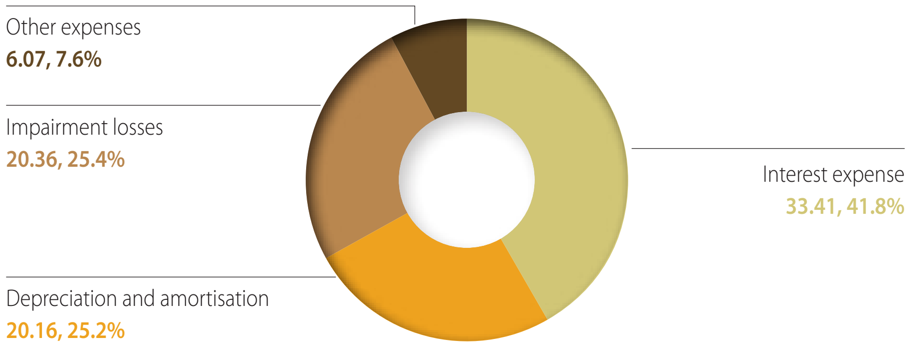
In the first half of 2020, finance lease income accounted for 46.2% of the operating income of the Group, representing a year-on-year increase of 0.6 percentage point; operating lease income accounted for 45.3%, remaining the same level with that of the corresponding period of the last year; other income, gains or losses accounted for 8.7%, representing a year-on-year increase of 0.3 percentage point; and net investment gains/(losses) accounted for -0.2%, representing a year-on-year decrease of 0.9 percentage point.

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



In the first half of 2020, interest expense accounted for 41.8% of the operating expenses of the Group, representing a year-on-year decrease of 10.9 percentage points; depreciation and amortization accounted for 25.2%, representing a year-on-year decrease of 0.1 percentage point; impairment losses accounted for 25.4%, representing a year-on-year increase of 10.9 percentage points; and other expenses accounted for 7.6%, representing a year-on-year increase of 0.1 percentage point.

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



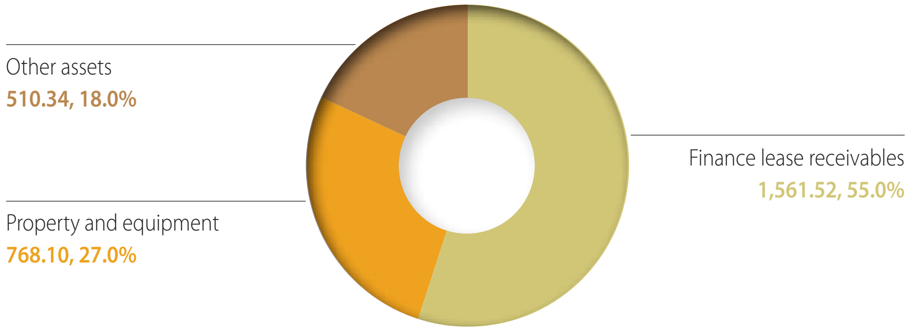
Note: Data of percentages in the chart was calculated based on data denominated in RMB'000, and difference exists between such data and data calculated on the basis of RMB00' million with two decimal place.

2. SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(RMB in thousands)	**June 30, 2020**	December 31, 2019
Total assets	**283,995,822**	261,300,668
Of which: Cash and bank balances	**26,449,663**	21,528,292
Accounts receivable	**1,702,623**	2,168,454
Finance lease receivables	**156,152,003**	141,498,088
Prepayments	**15,362,963**	14,820,598
Property and equipment	**76,810,391**	73,260,791
Total liabilities	**259,240,501**	235,631,426
Of which: Borrowings	**189,255,574**	174,135,636
Bonds payable	**44,941,248**	42,811,268
Net assets	**24,755,321**	25,669,242
Net assets per Share *(RMB Yuan)*	**1.96**	2.03

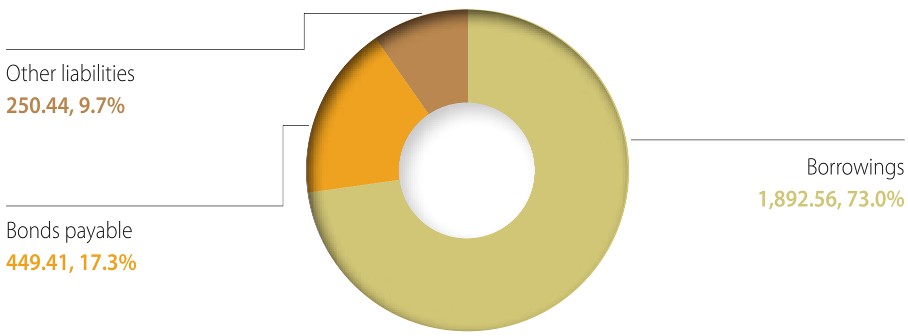
In the first half of 2020, finance lease receivables accounted for 55.0% of the total assets of the Group, representing an increase of 0.8 percentage point as compared with that in 2019; property and equipment accounted for 27.0%, representing a decrease of 1.0 percentage point as compared with that in 2019; and other assets accounted for 18.0%, representing an increase of 0.2 percentage point as compared with that in 2019.

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



In the first half of 2020, borrowings accounted for 73.0% of the total liabilities of the Group, representing a decrease of 0.9 percentage point as compared with that in 2019; bonds payable accounted for 17.3%, representing a decrease of 0.9 percentage point as compared with that in 2019; and other liabilities accounted for 9.7%, representing an increase of 1.8 percentage points as compared with that in 2019.

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



Note: Data of percentages in the chart was calculated based on data denominated in RMB'000, and difference exists between such data and data calculated on the basis of RMB00' million with two decimal place.

3. SELECTED FINANCIAL RATIOS

	For the six months ended June 30/As at June 30, 2020	2019	For the year ended December 31/As at December 31, 2019
Return on average total assets[(1)]	**0.91%**	1.14%	1.18%
Return on average equity[(2)]	**9.83%**	11.30%	11.78%
Cost-to-income ratio[(3)]	**6.73%**	6.04%	8.19%
Non-performing asset ratio[(4)]	**0.85%**	0.88%	0.89%
Non-performing asset ratio of finance lease business[(5)]	**1.37%**	1.50%	1.58%
Gearing ratio[(6)]	**8.58 times**	7.46 times	7.61 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 period 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 period by average balance of total Shareholders' equity at the beginning and the end of the period on an annualized basis.

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

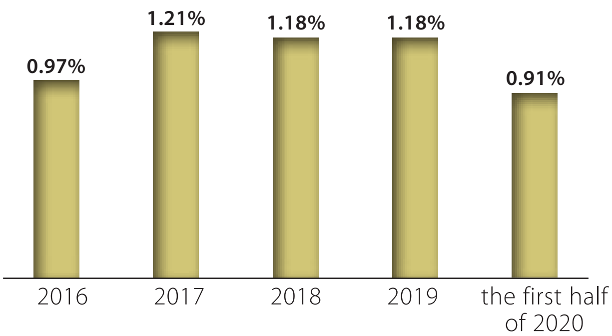
(4) Non-performing asset ratio refers to the percentage of non-performing assets over total assets before allowance for impairment losses as at the applicable date.

(5) 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.

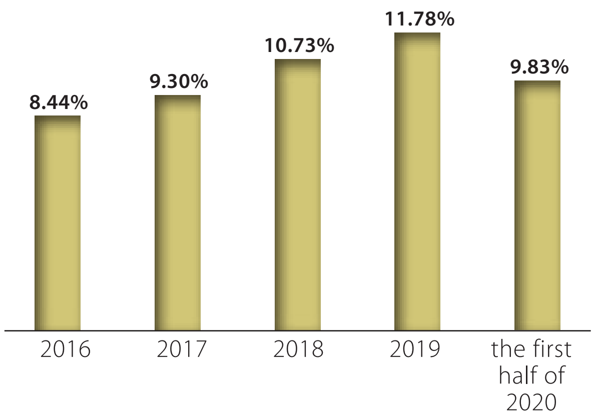
(6) Calculated by dividing net debt by total equity. Net debt is defined as total liabilities less cash and cash equivalents. Total liabilities comprise borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements and bonds payable.

In the first half of 2020, the return on average total assets of the Group declined compared to that in 2019, which mainly due to the increase of impairment provision for improving the ability to resist risks arising from the impact of the COVID-19 and the macroeconomic downturn.

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, 2020	December 31, 2019	December 31, 2018
Capital adequacy indicators(1)				
Core tier-one capital adequacy ratio(2)	≥7.5%	**9.84%**	10.51%	10.72%
Tier-one capital adequacy ratio(3)	≥8.5%	**9.84%**	10.51%	10.72%
Capital adequacy ratio(4)	≥10.5%	**11.02%**	11.69%	11.91%
Asset quality indicators				
Allowance to non-performing finance lease related assets(5)	≥150%	**340.65%**	269.61%	253.12%

(1) Calculated based on the Capital Administrative Measures《資本管理辦法》published by the CBIRC on June 7, 2012, which became effective on January 1, 2013 which replaced the Measures for the Management of Capital Adequacy Ratios of Commercial Banks《商業銀行資本充足率管理辦法》.

(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.

Chairman's Statement

In the first half of 2020, undeterred by the great impact from COVID-19 pandemic, economic downward pressure and the changes in domestic and international environments, we maintained our strategic focus, pursued 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 Group continued to maintain steady growth in business results. As of the end of June 2020, total assets of the Group amounted to RMB283.996 billion, representing a year-on-year increase of 18.24%; net profit realized amounted to RMB1.239 billion, achieving an industry-leading annualized return on net assets of 9.83%. Non-performing asset ratio of the Group was 0.85%, while allowance for it reached 340.65%. In the first half of the year, the lease financing to new lessees of the Group amounted to RMB50.866 billion, representing a year-on-year increase of 20.5%. While achieving better operating results, the Company continuously promoted its professional development and optimized its business layout with significant improvement in profitability and professional operation level of specialized segments such as aircraft, ships, inclusive finance, and new energy. Making continuous efforts to optimize our internal management, we further improved our organizational restructuring, and established a finance and technology innovation center at the beginning of the year to accelerate technological empowerment for the Company. Furthermore, we proactively monitored market trends, adjusted our investment and financing strategies in a timely manner, and continuously improved our asset management capabilities.

Since the outbreak and spread of COVID-19 this year, it has caused serious impacts across the globe with a pandemic trend overseas. Global economy declined continuously, international asset prices fluctuated sharply, global economic and financial risks intensified quickly, and unstable and uncertain factors increased significantly. However, major strategic results have been achieved in China for the epidemic prevention and control, and the economic and social order is restoring quickly. We firmly believe that China's economy has tremendous resilience and potential with bright prospect in the long term. To respond to this sudden and major epidemic risks, on one hand, the Group organized all staff to conduct strict prevention and control measures to ensure continuity of our business, granted credits proactively and flexibly based on market changes to strive to meet customers' needs, provided multi-channel financial service support and actively promote the resumption of work and production and proactively fulfilled corporate social responsibilities; on the other hand, the Group increased risk monitoring and focused on the aviation industry and small and micro customers that have been severely affected by the epidemic, to help them to alleviate difficulties and hold the bottom lines of risks. Meanwhile, the Group explored business opportunities in the changing environment full of risks and continued to improve the asset structure to actively seek high-quality sustainable development. Facing the severe and complicated international epidemic and the global economic conditions, the Group, in the normalization of epidemic prevention and control, will adhere to the steady development and follow the trend, further deepen the strategic synergy with China Development Bank Group, focus on key national regions and keep abreast of social livelihood demand for making up for weak lines; at the same time, the Group will accelerate business model innovation and digitized upgrade and transformation to provide strong motivation for the Group to reduce operating costs, improve the service quality and efficiency and expand the customer base.

At present, as China are witnessing changes unfolding in its economy, something unseen in a century with both opportunities and challenges, we should seek opportunities in risk and turn risks into opportunities to achieve stable and healthy development. In the second half of 2020, 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

1. BUSINESS ENVIRONMENT

1.1 Macro-Economy

Since the beginning of this year, the COVID-19 epidemic has caused an unprecedented impact on the global economy and society, which lead to the severe global economic recession. At present, the turning point of the epidemic has not yet appeared, and the global economic situation is not optimistic. China actively responded to the impact of factors such as the COVID-19 epidemic and the global economic slowdown, effectively blocking the spread of the virus and vigorously promoting the resumption of work and production and the resumption of business and market. A number of policies were introduced to boost consumption, expand domestic demand, stabilize investment and ensure employment. The economy bottomed out and showed a full recovery trend. In the second quarter of 2020, GDP increased by 3.2% year-on-year and 11.5% quarter-on-quarter. PBOC actively played a counter-cyclical adjustment role to maintain reasonable and sufficient liquidity. At the end of June 2020, the balances of broad money M2 and narrow money M1 increased by 11.1% and 6.5% year-on-year respectively, and the Aggregate Financing to the Real Economy (AFRE) (stock) was RMB271.8 trillion, representing a year-on-year increase of 12.8%. The AFRE (flow) totaled RMB20.83 trillion in the first half of the year, representing an increase of RMB6.22 trillion from the corresponding period of 2019.

1.2 Industry Environment

Affected by various aspects including the domestic and foreign macroeconomic environment and financial markets, the growth of the leasing industry slowed down. As of the end of June 2020, the total number of financial leasing companies nationwide was 12,151, representing an increase of 21 or 0.17% as compared with that of the end of last year. The finance lease contract balance amounted to approximately RMB6.46 trillion, representing a decrease of approximately RMB0.19 trillion or 3.0% as compared with that as at the beginning of the year. At the same time, with the implementation of unified supervision of the leasing industry, the development of the leasing industry will become increasingly standardized. In May 2020, the CBIRC introduced the Interim Measures for the Supervision and Administration of Financial Leasing Companies in accordance with the regulatory requirements of financial leasing companies to promote the "reduction of volume and improvement of quality" of the financial leasing industry. The registration of financial leasing companies will be prudent and strict. There will be obvious differentiation within the leasing industry. With capital advantages, fund advantages, and risk control advantages, the proportion of assets of financial leasing companies in the leasing industry will steadily increase.

2. COMPANY'S RESPONSES

The Group adhered to the overall principle of pursuing progress while ensuring stability and new development concept, and focused on main responsibility and main business to achieve the target of high quality development. The Group strengthened professional capacity building, continuously optimized and improved internal operating efficiency, continued to improve the corporate governance system and comprehensive risk management system, and intensified active compliance, achieving remarkable results in stable operations and recording new highs in some operating indicators.

Made comprehensive preparation for joint prevention and control of the epidemic, and actively implemented the work of "stability on the six fronts" (employment, finance, foreign trade, inbound investment, domestic investment, and market expectations) and "six priorities" (jobs, daily living needs, food and energy, industrial and supply chains, the interests of market players, and the smooth functioning of grassroots government). The Group implemented the requirements for joint prevention and control of the epidemic, studied and formulated prevention and control measures without delay, increased the efforts of providing financial relief to enterprises, and fully supported the fight against the epidemic. In the first half of 2020, the Group supported a total of more than 50 key projects greatly affected by the epidemic and approximately 4,000 inclusive finance customers by extending rent payments periods and changing rent repayment plans, quickly helping customers overcome difficulties and resume production. The Group actively promoted the conversion of stock floating-rate loan denominated in RMB to the Loan Prime Rate (LPR), so as to benefit the real economy.

Increased leasing support efforts in key regions and key fields. The Group focused on key regions and key fields, and further promoted the "customer-oriented" business development model. In the first half of 2020, the Group realized new business investment of RMB50.866 billion, representing a year-on-year increase of 20.5%, which achieved a new record for the corresponding period in history.

The Group made overall plans for aviation business development and risk prevention and control, strengthened aviation market analysis, research and judgment, closely tracked changes in the industry and customer operations, and improved risk management and control plans. The Group steadily promoted businesses such as ordered aircraft and the sales of aircraft assets. The Group focused on market dynamics. In the first half of 2020, the Group cancelled 29 Boeing 737MAX ordered aircraft, signed a total of 7 aircraft subject to sale-and-leaseback, and sold 13 aircraft to further optimize its fleet structure.

For the Ship field, the Group grasped domestic market opportunities, strengthened cooperation with large state-owned shipping companies, explored the Southeast Asian market, properly carried out investment in operating leasing ships, and optimized the operation mechanism of ship business management. In the first half of 2020, the agreement to build 16 ships were signed and 9 ships were delivered for lease.

For the Inclusive Finance business, the Group implemented the requirements of serving the real economy and supporting the development of small and micro-sized enterprises, deepened cooperation with core manufacturers, optimized the business development model, and expanded transfer channels of small and micro-sized assets. The Group advanced the application of fintech and deepened the construction of the inclusive business system. In the first half of 2020, RMB8.641 billion was invested, meeting the financing demand of 11,654 small, medium and micro-sized terminal customers.

For the Infrastructure field, the Group focused on major national strategic development regions such as the Yangtze River Economic Zone, Guangdong-Hong Kong-Macao Greater Bay Area and Beijing-Tianjin-Hebei Region, paid attention to the opportunities in the new infrastructure field, conducted leasing businesses including the expressway, rail transit, sewage treatment, water supply, gas supply, and supported transportation infrastructure and urban infrastructure to make up for shortcomings. The Group supported green development, advanced the leasing business of environmental protection equipment and pollution control and invested RMB4.499 billion in the first half of 2020; the Group explored wind power and photovoltaic power generation leasing business and invested RMB2.901 billion in the first half of 2020 to support the high-quality development of the real economy.

Strengthened market research and judgment, and continued to optimize asset and liability management. The Group tracked the capital market trend and effectively controlled financing costs. As at the end of June 2020, the comprehensive financing costs of domestic and foreign currencies significantly fell. The Group actively promoted the innovation of leasing creditor's right asset transaction models, realizing the industry's first connected transaction between inclusive financial leasing creditor's right assets and bank balance sheet funds. The Group built the inter-industry cooperation network, enriched asset trading product models, and effectively leveraged the role of asset trading in "adjusting structure" and "increasing revenue", with total assets transferred out of RMB4.276 billion and transferred in of RMB812 million, and intermediate income realized of RMB354 million.

Promoted prevention and control, resolution and disposal of risks, and built a solid foundation for steady and long-term development. In the face of uncertainties in the global economy and trade, epidemic prevention and control, the Company took the initiative to strengthen risk management and control in various business segments by tracking the impact of the epidemic on aviation business, establishing a risk management and control mechanism centered on the list system, optimizing the aviation business stress test, and formulating response strategies by category to achieve anticipation and planning. The Group strengthened market analysis of key industries and follow-up of negative credit issues to improve overall risk management capabilities. The Group promoted the resolution and disposal of non-performing assets. In the first half of 2020, the resolved and recovered non-performing assets were RMB239 million; the non-performing asset ratio was controlled at 0.85%, representing a decrease of 0.04 percentage point from that for the end of last year; and the finance lease provision coverage ratio was 340.65%, representing an increase of 71.04 percentage points from that for the end of last year, which indicated that the ability to resist risks was further improved.

Persisted in compliance leadership and continuously consolidated the foundation of internal control and compliance management. The Group strengthened regulatory communication and policy interpretation to ensure each business was carried out in compliance with regulations. In accordance with regulatory requirements, the Group identified gaps and made up for shortcomings, carried out follow-up self-inspection of market chaos and investigation of various risks, promoted the construction of anti-money laundering systems, and continuously strengthened compliance and internal control management systems.

Strengthened the fine management, speeded up the construction of information system and promoted the digital upgrade of leasing business. Combining business and management needs, the Company sorted out and updated the Company's process management system to enhance the internal operation efficiency. The Group improved the information management mechanism to enhance the effectiveness of system construction and information services. The Group increased the comprehensive investment in the annual informationalization construction to improve IT infrastructure and strengthen the prevention and control of information technology risks and network security. The Group paid attention to the construction of basic data management, established a data management center, continued to build a big data platform, and initiated data governance and Examination & Analysis System Technology (EAST) construction. The Group set up a financial science and technology innovation center to promote the digital upgrade of leasing business.

3. ANALYSIS ON CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

3.1 Overview of Consolidated Statement of Profit and Loss

In the first half of 2020, the Group achieved total revenue and other income of RMB9,616.5 million, representing an increase of 10.0% as compared with the total revenue and other income of RMB8,738.6 million for the same period of last year. Net profit of the Group for the first half of 2020 amounted to RMB1,239.3 million, representing a decrease of 9.0% as compared with the net profit of RMB1,361.2 million for the same period of last year, which primarily due to the increase of impairment provision for improving the ability of the Group to resist risks arising from the impact of the epidemic and the macroeconomic downturn in the first half of 2020.

The following table sets forth the statement of profit or loss of the Group for the six months ended June 30, 2020 and comparative figures for the same period of last year:

	For the six months ended June 30,		
(RMB in millions, except percentages)	**2020**	2019	Change
Revenue			
Finance lease income	**4,442.6**	3,985.2	11.5%
Operating lease income	**4,357.0**	3,954.2	10.2%
Total revenue	**8,799.6**	7,939.4	10.8%
Net investment gains/(losses)	**(16.9)**	60.8	(127.8%)
Other income, gains or losses	**833.8**	738.4	12.9%
Total revenue and other income	**9,616.5**	8,738.6	10.0%
Depreciation and amortization	**(2,016.2)**	(1,746.8)	15.4%
Staff costs	**(256.9)**	(229.9)	11.7%
Fee and commission expenses	**(15.0)**	(23.7)	(36.7%)
Interest expense	**(3,340.9)**	(3,646.8)	(8.4%)
Other operating expenses	**(335.0)**	(263.9)	26.9%
Impairment losses	**(2,035.7)**	(1,006.0)	102.4%
Total expenses	**(7,999.7)**	(6,917.1)	15.7%
Profit before income tax	**1,616.8**	1,821.5	(11.2%)
Income tax expense	**(377.5)**	(460.3)	(18.0%)
Net profit	**1,239.3**	1,361.2	(9.0%)

3.2 Total revenue

For the first half of 2020, total revenue of the Group amounted to RMB8,799.6 million, representing an increase of 10.8% as compared with the total revenue of RMB7,939.4 million for the same period of last year, primarily due to the increase in finance lease income and operating lease income resulting from the increase in investment in finance lease business and operating lease business in the second half of 2019 and the first half of 2020.

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

3.2.1 Finance Lease Income

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

	For the six months ended June 30,		
(RMB in millions, except percentages)	**2020**	2019	Change
Finance lease income			
Aircraft Leasing	**7.8**	70.8	(89.0%)
Infrastructure Leasing	**3,069.1**	2,599.8	18.1%
Ship Leasing	**449.6**	461.4	(2.6%)
Inclusive Finance	**614.4**	588.0	4.5%
Others	**301.7**	265.2	13.8%
Total	**4,442.6**	3,985.2	11.5%

For the first half of 2020, finance lease income of the Group amounted to RMB4,442.6 million, accounting for 50.5% of the total revenue and representing an increase of 11.5% as compared with the finance lease income of RMB3,985.2 million for the same period of last year, primarily due to the 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 2020, finance lease income of the Group amounted to RMB7.8 million, representing a decrease of 89.0% as compared with the finance lease income of RMB70.8 million for the same period of last year, primarily due to the decrease in the scale of finance lease business resulting from the Group's focus on the development of operating lease business in the aircraft segment in the first half of 2020.

With respect to Infrastructure Leasing, for the first half of 2020, finance lease income of the Group amounted to RMB3,069.1 million, representing an increase of 18.1% as compared with the finance lease income of RMB2,599.8 million for the same period of last year, primarily due to the increase in the scale of infrastructure finance lease business resulting from an increase in investment in the infrastructure leasing business.

With respect to Ship Leasing, for the first half of 2020, finance lease income of the Group amounted to RMB449.6 million, representing a decrease of 2.6% as compared with the finance lease income of RMB461.4 million for the same period of last year, primarily due to a decrease in income of some existing floating interest rate projects with the value of London Interbank Offered Rate (LIBOR).

With respect to Inclusive Finance, for the first half of 2020, finance lease income of the Group amounted to RMB614.4 million, representing an increase of 4.5% as compared with the finance lease income of RMB588.0 million for the same period of last year, primarily due to the increase in the scale of inclusive finance lease business resulting from an increase in investment in the inclusive finance segment.

With respect to Others, for the first half of 2020, finance lease income of the Group amounted to RMB301.7 million, representing an increase of 13.8% as compared with the finance lease income of RMB265.2 million for the same period of last year, primarily due to the income generated from other segments in the first half of the current year as a result of an increase in investment in the second half of last year.

3.2.2 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)	**2020**	2019	Change
Operating lease income			
Aircraft Leasing	**3,966.1**	3,605.3	10.0%
Infrastructure Leasing	**16.6**	21.2	(21.7%)
Ship Leasing	**285.0**	239.0	19.2%
Inclusive Finance	**–**	–	–
Others	**89.3**	88.7	0.7%
Total	**4,357.0**	3,954.2	10.2%

For the first half of 2020, the operating lease income of the Group amounted to RMB4,357.0 million, accounting for 49.5% of the total revenue and representing an increase of 10.2% as compared with the operating lease income of RMB3,954.2 million for the same period of last year, primarily due to an increase of the operating lease income resulting from the expansion of the lease scale of aircraft and ships.

3.2.3 Net Investment Gains/(Losses)

For the first half of 2020, net investment gains of the Group amounted to RMB-16.9 million, representing a decrease of RMB77.7 million as compared with the investment gains of RMB60.8 million for the same period of last year, primarily due to unrealized losses in equity and debt projects for the first half of 2020.

3.2.4 Other Income, Gains or Losses

For the first half of 2020, other income, gains or losses of the Group amounted to RMB833.8 million, representing an increase of 12.9% as compared with the other income, gains or losses of RMB738.4 million for the same period of last year, primarily due to the year-on-year increase in fiscal and tax rebates, income from ship management fees, asset disposal gains and exchange gains for the first half of 2020.

3.3 Cost and Expenses

For the first half of 2020, total cost and expenses of the Group amounted to RMB7,999.7 million, representing an increase of 15.7% as compared with the total cost and expenses of RMB6,917.1 million for the same period of last year, primarily due to the increase of impairment provision for the impact of the epidemic and the macroeconomic downturn.

3.3.1 Depreciation and Amortisation

For the first half of 2020, depreciation and amortisation of the Group amounted to RMB2,016.2 million, representing an increase of 15.4% as compared with the depreciation and amortization of RMB1,746.8 million for the same period of last year, primarily due to an increase in operating lease assets, in particular those for Aircraft Leasing and Ship Leasing.

3.3.2 Staff Costs

For the first half of 2020, staff costs of the Group amounted to RMB256.9 million, representing an increase of 11.7% as compared with the staff costs of RMB229.9 million for the same period of last year, primarily due to an increase in the scale of the talent team. The increase was mainly because the Group strengthened the high-level talents reserve and construction of professional team, and intensified the incentive and restriction mechanism.

3.3.3 Fee and Commission Expenses

For the first half of 2020, fee and commission expenses of the Group amounted to RMB15.0 million, representing a decrease of 36.7% as compared with the fee and commission expenses of RMB23.7 million for the same period of last year, primarily due to the decrease of handling fees for bank borrowings and other fees.

3.3.4 Interest Expense

For the first half of 2020, interest expense of the Group amounted to RMB3,340.9 million, representing a decrease of 8.4% as compared with the interest expense of RMB3,646.8 million for the same period of last year, primarily due to the decrease in interest expense as a result of benefit from the loose environment of market funds.

3.3.5 Other Operating Expenses

For the first half of 2020, other operating expenses of the Group amounted to RMB335.0 million, representing an increase of 26.9% as compared with the other operating expenses of RMB263.9 million for the same period of last year, primarily due to the increase in ship management fees as a result of the increase in the scale of the Group's ships.

3.3.6 Impairment Losses

For the first half of 2020, impairment losses of the Group amounted to RMB2,035.7 million, representing an increase of 102.4% as compared with the impairment losses of RMB1,006.0 million for the same period of last year, primarily due to the increase of impairment provision by the Group for the impact of the epidemic and the macroeconomic downturn.

3.4 Profit before Income Tax

For the first half of 2020, profit before income tax of the Group amounted to RMB1,616.8 million, representing a decrease of 11.2% as compared with that of RMB1,821.5 million for the same period of last year, primarily because the increase in impairment losses offset revenue growth due to the increase of impairment provision for the impact of the epidemic and the macroeconomic downturn.

3.5 Income Tax Expense

For the first half of 2020, income tax expense of the Group amounted to RMB377.5 million, representing a decrease of 18.0% as compared with that of RMB460.3 million for the same period of last year, primarily due to a decrease in profit before income tax.

4. ANALYSIS ON CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table sets forth the Group's consolidated statements of financial position as of the dates indicated:

(RMB in millions, except percentages)	**June 30, 2020**	December 31, 2019	Change
Assets			
Cash and bank balances	**26,449.7**	21,528.3	22.9%
Financial assets at fair value through profit or loss	**756.4**	148.8	408.3%
Derivative financial assets	**10.8**	32.4	(66.7%)
Accounts receivable	**1,702.6**	2,168.5	(21.5%)
Finance lease receivables	**156,152.0**	141,498.1	10.4%
Prepayments	**15,363.0**	14,820.6	3.7%
Assets held-for-sale	**–**	1,585.8	(100.0%)
Investment properties	**981.2**	990.4	(0.9%)
Property and equipment	**76,810.4**	73,260.8	4.8%
Deferred tax assets	**1,719.3**	1,428.9	20.3%
Right-of-use assets	**589.0**	604.5	(2.6%)
Goodwill	**0.9**	–	100.0%
Other assets	**3,460.5**	3,233.6	7.0%
Total assets	**283,995.8**	261,300.7	8.7%
Liabilities			
Borrowings	**189,255.6**	174,135.6	8.7%
Due to banks and other financial institutions	**4,101.9**	–	100.0%
Financial assets sold under repurchase agreements	**597.0**	–	100.0%
Derivative financial liabilities	**1,911.5**	789.2	142.2%
Accrued staff costs	**196.4**	304.0	(35.4%)
Tax payable	**404.3**	576.6	(29.9%)
Bonds payable	**44,941.2**	42,811.3	5.0%
Deferred tax liabilities	**750.5**	827.3	(9.3%)
Lease liabilities	**591.6**	626.5	(5.6%)
Other liabilities	**16,490.5**	15,560.9	6.0%
Total liabilities	**259,240.5**	235,631.4	10.0%
Total equity	**24,755.3**	25,669.3	(3.6%)

4.1 Total Assets

The Group's assets mainly comprised cash and bank balances, accounts receivable, finance lease receivables, prepayments and property and equipment, collectively representing 97.4% of the Group's total assets as of June 30, 2020. As of June 30, 2020, total assets of the Group amounted to RMB283,995.8 million, representing an increase of RMB22,695.1 million, or 8.7% as compared with that as of the end of last year. The increase in the balance of assets was relatively stable, primarily because: (1) the Group continued to increase its investment in the first half of 2020; and (2) the US dollar liquidity reserve increased.

4.1.1 Finance Lease Receivables

(RMB in millions, except percentages)	**June 30, 2020**	December 31, 2019	Change
Finance lease receivables – gross	**197,597.6**	180,161.3	9.7%
Less: Unearned finance income	**(34,538.0)**	(33,007.7)	4.6%
Finance lease receivables – net	**163,059.6**	147,153.6	10.8%
Less: Allowance for impairment losses	**(6,907.6)**	(5,655.5)	22.1%
Finance lease receivables – carrying value	**156,152.0**	141,498.1	10.4%

As of June 30, 2020, finance lease receivables of the Group amounted to RMB156,152.0 million, representing an increase of 10.4% as compared with that of RMB141,498.1 million as at December 31, 2019, primarily due to the continued increase in the scale of finance lease business as a result of the increase in investment in the Group's finance lease business.

4.1.2 Accounts Receivable

As of June 30, 2020, accounts receivable of the Group amounted to RMB1,702.6 million, representing a decrease of 21.5% as compared with that of RMB2,168.5 million as at December 31, 2019, primarily due to the decrease in prepayments for some finance lease projects.

4.1.3 Prepayments

As of June 30, 2020, prepayments of the Group amounted to RMB15,363.0 million, representing an increase of 3.7% as compared with that of RMB14,820.6 million as at December 31, 2019, primarily due to the continued investment by the Group on aircraft and ships under contribution.

4.1.4 Property and Equipment

As of June 30, 2020, equipment held for operating lease of the Group amounted to RMB75,930.3 million, representing an increase of 4.9% as compared with that of RMB72,360.7 million as at December 31, 2019, primarily due to the increase in the scale of aircraft and ships held for operating lease of the Group.

As of June 30, 2020, property and equipment held for administrative purposes of the Group amounted to RMB880.1 million, representing a decrease of 2.2% as compared with that of RMB900.1 million as at December 31, 2019, primarily due to the transfer of some assets into investment properties.

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

(RMB in millions, except percentages)	June 30, 2020	December 31, 2019	Change
Property and equipment			
Equipment held for operating lease	**75,930.3**	72,360.7	4.9%
Property and equipment held for administrative purposes	**880.1**	900.1	(2.2%)
Property and equipment – carrying value	**76,810.4**	73,260.8	4.8%

4.1.5 Cash and Bank Balances

As of June 30, 2020, cash and bank balances of the Group were RMB26,449.7 million, representing an increase of 22.9% as compared with that of RMB21,528.3 million as of December 31, 2019, primarily due to an increase in liquidity reserves funds of the Group.

4.1.6 Financial Assets at Fair Value through Profit or Loss

As of June 30, 2020, financial assets at fair value through profit or loss of the Group were RMB756.4 million, representing an increase of 408.3% as compared with that of RMB148.8 million as at December 31, 2019, primarily due to the increase of the investment in policy financial bonds by the Group.

4.1.7 Other Assets

Other assets primarily included maintenance right assets, other receivables, prepaid expenses, deductible input value-added tax and land use rights. As of June 30, 2020, other assets of the Group amounted to RMB3,460.5 million, representing an increase of RMB226.9 million or 7.0% as compared with that of RMB3,233.6 million as of the end of last year, primarily due to the increase in maintenance right assets.

4.2 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, 2020	December 31, 2019	Change
Finance lease related assets			
Finance lease receivables	**156,152.0**	141,498.1	10.4%
Accounts receivable – advances for finance lease projects	–	1,494.9	(100.0%)
Total	**156,152.0**	142,993.0	9.2%

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, 2020**	December 31, 2019	Change
Operating lease assets			
Investment properties	**981.2**	990.4	(0.9%)
Property and equipment – equipment held for operating lease	**75,930.3**	72,360.7	4.9%
Total	**76,911.5**	73,351.1	4.9%

Finance lease assets of the Group increased by 9.2% as compared with that at the beginning of the year, and operating lease assets increased by 4.9% as compared with that at the beginning of the year. In the first half of 2020, the Group maintained significant investment in leasing, and the balance of lease assets maintained growth as compared with that at the beginning of the year.

4.3 Liabilities

As of June 30, 2020, total liabilities of the Group amounted to RMB259,240.5 million, representing an increase of 10.0% as compared with that of RMB235,631.4 million as at December 31, 2019, primarily due to growth in the scale of liabilities in commensurate with that of assets.

4.3.1 Borrowings

As of June 30, 2020, the balance of borrowings of the Group amounted to RMB189,255.6 million, representing an increase of 8.7% as compared with that of RMB174,135.6 million as at December 31, 2019, primarily due to the increase in financing to support the development of business scale.

4.3.2 Bonds Payable

As of June 30, 2020, the balance of bonds payable of the Group amounted to RMB44,941.2 million, representing an increase of 5.0% as compared with that of RMB42,811.3 million as at December 31, 2019, primarily due to the increase in financing to support the development of business scale.

4.3.3 Other Liabilities

As of June 30, 2020, the balance of other liabilities of the Group amounted to RMB16,490.5 million, representing a slight increase of 6.0% as compared with that of RMB15,560.9 million as at December 31, 2019.

5. ANALYSIS ON STATEMENT OF CASH FLOWS

(RMB in millions, except percentages)	For the six months ended June 30, 2020	2019	Change
Net cash flows from operating activities	**7,915.9**	(8,659.9)	(191.4%)
Net cash flows from investing activities	**(5,589.2)**	(356.0)	1,470.0%
Net cash flows from financing activities	**1,022.2**	7,564.9	(86.5%)
Net increase/(decrease) in cash and cash equivalents	**3,348.9**	(1,451.0)	(330.8%)

For the first half of 2020, net cash inflow from operating activities of the Group amounted to RMB7,915.9 million, primarily due to the increase of borrowings in the first half of 2020. For the first half of 2020, net cash outflow from investing activities of the Group amounted to RMB5,589.2 million, representing an increase of RMB5,233.2 million as compared with that of the same period of last year, primarily due to the increase in the restricted bank deposit of the Group for the first half of 2020. For the first half of 2020, net cash inflow from financing activities of the Group amounted to RMB1,022.2 million, representing a decrease of RMB6,542.7 million as compared with that of the same period of last year, primarily due to the year-on-year decrease in cash inflow caused by the Group's new issue of bonds in the first half of 2020.

6. BUSINESS OPERATION

The business segments of the Group include four leasing segments of Aircraft Leasing, Infrastructure Leasing, Ship Leasing and Inclusive Finance, and Others. In the first half of 2020, we increased the investment in the Infrastructure Leasing business, actively carried out the Inclusive Finance business, steadily developed the Aircraft Leasing and Ship Leasing business and prudently controlled the expansion of Other Leasing Business, which further optimized the business structure. In the first half of 2020, the total lease financing to lessees of the Group amounted to RMB50,866.4 million, among which the lease financing to lessees in Aircraft Leasing, Infrastructure Leasing, Ship Leasing, Inclusive Finance and Others were RMB6,993.0 million, RMB28,980.8 million, RMB2,352.6 million, RMB8,641.0 million and RMB3,899.0 million, respectively.

The following table sets forth the assets of the Group's four business segments and others as of the dates indicated:

(RMB in millions, except percentages)	June 30, 2020		December 31, 2019	
Segment assets	**Amount**	**Percentage**	Amount	Percentage
Aircraft Leasing	**95,713.6**	**33.9%**	93,839.3	36.1%
Infrastructure Leasing	**120,690.3**	**42.8%**	100,713.3	38.7%
Ship Leasing	**29,719.4**	**10.5%**	27,247.1	10.5%
Inclusive Finance	**24,182.5**	**8.6%**	23,030.2	8.9%
Others	**11,970.7**	**4.2%**	15,041.8	5.8%
Total	**282,276.5**	**100.0%**	259,871.7	100.0%

The following table sets forth the business revenue and other income of the Group's four business segments and others for the periods indicated:

	For the six months ended June 30,			
(RMB in millions, except percentages)	**2020**		2019	
Segment revenue and other income	**Amount**	**Percentage**	Amount	Percentage
Aircraft Leasing	**4,570.7**	**47.5%**	4,207.7	48.2%
Infrastructure Leasing	**3,138.0**	**32.6%**	2,757.0	31.5%
Ship Leasing	**896.3**	**9.4%**	871.4	10.0%
Inclusive Finance	**624.2**	**6.5%**	537.7	6.1%
Others	**387.3**	**4.0%**	364.8	4.2%
Total	**9,616.5**	**100.0%**	8,738.6	100.0%

6.1 Aircraft Leasing

Airlines entered 2020 in relatively good financial shape. However, the first half of 2020 has seen a dramatic drop in air travel mainly because international borders closed and countries locked down to prevent the spread of the COVID-19.

The International Air Transport Association (IATA) released its financial outlook for the global air transport industry, showing that airlines are expected to lose US$84.3 billion in 2020, with revenues falling 50% to US$419 billion from US$838 billion in 2019. In 2021, losses are expected to be cut to US$15.8 billion as revenues will rise to US$598 billion. With open borders and rising demand, airlines will be in recovery mode but still were below pre-crisis levels (2019)[1].

Traffic levels for 2020 are expected to fall by 54.7% as compared to 2019. Passenger numbers will roughly halve to 2.25 billion, approximately equal to 2006 levels. Cargo is the one bright spot, with its enlarged footprint expected to remain, with revenues on track to reach a near-record US$110.8 billion in 2020 (US$102.4 billion in 2019)[1].

At mid-year mark of 2020, the industry appears to be in the early stages of recovery, with some indications that traffic is already showing slow improvements driven primarily by some domestic markets, most notably China. International traffic market still remains depressed. The recovery of air travel is likely to be progressive, starting with domestic markets, followed by regional markets and, lastly, international markets.

As the recovery progresses, the global harmonized measures agreed by medical and industry experts for the industry re-start through the International Civil Aviation Organization (ICAO) will be key to restoring air connectivity and increased volumes of travelers. Strong cargo operations and comparatively low fuel prices will also give the industry a boost. Competition among airlines will no doubt be even more intense. That will translate into strong incentives for travelers to take to the skies again.

While the first half of 2020 marked the first period since the global financial crisis in 2009 with passenger demand below the long-term trend of around 5.5% annual growth, both Airbus and Boeing maintain forecasts that traffic growth will continue to outpace world GDP growth, at annual rates between 4.5% and 5% for the next 20 years[2].

1 International Air Transport Association (IATA) release, June 2020.
2 Boeing and Airbus Forecasts 2019.

The demand for leased aircraft is expected to continue with lessors playing a vital role in providing finance and liquidity to airlines, including through sale-and-leasebacks of both new and used aircraft. Competition from lessors and other investors remains heightened for both the placement of new and used aircraft and for purchase-and-leaseback transactions.

2020 will be a challenging year for the aircraft leasing sector with asset and credit impairment substantially higher than those in previous years as a result of COVID-19's impact on the global aviation business. Despite the near term adverse market conditions in 2020 and the expected gradual recovery of the airline sector, the Group has been able to leverage its aircraft leasing platform to find opportunities from its strong relationships with airlines across the globe that will help to deliver on its longer term strategies. It also acted quickly in realigning its order to the change in the industry outlook in close co-operation with manufacturers. Through the challenges created by COVID-19, Aircraft leasing is still one of the core business segments of the Group in what remains an intensely competitive environment, benefited from its scale in the industry and the strength of the wider CDB Group.

Major highlights for the first half of 2020 include:

- Signed lease transactions for 15 aircraft with 7 customers;
- Sold 13 aircraft;
- Acquired 11 aircraft for operating lease, including 2 via direct OEM orders, 7 via sale-and-leaseback and 2 via portfolio acquisitions;
- Signed financing transactions for US$800 million;
- Reaffirmed investment grade ratings by S&P (A/Stable), Fitch (A+/Stable) and Moody's (A1/Negative); and
- Added 1 new airline customer.

As of June 30, 2020, the Group owned and managed a well-diversified portfolio of 228 delivered aircraft assets on lease to 67 lessees in 36 jurisdictions. As of June 30, 2020, total assets of the Aircraft Leasing segment of the Group amounted to RMB95,713.6 million, representing an increase of 2.0% compared to December 31, 2019, and the total revenue and other income of the Aircraft Leasing segment amounted to RMB4,570.7 million, representing a year-on-year increase of 8.6%. The assets of the Aircraft Leasing segment accounted for 33.9% of the Group, representing a decrease of 2.2 percentage points compared to December 31, 2019. The revenue and other income of the Aircraft Leasing segment accounted for 47.5% of the Group, representing a decrease of 0.7 percentage point compared to the same period of last year.

As of June 30, 2020, the Group had a total portfolio of 378 aircraft, consisting of 223 owned aircraft, five managed aircraft and 150 committed aircraft. As of June 30, 2020, 221 owned aircraft of the Group were used for operating leases and two owned aircraft of the Group were under finance leases. As of June 30, 2020, the weighted average age by net book value of the Group's owned aircraft held for operating leases was 4.4 years, the weighted average remaining lease term by net book value of the Group's owned aircraft held for operating leases was 7.1 years.

The Group's owned and in-service fleet mainly includes narrow-body types such as Airbus A320ceo and A320neo family aircraft and Boeing 737 NG and 737 MAX family aircraft, and wide-body aircraft types such as the Airbus A330ceo, A330neo and A350, and the Boeing 777-300ER. As of June 30, 2020, weighted by net book value, the aircraft fleet consists of 64% narrow-body aircraft, 32% wide-body aircraft and 4% regional and other aircraft. As of June 30, 2020, the net book value of the Group's owned aircraft was US$9,225.7 million.

The Group's orderbook contains next-generation, liquid, narrow-body types. As of June 30, 2020, the Group has committed to purchase 144 aircraft under its direct OEM orders, including 72 aircraft from Boeing[3] and 72 aircraft from Airbus. These aircraft are scheduled to be delivered between 2020 and 2026. The Group also has contractual commitments to acquire a further six aircraft under sale-and-leasebacks transactions[4]. The aggregate of these commitments net of predelivery payments paid is RMB44,301 million.

The following table sets forth the composition of the Group's fleet and committed aircraft as of June 30, 2020:

Aircraft Type	Owned aircraft	Managed aircraft	Committed aircraft	Total
A319-100	4	–	–	4
A320-200	42	–	–	42
A321-200	12	–	–	12
A330-200	8	–	–	8
A330-300	25	–	–	25
A330-900	5	–	–	5
A350-900	2	–	–	2
A320neo	34	–	50	84
A321neo	13	–	28	41
Airbus Total	145	0	78	223
737-700	2	–	–	2
737-800	52	3	–	55
777-300ER	1	2	–	3
737 Max 8	2	–	72	74
Boeing Total	**57**	**5**	**72**	**134**
E190-100LR	20	–	–	20
Embraer Total	**20**	**0**	**0**	**20**
Other	**1**	**0**	**0**	**1**
Total	**223**	**5**	**150**	**378**

In the above table, one Other aircraft and one Airbus A330-200 aircraft were held under finance lease.

3 A total of 29 undelivered Boeing 737 MAX 8 order has been cancelled by the Group and all 737 MAX 10 aircraft order has been transferred to 737 MAX 8 in the first half of 2020.

4 Three committed A330-900 aircraft under sale and leaseback transactions has been cancelled by the Group in the first half of 2020.

In addition to the above committed aircraft, the Group also has 65 non-binding entitlements with other OEMs, 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.

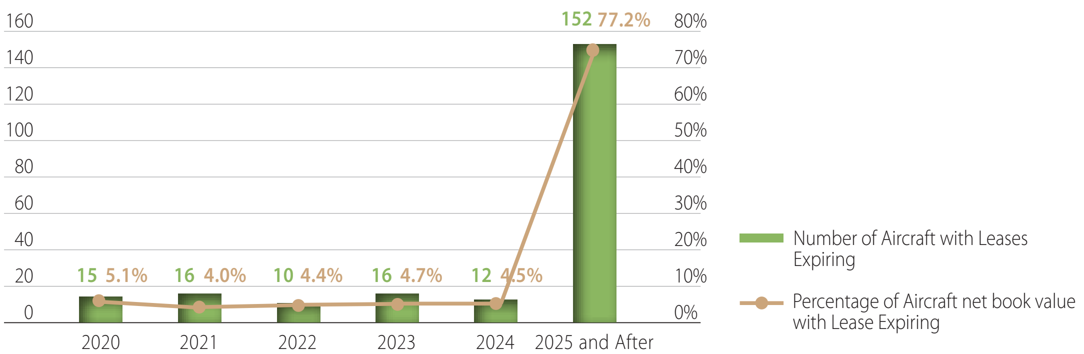
Among 150 aircraft committed as of June 30, 2020 (including direct OEM orders and sale-and-leasebacks), 15 are scheduled for delivery in the second half of 2020, 10 in 2021, 20 in 2022 and 105 after 2022.

As of June 30, 2020, of the 144 aircraft committed to be purchased directly from OEMs, 14 were committed for lease and scheduled for delivery in the second half 2020.

As of June 30, 2020, the Group was committed to sale-and-leaseback transactions covering 6 aircraft, including one scheduled for delivery in the second half of 2020, three in 2021 and two in 2022.

The following chart shows the breakdown of the number of aircraft and percentage of net book value balance as of June 30, 2020 of those owned aircraft under operating lease with leases expiring in the future, excluding any aircraft for which the Group has a sale commitment. As of June 30, 2020, 9 of the 15 aircraft to expire in 2020 have agreements signed for lease transitions or extensions.

Number of Aircraft with Lease Expiring & Percentage of Aircraft Net Book Value with Lease Expiring



During the first half of 2020, the Group signed new leases for 6 remarketed aircraft. As of June 30, 2020, all owned and managed aircraft were committed to lease.

The Group continued to trade aircraft during the first half of 2020, selling 13 aircraft in total with a gain on disposal of US$45.8 million and a total net book value of US$432.0 million. In the first half of 2020, the leases of 3 aircraft under finance lease expired. The Group's owned aircraft under operating lease maintained 100% fleet utilization.

In the first half of 2020, the net lease yield of the operating leased aircraft was 8.7%[5], the lease yield of the finance leased aircraft was 5.5%[6]. In the first half of 2020, the annualized pre-tax return on Aircraft Leasing assets was 1.5%, a decrease of 1.0 percentage point from 2.5% compared to the same period of last year. This was principally due to increased charges for aircraft and credit impairment arising from the impact of COVID-19 on the aviation industry, depressing the demand for aircraft and impairing the ability of many airlines to generate cash flow in the short term during the effective cessation of travel across the globe. Increasing total asset in the first half of 2020 compared to the same period of last year also impacted the return on assets to a lesser extent.

The following table sets forth a breakdown of the Group's revenue and assets of Aircraft Leasing by region of lessee for the first half of 2020:

Region	**Percentage of lease revenue in the first half of 2020**	**Percentage of net book value as of June 30, 2020**
The PRC	49.5%	37.8%
Asia Pacific (excluding the PRC)	22.1%	25.6%
Europe	18.7%	24.1%
Americas	5.2%	6.7%
Middle East	3.1%	3.0%
Africa	1.4%	2.8%
Total	**100.0%**	**100.0%**

The following table provides a breakdown of the Group's owned aircraft by manufacturer as of June 30, 2020:

	Percentage of net book value as of June 30, 2020
Manufacturer	
Airbus	74.2%
Boeing	21.5%
Others	4.3%
Total	**100.0%**

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

6 The calculation is lease income/average monthly balance of aircraft finance lease assets. The decrease of the lease yield in the first half of 2020 is mainly due to the lease expiry or termination of aircraft under finance lease. There was 12 finance leased aircraft as of June 30, 2019, however, only two aircraft remained as of June 30, 2020 and therefore the impact on revenue is immaterial.

6.2 Infrastructure Leasing

In the first half of 2020, relying on China Development Bank's customer resources and project management advantages in the infrastructure sector, the Group focused on key national strategic development regions such as the Yangtze River Economic Zone, Guangdong-Hong Kong-Macao Greater Bay Area and Beijing-Tianjin-Hebei Region, increased support in other fields such as transportation, energy, and urban infrastructure, played a counter-cyclical adjustment role, and fully supported prevention and control of the epidemic, and resumption of work and production, resulting in a lease financing to new lessees for the year of RMB28,980.8 million, representing a year-on-year increase of 37.7%, the best level for the same period on record.

The Group had a mature business model for the Infrastructure Leasing segment, with good asset quality and stable profitability. As of June 30, 2020, the total assets of the Infrastructure Leasing segment of the Group amounted to RMB120,690.3 million, representing an increase of RMB19,977.0 million, or 19.8%, as compared with that as of the end of last year. In the first half of 2020, such business segment realized revenue and other income of RMB3,138.0 million, representing an increase of RMB381.0 million or 13.8% as compared with the same period of last year.

The majority of the Infrastructure Leasing business of the Group was under finance lease, while a minority was under operating lease. The finance lease mode of Infrastructure Leasing of the Group is carried out primarily through sale-and-leaseback model, which could effectively help enterprises revitalise idle 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, 2020**	**Percentage of net carrying amount of assets related to leasing business as of June 30, 2020**
Transportation Infrastructure Leasing	45,246.1	37.5%
Urban Infrastructure Leasing	58,213.6	48.2%
Energy Infrastructure Leasing	17,230.6	14.3%
Total	**120,690.3**	**100.0%**

In the second half of the year, the Group will continue to increase business synergy with China Development Bank, focus on key national strategic development regions such as the Yangtze River Economic Zone, Guangdong-Hong Kong-Macao Greater Bay Area and Beijing-Tianjin-Hebei Region, give full play to the characteristics and advantages of leasing, and carry out leasing business in the areas with stable cash flow, including: Urban Infrastructure such as water treatment, heat supply, gas supply and parking lot; Transportation Infrastructure such as toll roads and rail transit; and Energy Infrastructure such as wind and photovoltaic power generating equipment, and explore and advance the leasing business in the field of new infrastructure.

6.3 Ship Leasing

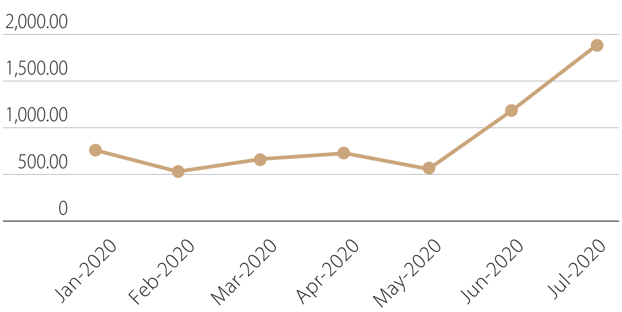
6.3.1 Main Business

The Group adheres to the concept of prudence and specializes in the development of ship leasing business. On the one hand, it targets high-end customers and carries out traditional ship finance leasing business. Ship types include bulk carriers, container ship, oil tankers, chemical tankers, liquefied natural gas (LNG) carriers, and liquefied petroleum gas (LPG) carriers, cruise ships, etc., and the model of lease is similar to bank loan. On the other hand, the Group grasps the window period for the recovery of the shipping market, and carries out ship operating lease business by choosing mainstream general-purpose bulk carriers with advanced design of energy-saving and environmental protection, which meet international standards and have strong value preservation and appreciation capabilities on a global scale, as leased properties. The Group established the Ship Division, introduced a group of talents with rich experience in shipbuilding supervision, ship operation, ship management, ship trading, shipping finance and maritime services, and formed a mature professional team. As a financial shipowner, the Group did not directly engage in the operation and management of leased ships in the shipping market, but established strategic partnerships with leading domestic and foreign shippers, traders, shipowners and shipyards through third-party service platforms such as well-known ship management companies, classification societies, and ship research institutions in the market.

6.3.2 Shipping Market

In the first half of 2020, the sudden COVID-19 epidemic caused different degrees of decline in the GDP of major international economies such as China, the United States, Europe, Japan and India. The demand for international shipping decreased and the bulk carrier market was under high pressure: the Baltic Dry Index ("BDI") fell sharply, running at a low level under 800 points for 5 months (see the chart below). China's work and production resumed smoothly in the second quarter of 2020. With the rising demand for iron ore in China and the tightening of shipments from Brazil and Australia, the freight rates of bulk carriers above the capesize bulk carriers rose sharply in June 2020, making BDI record an upward curve. Due to the large uncertainty in the prospect of the epidemic, it is temporarily unable to give a clear judgment regarding the trend of the dry bulk shipping market in the second half of 2020, but the overall market sentiment remains optimistic and the market is expected to be better than the first half of 2020. With the effective implementation of epidemic control measures of the governments and the successful progress in the research and development of new coronavirus vaccines, the resumption of work and production on a global scale is expected. It is expected that the shipping market will rebound significantly in 2021 (the well-known research institution of the shipping industry, Clarksons, predicts that the volume of bulk carrier seaborne trade "TONNE MILES" will increase by 5.5% in 2021).

BDI Index - Short-term



BDI Index - Long-term

Source: Clarksons, July 2020

6.3.3 Balance of Assets

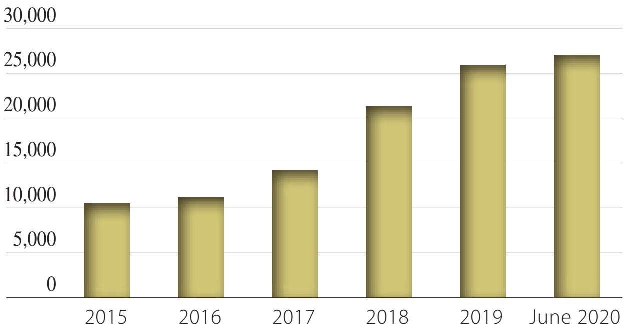
As of June 30, 2020, total assets of the Ship Leasing segment of the Group amounted to RMB29,719.4 million, representing an increase of RMB2,472.3 million, or 9.1%, as compared with that as of the end of last year. In the first half of 2020, the Group achieved total revenue and other income of RMB896.3 million from the Ship Leasing segment, representing an increase of RMB24.9 million, or 2.9%, as compared with that of the same period of last year.

As of June 30, 2020, total assets of the Ship Leasing segment of the Group amounted to RMB29,719.4 million, including RMB27,515.7 million for assets leased in relation to ship leasing (comprising of the balance of finance lease related assets of RMB13,998.1 million, the balance of operating lease related assets of RMB10,547.1 million, and the balance of prepayments of RMB2,970.5 million), and other related assets of RMB2,203.7 million.

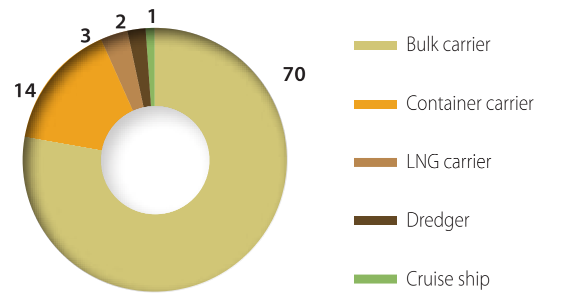
6.3.4 Traffic Capacity Structure

As of June 30, 2020, there were a total of 90 ships under the existing management of the Group, including 62 ships for operating lease, all of which are bulk carriers (including 36 bulk carriers under construction and three bulk carriers to be delivered with deposit paid), and 28 ships for finance lease, which include 14 container carriers, eight bulk carriers, three LNG carriers, two dredgers, and one cruise ship (partial ownership).

Asset Balance of Ships Leasing
(Unit: RMB in millions)



Type and Number of Ships under Operation
(Unit: Ship)



6.3.5 Work Highlights

The impact of the epidemic on the shipping market was mainly manifested in two aspects: First, the epidemic affected revenue as freight rates had fallen sharply; second, the epidemic affected operations as the crew provided seriously overdue service, which had an impact on the crew's psychology and resulted in hidden dangers in ship operations. For the former, the Group adopted measures such as setting minimum rents, using freight futures derivatives to hedge risks, and rigorously screening charterers; for the latter, the Group was aware of potential risks at the beginning of the epidemic and promptly negotiated with the ship management companies and formulated a series of risk prevention and control measures, including the prevention and control of the risk of infection between crew and external personnel, the supply of anti-epidemic materials on board, the logistics guarantee of ship spare parts, the renewal of various certificates of the ship, the inspection of life-saving and firefighting equipment, and the active negotiation with the charterer for the earliest possible arrangement of ship's return to China for shift. Due to the timely implementation of risk prevention and control, despite the extremely sluggish shipping market in the first half of this year, the Ship Leasing segment of the Group still maintained relatively high profits as a whole.

In addition, the Group introduced a series of ship leasing business-related systems in the first half of 2020, initiated the construction of the ship leasing business system, strengthened tracking research on the development trend of the shipping market, established an operating lease-related asset quality evaluation system and a ship value evaluation model, and studied the pre-credit mechanism for operating lease business. This series of actions greatly improved the management level and professional capabilities of the Ship Division of the Group, and further regulated the ship leasing business, especially the operation of the ship operating and leasing business, and gradually improved the professional operation mechanism of the Ship Division, which further consolidated the foundation for the long-term development of the ship leasing business of the Group.

6.4 Inclusive Finance[7]

Since the establishment of the Inclusive Finance Division in 2019, the Group has been deeply involved in the leasing business of the construction machinery and vehicle industries. On the one hand, it actively improved the ability of Inclusive Finance to serve the real economy, and provided efficient and convenient financial leasing services to small, medium and micro-sized customers; On the other hand, it accelerated the promotion of the stable development of the Company's Inclusive Finance business, and actively built an Inclusive Finance business system featuring short cycles and high turnover, to create a stable and sustainable source of business for the Group and make the business become another growth pole of the Group.

In the first half of 2020, the COVID-19 epidemic spread around the world, and small, medium and micro-sized customers were generally trapped. The Group fully implemented the spirit of the Notice of the Central Committee of the Chinese Communist Party on Strengthening Party Leadership and Providing Staunch Political Guarantees for Winning the Battle of Prevention and Control against the Epidemic. According to the requirements of the Notice regarding Further Strengthening Financial Support to Prevent and Control the Novel Coronavirus Pneumonia Epidemic, the Group proactively strengthened the docking with cooperative customers. On the one hand, we supported the new leasing demand of small, medium and micro-sized customers in various ways, and continued to increase Inclusive Finance funding supply; On the other hand, we implemented a preferential policy of rental deferred payment for existing small, medium and micro-sized customers affected by the epidemic to effectively reduce the liquidity risk of these customers and ensure that enterprises and natural person customers affected by the epidemic can overcome the difficulties smoothly. As of June 30, 2020, the Group implemented rental deferred payment measures for approximately 4,000 small, medium and micro-sized customers, and fulfilled the mission and responsibility of state-owned financial institutions during the epidemic prevention and control period.

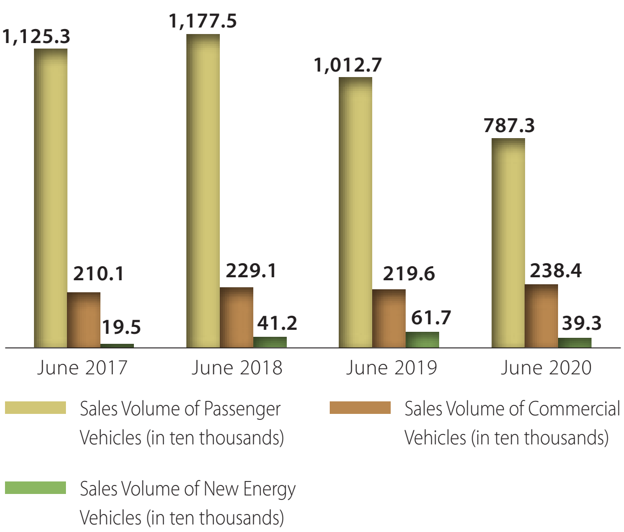
In the first half of 2020, the Group overcame the impact of the COVID-19 epidemic, actively explored business sources, vigorously carried out business innovation, continuously upgraded management standards, and promoted the steady transformation of Inclusive Finance business on the basis of continuous development. In the first half of 2020, the Group actively promoted the digital transformation of Inclusive Finance business, launched a new generation of leasing business system with full life cycle scenarios of Inclusive Finance business, and further refined the whole-process management of the business, laying a solid foundation for the digital transformation of Inclusive Finance business. As of June 30, 2020, total assets of the Inclusive Finance business of the Group amounted to RMB24,182.5 million, representing an increase of RMB1,152.3 million, or 5.0%, as compared with that as of the end of last year. In the first half of 2020, the Group achieved revenue and other income of RMB624.2 million from the Inclusive Finance business, representing an increase of RMB86.5 million, or 16.1%, as compared with that of the same period of last year.

[7] Inclusive Finance refers to the appropriate and effective financial services provided to all walks of social classes and groups at an affordable cost, based on the principles of equality and commercial sustainability. Currently, the Inclusive Finance business carried out by the Group includes, without limitation, Construction Machinery and Vehicle Leasing businesses.

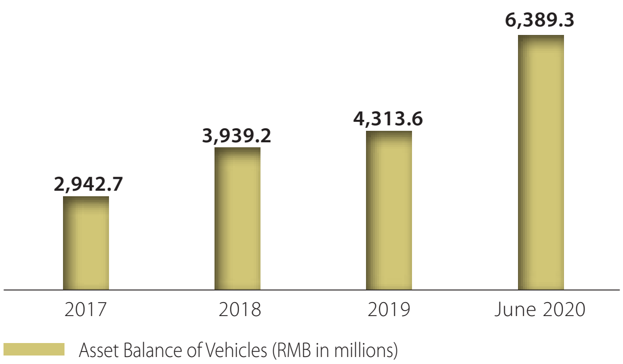
6.4.1 Vehicle Leasing

In the first half of 2020, the vehicle market sales declined compared with the same period of last year, but the total market sales and scale still remained high. In the first quarter of 2020, due to the impact of the epidemic, the vehicle market sales declined severely; however, from the second quarter of 2020, with the prevention and control of the epidemic in place, and delayed demand and various national consumption incentive policies, vehicle sales rebounded sharply. According to the statistics of the Ministry of Industry and Information Technology of the PRC, in the first half of 2020, 7.873 million passenger vehicles, 2.384 million commercial vehicles and 0.393 million new energy vehicles were sold, representing a year-on-year decrease of 22.3%, a year-on-year increase of 8.6%, and a year-on-year decrease of 36.3%, respectively. From the statistics, it can be seen that the development of commercial vehicles was relatively stable compared with that of passenger vehicles and new energy vehicles. Under the influence of the epidemic, it has shown a trend of growth against the trend, mainly due to the continuous promotion of vehicle environmental protection policies and infrastructure stimulus policies; passenger vehicles and new energy vehicles still showed a year-on-year downward trend, but they achieved positive month-on-month growth in 2020. It is expected that the vehicle market will slowly recover in the second half of 2020 and show a recovery growth trend.

Domestic Vehicle Sales Trend



Asset Balance of Vehicles of the Group



The Group adheres to the principle of stable operation, and on the basis of continuously track, research and judge of the development trend of the vehicle leasing market, exerts synergies with China Development Bank's business to steadily develop the vehicle lease business. In terms of commercial vehicle business, in the first half of 2020, the Group continued to develop the strategic customer cooperation system. Based on the credit granted to the original commercial vehicle business segment, the Group continued to promote overall cooperation with leading domestic commercial vehicle manufacturers and their leasing platforms to expand business channels and increase business sources. In terms of new energy vehicles, in accordance with the spirit of the Party Central Committee and the head office's instructions on environmental protection equipment leasing business, the Group tapped existing customer resources and actively adjusted credit plans to meet the environmental protection business needs of existing customers, promoted the comprehensive integration of new energy automobile industry and finance leasing and implemented the concept of combining green finance and Inclusive Finance to achieve the coordinated development of the real economy and emerging industries. In terms of passenger vehicle business, the Group steadily promoted the transformation and development of the passenger vehicle business, and expanded the development radius of the passenger vehicle business through cooperation with the leasing peers, while using big data technology to increase the front-end asset screening and scoring and improve risk control capabilities.

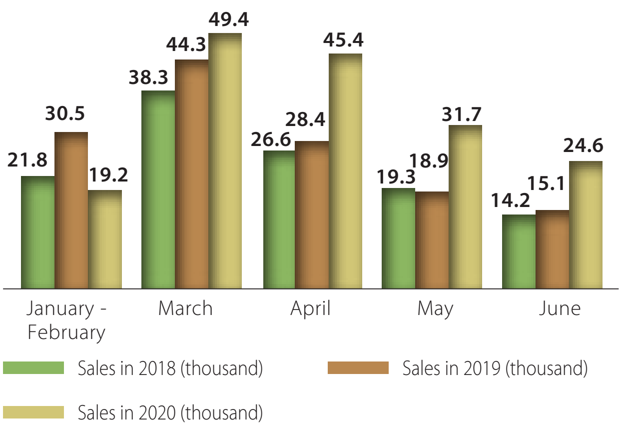
As of June 30, 2020, the underlying assets of Vehicle Leasing business of the Group amounted to RMB6,389.3 million, representing an increase of RMB2,075.7 million or 48.1% as compared with that as at December 31, 2019, accounting for 26.4% of the assets of the Inclusive Finance segment.

In the second half of 2020, the Group will continue to strengthen the analysis, research and judgment of automobile industry policies to guide the steady development of the vehicle leasing business. Focusing on the present while looking into the future, it will continue to strengthen the information construction work of Inclusive Finance business, and promote the development of the Group's vehicle leasing business to a new stage with digital development as the infrastructure and monitoring methods.

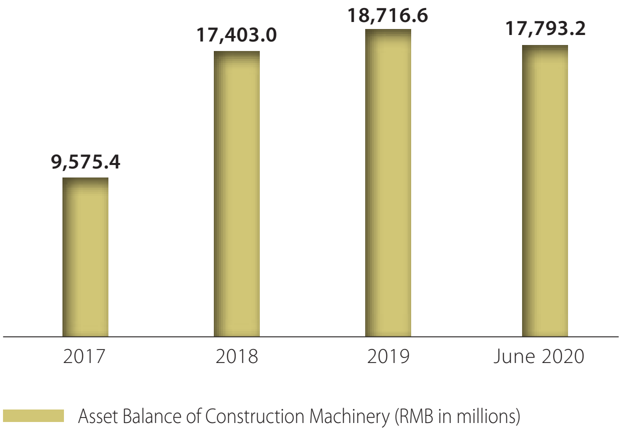
6.4.2 Construction Machinery Leasing

In the first half of 2020, the sales volume of the construction machinery industry increased significantly compared with that of same period of last year. From January to February 2020, the COVID-19 epidemic had a serious impact on the engineering construction field. Compared with the high sales of the construction machinery market in 2019, due to the restrictions of epidemic prevention and control, the production and sales of construction machinery were subject to great downward pressure. Taking the industry's "indicating" product-excavator as an example, 11,756 units and 18,745 units were sold in January and February 2019, respectively, while only 9,942 units and 9,280 units were sold in the same period in 2020, representing a year-on-year decrease of 15% and 50.5%, respectively. From March 2020, with the active resumption of work and production of downstream stock projects in the industry, the increase of government countercyclical adjustment policies such as expanding the scale of fiscal deficit and supporting the construction of "new infrastructure and new urbanization initiatives and major projects", and the financial support given to small, medium and micro-sized enterprises by various financial institutions, the growth rate of construction machinery production and sales increased significantly. According to the statistics of China Construction Machinery Industry Association, in the context of the full resumption of work and production, the year-on-year growth rate of excavator sales in the first half of 2020 reached a record high: a total of 170,400 excavators were sold from January to June 2020, representing a year-on-year increase of growth rate of 24.2%. It is expected that in 2020, the construction machinery market will continue to run in a high boom market and present a trend of first decline and then rise.

Domestic Excavator Market Sales



Asset Balance of Construction Machinery of the Group



In the first half of 2020, the Group continued to pay attention to the impact of the epidemic on the construction machinery industry, maintained high-frequency interaction with domestic leading construction machinery companies, and paid close attention to the situation of small, medium and micro-sized customers affected by the epidemic to ensure the continuity and stability of the stock business. On the one hand, the Group conducted multi-faceted communication with manufacturers to build a new type of cooperative relationship, and formulated customer-oriented relief plans to ensure the normal development of business during the special period; On the other hand, the Group fully explored the leasing needs of small, medium and micro-sized customers, and actively adjusted product plans in response to the epidemic situation to ensure the normal operation of small, medium and micro-sized customers at more favorable prices. Meanwhile, the Group continued to maintain a three-dimensional business development system supporting large and medium-sized manufacturers and multiple business models, laying a foundation for further enhancing the Group's recyclable development capabilities and improving the current business development structure after the epidemic period. What's more, the Group actively explored the multi-level service functions of the capital market, developed diversified financing channels, revitalized existing leased assets, and developed non-recourse factoring projects for small and micro assets. In the first half of 2020, small and micro assets totaling RMB832 million were transferred. Such cooperation method and transfer structure were the Group's first attempt in non-recourse factoring for the inclusive finance business, which helped improve the manufacturers' ability to find sustainable development space for the leasing business under the existing credit lines.

As of June 30, 2020, the underlying assets of Construction Machinery Leasing business of the Group amounted to RMB17,793.2 million, representing a decrease of RMB923.4 million or 4.9% as compared with that as at December 31, 2019, accounting for 73.6% of the assets of the Inclusive Finance segment. The decline in the total assets of construction machinery is mainly due to the optimization and adjustment of the strategic business structure, the development of asset transfer business, and the enhancement of the sustainable and recyclable development ability of the construction machinery business to facilitate the rapid turnover and stable development of the construction machinery business.

In the second half of 2020, the Group will further consolidate the customer system in the construction machinery business area, fully support the resumption of work and production in the construction machinery industry, and establish a three-dimensional business development system supporting multiple business models and diversified products. At the same time, the Group will focus on the long-term sustainable and healthy development of Inclusive Finance business, strengthen research and promotion of transfer methods for small and micro assets, and enhance the sustainable development capacity of Inclusive Finance business.

6.5 Others

In the first half of 2020, while steadily advancing the investment in key business areas, the Group strengthened research and analysis on regions, industries and customers, accelerated the application layout of financial technology and actively explored new business growth points.

As of June 30, 2020, total assets of other businesses amounted to RMB11,970.7 million, representing a decrease of RMB3,071.1 million, or 20.4%, as compared with that as of the end of last year.

6.6 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, 2020, the Group had established business relationships with 122 banks and was granted credit facilities amounting to a total of approximately RMB583.23 billion including unused credit facilities of RMB374.80 billion. In the first half of 2020, with the outbreak and global spread of the COVID-19 epidemic, domestic and foreign financial markets were affected by multiple factors such as the sharp rise in market risk aversion and the implementation of loose fiscal and monetary policies by governments. The macroeconomic and financial environment was complex and changeable, and the financial market violently fluctuated. The Group closely watched changes in the macroeconomic situation, actively grasped market trends, timely adjusted financing strategies, and increased the scale of overseas foreign currency liquidity reserves, to ensure the smooth operation of its financing and capital management during the epidemic and further optimize the debt structure and reduce financing costs.

In terms of RMB financing, the market capital was relatively loose in the first half of 2020, so the Group actively responded to changes in market trends, and actively reduced the new RMB financing period under the premise of ensuring liquidity safety, so as to quickly complete the replacement of existing financing debts during the period of interest rate decline, which significantly reduced the comprehensive financing costs of RMB. In terms of USD financing, in the first half of 2020, under the turbulent market conditions where global USD liquidity tightened sharply, short-term LIBOR rebounded sharply, and credit spreads widened significantly, the Group's total foreign currency financing remained stable, financing channels were further expanded, and new financing costs fell sharply, which highlighted the Group's increasingly stable USD financing ability and resilience against risks. 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 basic matching of currency between assets and liabilities, significantly reducing the impact of market exchange rate fluctuations on the Company.

In the first half of 2020, the financing sources of the Group mainly included bank borrowings and issuance of bonds. As of June 30, 2020, the Group's bank borrowings and bonds payable were RMB189,255.6 million and RMB44,941.2 million, respectively.

7. RISK MANAGEMENT

The Group is exposed to various risks in its ordinary course of business, including credit risk, market risk, liquidity risk, operational risk, information technology risk and reputation risk. The Group carries out risk management with the support for sustainable development of the business and enhancement of the Group's value as the strategic objectives, and has established and continually improved a comprehensive risk management system with a feature of "all round and comprehensive process with participation of all personnel". This actively promotes and nurtures the risk philosophy and culture that "everyone shall be equal in the face of risks, everyone shall be responsible for risk control", in which it forms an impeccable risk management framework and system with a detail-defined division among all business lines, risk management lines and internal audit department to constantly identify, evaluate and monitor the risks in the ordinary course of the Group's operation, so as to achieve an appropriate balance between risks and benefits while reducing the potential negative impact as much as possible on the Group's financial performance. The Group has, with the help of relevant risk evaluation resources and credit experience of China Development Bank, unleashed its potential in resources to improve the sense of activeness and forward-looking in risk management for safeguarding the business development.

The Group adopts the hierarchical management based on the "three layers of defence": Business lines, as the first layer of defence of comprehensive risks prevention, in which business departments as the first layer of defence of credit risks prevention, the Treasury Department as the first layer of defence of market and liquidity risk prevention, the Informative Management Department as the first layer of defence of information technology risk prevention, assuming direct responsibilities of risk management. Risk management lines, as the second layer of defence of comprehensive risks prevention, assume responsibilities of formulating policies and process, daily monitoring and risk management. The internal audit department, as the third layer of defence of comprehensive risks prevention, assumes responsibilities of auditing the performance of business lines and risk management lines. Each department of the above three layers of defence should undertake their own responsibilities, strengthen communication and information transmission, enhance coordination and collaboration and improve risk management and control. In particular, the Risk Management Department is the overall planning and management department of the Company's comprehensive risk management, which is responsible for the management of the credit risk, market risk, liquidity risk, country risk and information technology risk; the Office of the Board is responsible for the management of strategic risk and reputational risk; the Appraisal Department is responsible for the review and assessment of credit risk management; the Compliance Department is responsible for the management of the compliance risk, operational risk, money laundry and sanctions compliance risk, related party transaction and internal control; the Legal Affairs Department is responsible for the management of legal risk; and the Accounting Department is responsible for the management of financial risk.

At present, the Group adopts a steady strategy in relation to risk preference. With regard to the selection of industries, the Group prefers industries and fields with mature business models, generating economies of scale and equipped with excellent asset quality. In terms of customer selection, the Group prefers large enterprises, leading enterprises in the industry or listed companies with high quality. In terms of leased assets operation, the Group will conduct scientific classification, value analysis and professional management and accelerate the transfer of leased assets by combining operation strategies, market environment and the features of leased properties. While realizing the steady growth of the business, the Group receives a return on its earnings that matches the risks, and controls its risks within an acceptable range.

The Group identifies, evaluates, monitors, warns, controls, mitigates and reports various risks based on the characteristics of the leasing industry. The Group continues to deepen its understanding of the risks of industry in which it operates, and actively promotes the construction of risk measurement system. Meanwhile, it also strengthens the proactive monitoring, warning and response management of risks. The Group reduces the overall business risks through the asset portfolio management in different countries, regions and industries. The Group proactively adjusts the operation strategies of the industry, strengthens the customer admission criteria, improves the risk pricing system and strives for the maximization of risk return. By enhancing the Group's business quality and efficiency of resource allocation, the creative value of risk management can be achieved.

In the first half of 2020, the Group continuously strengthened the establishment of comprehensive risk management system and promoted the improvement of corporate risk management framework; fully improved risk preference and risk management strategy system; developed differentiated risk appetites and risk management strategies for the Company's main risk categories and business segments; formulated a comprehensive risk management optimization plan for 2020 to promote the continuous improvement of the Company's comprehensive risk management system; further optimized the stress scenario setting based on internal and external risk situations and testing methods, identified major risk points by analyzing the exposure of various risks under stress scenarios, realized prediction of potential risks, and carried out special aviation stress tests under the influence of the epidemic based on the risk situation.

7.1 Credit Risk

Credit risk refers to the risk of loss incurred by the Group due to the failure of fulfilment of contractual obligations by counterparties when due.

Credit risk is currently the major risk faced by the Group. The Group emphasizes the operating philosophy of keeping balance among "scale, efficiency and risks", strictly complies with regulatory requirements and policy requirements imposed, and conducts lease business in compliance with laws and regulations. The Group has regarded Aircraft Leasing and Infrastructure Leasing segments as core business, proactively developed Ship Leasing and Inclusive Finance, 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 for all enterprise clients, 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 for clients. We maintain appropriate diversification of the Group's lease assets portfolio in different countries, regions, industries, clients and products in order to control the concentration risks within a reasonable level. We continuously improve the precise level of after-lease management, carry out various special risk investigations, and strengthen the alert, monitor and control of risk-bearing projects, to improve forward-looking ability and capabilities of risk management and control. 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 and collecting according to the laws. We maintain the high quality of our assets and the non-performing assets ratio is of leading level comparing with that of the peers in the domestic finance leasing industry.

In the first half of 2020, affected by the COVID-19 epidemic, the global economic downward pressure further increased, and corporate credit risk prevention and control was in a critical stage. Facing the complex and changeable internal and external environment, the Group immediately organized and carried out epidemic risk investigations, conducted in-depth analysis, research and judgement on the impact of epidemic risks, and actively responded to national and regulatory calls to help customers overcome the difficulties during the epidemic; In response to the severe risk situation of the aviation business, the Group formulated epidemic response plans to prevent and control business risks.

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

(RMB in millions)	**June 30, 2020**	December 31, 2019
Financial assets		
Cash and bank balances	**26,449.7**	21,528.3
Financial assets at fair value through profit or loss	**613.5**	–
Derivative financial assets	**10.8**	32.4
Accounts receivable	**1,702.6**	2,168.5
Finance lease receivables	**156,152.0**	141,498.1
Other financial assets	**161.3**	186.7
Total	**185,089.9**	165,414.0

7.1.1 Asset Quality

The Group evaluates asset quality and adjusts asset categories quarterly based on the asset risk degree, and adopts measures to mitigate risks for the projects with overdue rent and material risks in a timely manner. The Group's asset classification system is based on the Guidelines on the Risk-based Classification of Loan《貸款風險分類指引》(Yin Jian Fa [2007] No. 54) issued by the CBIRC. In addition, the Group formulated the assets impairment policies in accordance with the statutory requirements relating to the asset quality classification of the China banking industry, international accounting standards and the accompanying guidance.

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

(RMB in millions, except percentages)	**June 30, 2020**	December 31, 2019
Five-category		
Normal	**262,435.2**	247,290.7
Special mention	**29,045.2**	19,544.3
Substandard	**332.1**	461.3
Doubtful	**574.4**	344.7
Loss	**1,581.7**	1,593.9
Total assets before allowance for impairment losses	**293,968.6**	269,234.9
Non-performing assets(1)	**2,488.2**	2,399.9
Non-performing asset ratio(2)	**0.85%**	0.89%

(1) Non-performing assets are defined as the last three categories of assets recognized under the five-category asset quality classification system, including "substandard", "doubtful" and "loss".

(2) Non-performing asset ratio is the percentage of non-performing assets over total assets before allowance for impairment losses as of the dates indicated.

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

(RMB in millions, except percentages)	**June 30, 2020**	December 31, 2019
Five-category		
Normal	**151,450.4**	139,357.8
Special mention	**10,086.9**	7,646.4
Substandard	**112.2**	452.0
Doubtful	**570.0**	344.7
Loss	**1,555.7**	1,568.3
Finance lease related assets before allowance for impairment losses	**163,775.2**	149,369.2
Non-performing finance lease related assets(1)	**2,237.9**	2,365.0
Non-performing asset ratio of finance lease business(2)	**1.37%**	1.58%

(1) Non-performing finance lease related assets are defined as the last three categories of finance lease related assets recognized under the five-category asset quality classification system, including "substandard", "doubtful" and "loss".

(2) Non-performing asset ratio of finance lease business is the percentage of non-performing finance lease related assets over finance lease related assets before allowance for impairment losses as of the dates indicated.

As at June 30, 2020, the non-performing assets of the Group was RMB2,488.2 million, representing an increase of RMB88.3 million as compared with that as of the end of last year, while the non-performing asset ratio was 0.85%, representing a decrease of 0.04 percentage point as compared with that as of the end of last year. As of June 30, 2020, the non-performing finance lease related assets of the Group were RMB2,237.9 million, representing a decrease of RMB127.1 million as compared with that as of the end of last year, while the non-performing asset ratio of finance lease business was 1.37%, representing a decrease of 0.21 percentage point as compared with that as of the end of last year. In the context of increasing pressure for risk prevention and control, the Group continued to improve asset quality. In terms of new business, the Group strictly followed the principles of industry selection and customer selection. In terms of existing business, the Group increased risk investigation efforts and strengthened pre-research and pre-judgment of risks and at the same time formulated an overall risk asset management and control plan to effectively contain potential risks and strengthen credit risk management and control.

The following table sets forth the distribution of the Group's finance lease related assets by business segments and the five-category asset quality classification as of June 30, 2020:

(RMB in millions, except percentages)	Aircraft Leasing	Infrastructure Leasing	Ship Leasing	Inclusive Finance	Others	Total
Five-category						
Normal	61.9	111,748.6	14,439.5	15,538.3	9,662.1	151,450.4
Special mention	–	2,981.1	–	6,826.8	279.0	10,086.9
Substandard	112.2	–	–	–	–	112.2
Doubtful	–	133.2	–	–	436.8	570.0
Loss	–	–	159.0	337.3	1,059.4	1,555.7
Finance lease related assets before allowance for impairment losses	174.1	114,862.9	14,598.5	22,702.4	11,437.3	163,775.2
Non-performing finance lease related assets	112.2	133.2	159.0	337.3	1,496.2	2,237.9
Non-performing asset ratio of finance lease business	64.45%	0.12%	1.09%	1.49%	13.08%	1.37%

Primarily through joint efforts contributed to the Aircraft Leasing business for mainstream models between the Group and high-quality aviation companies, the Aircraft Leasing segment maintained good asset quality in the early stage. Affected by the COVID-19 epidemic in 2020, the global aviation industry encountered a major crisis, and the aviation business was under great pressure. The Group increased the monitoring and early warning of aviation business risks, grasped potential risks in a timely manner, studied and formulated plans, and actively responded to risks. For the risk resolution of existing HNA Group projects, the Group continued to actively negotiate rent repayments with HNA.

The Group's Infrastructure Leasing, Ship Leasing, and Inclusive Finance Leasing business segments maintained stable asset quality. Non-performing assets and non-performing ratios of finance lease business in Infrastructure Leasing decreased as compared with the beginning of the year. The business partners of this segment are mainly large state-owned enterprises and enterprises affiliated to local governments, and the overall risk is relatively controllable.

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

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

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

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

With the ECL models and the above division of credit levels, the followings are net amount of finance lease related assets and balances of allowance for impairment losses of finance lease related assets of the Group as at December 31, 2019 (Unit: RMB in thousands):

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Net amount of finance lease related assets	128,294,611	18,554,482	2,520,160	149,369,253
Allowance for impairment losses of finance lease related assets	1,303,372	2,673,179	2,399,698	6,376,249

With the ECL models and the above division of credit levels, the followings are net amount of finance lease related assets and balances of allowance for impairment losses of finance lease related assets of the Group as at June 30, 2020 (Unit: RMB in thousands):

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Net amount of finance lease related assets	141,126,186	20,251,451	2,397,583	163,775,220
Allowance for impairment losses of finance lease related assets	2,224,094	3,213,956	2,185,167	7,623,217

7.1.2 Concentration of Credit Risks

The Group proactively implemented the requirements of the regulatory authorities and timely monitored the financing concentration of a single client through project inspection. Besides, the Group has established a client's ledger to carry out quarterly monitoring over the financing concentration of clients of the Group in order to prevent credit concentration risk.

As of June 30, 2020, the balance of finance lease businesses for the largest single client of the Group accounted for 22.46% of the net capital while the balance of finance lease businesses for the largest single group client accounted for 20.17% of the net capital.

The following table sets forth the degree of concentration of single client and single group of the Group as of the dates indicated:

	June 30, 2020	December 31, 2019
Concentration indicator		
Degree of concentration of single client financing(1)	**22.46%**	23.43%
Degree of concentration of single group client financing(2)	**20.17%**	25.79%

(1) Calculated by dividing the balance of all finance lease businesses of a single lessee by the net capital of the Group.

(2) Calculated by dividing the balance of all finance lease businesses of a single group by the net capital of the Group.

As of June 30, 2020, in terms of finance lease related assets before allowance for impairment losses, the total financing raised by the top ten single clients amounted to RMB35,480.6 million, accounting for 21.67% of finance lease related assets.

The following table sets forth the financing amount raised by the top ten clients of the Group as of June 30, 2020:

(RMB in millions, except percentages)	**Business segment**	**Financing amount**	**Percentage of finance lease related assets before allowance for impairment losses**
Customer A	Infrastructure Leasing	6,626.1	4.05%
Customer B	Ship Leasing	4,074.0	2.49%
Customer C	Infrastructure Leasing	3,911.9	2.39%
Customer D	Infrastructure Leasing	3,553.7	2.17%
Customer E	Inclusive Finance	3,402.5	2.08%
Customer F	Others	3,227.7	1.97%
Customer G	Infrastructure Leasing	2,851.0	1.74%
Customer H	Infrastructure Leasing	2,787.8	1.70%
Customer I	Ship Leasing	2,765.8	1.69%
Customer J	Others	2,280.1	1.39%
Total		35,480.6	21.67%

If lessees are overly concentrated in a single industry or the same region, or have similarities in economic features, the credit risks of the lessor would be relatively higher. As the industrial distribution of finance lease receivables of the Group is rather diversified, there is no significant risk on industrial concentration.

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

	June 30, 2020		December 31, 2019	
(RMB in millions, except percentages)	**Amount**	**Percentage**	Amount	Percentage
Aircraft Leasing	**174.1**	**0.1%**	320.1	0.2%
Infrastructure Leasing	**114,862.9**	**70.4%**	96,948.9	65.9%
Transportation infrastructure	**42,135.5**	**25.8%**	33,798.5	23.0%
Urban infrastructure	**56,486.8**	**34.6%**	48,146.4	32.7%
Energy infrastructure	**16,240.6**	**10.0%**	15,004.0	10.2%
Ship Leasing	**14,598.5**	**9.0%**	13,345.9	9.1%
Inclusive Finance	**22,702.4**	**13.9%**	22,314.2	15.2%
Vehicle	**6,170.1**	**3.8%**	4,266.5	2.9%
Construction Machinery	**16,532.3**	**10.1%**	18,047.7	12.3%
Others	**10,721.7**	**6.6%**	14,224.5	9.7%
Commercial property	**721.6**	**0.4%**	766.3	0.5%
Other sectors	**10,000.1**	**6.2%**	13,458.2	9.2%
Total	**163,059.6**	**100.0%**	147,153.6	100.0%

7.2 Market Risk

7.2.1 Interest Rate Risk

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

Interest margins of the Group may be narrowed down as a result of the fluctuation in market interest rates. Therefore, the Group primarily manages the interest rate risk through balancing the repricing periods of the leasing assets and its corresponding liabilities.

The Group mainly receives fixed rental income under operating leases in foreign currencies while the bank borrowings bear floating rate interests. The Group reduced its liability exposure of overall floating interest rate denominated in US dollar mainly through issuance of fixed-rate bonds, switched the borrowings with floating rate into fixed rate through interest rate swap contracts and hedged the cash flow volatility risk 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 results of the Group.

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

7.2.2 Foreign Exchange Risk

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

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 of the Group through foreign currency exposure analysis, exchange rate sensitivity analysis and other instruments, and to hedge foreign exchange risk from exposure which affects profit or loss through financial derivative instruments. Most of the aircraft and ships under the operating lease and finance lease business of the Group are purchased 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.

In the first half of 2020, the US dollar index fluctuated sharply due to the epidemic, with volatility exceeding 8%. The bilateral exchange rate of US dollar against Renminbi has been up and down. Uncertainty increased significantly, and the difficulty of managing exchange rate risks continued to increase. In the face of fluctuating exchange rate trends, the Group increased pre-research and pre-judgement, further improved the foreign exchange risk management mechanism, and effectively managed foreign exchange risks through exposure monitoring and analysis, spot foreign exchange settlement and sales, and financial derivative hedging, which significantly reduced the uncertain impact of market exchange rate fluctuations on the Group's profits for the year and also retained a certain potential profit margin.

As of June 30, 2020, the Group's exposure for foreign exchange risk of US dollar against Renminbi that affects profit or loss amounted to US$744.8 million, and the balance of notional principal amount for hedging transactions amounted to US$595.0 million. The Group recorded foreign exchange gains of RMB29.1 million in the first half of 2020.

7.3 Liquidity Risk

Liquidity risk refers to the risk that the Group is unable to obtain funds at a reasonable cost to repay the liabilities or seize other investment opportunities. The target of the Group's liquidity risk management is to maintain moderate liquidity reserves and sufficient funding resources to adequately meet the repayment needs of matured liabilities and the funding needs of business development, and to achieve a higher interest rate margins level and control the liquidity management costs on conditions that liquidity risks have been well managed.

The Group managed liquidity risk and balanced it with the interest rate margin by the following measures: The Group proactively managed the maturity portfolios of assets and liabilities, and controlled 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 at June 30, 2020, the Group had an interbank borrowing and lending limit of RMB12.640 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 RMB69.055 billion. Meanwhile, the Group maintained a bank-committed overdraft line of RMB1.450 billion and held a certain portion of senior bonds, thus ensuring that its liquidity asset reserve can fully mitigate liquidity risk.

In the first half of 2020, 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.

7.4 Other Risk

7.4.1 Operational Risk

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

In the first half of 2020, the Group further enhanced its control efforts of the operational risk. Firstly, the Group continued to strengthen the system construction by further clarifying the business continuity management organization structure, and refining the daily management requirements for business continuity at the same time. Secondly, the Group ensured the continuity of business development during the epidemic by providing compliance recommendations for the difficulties faced during the epidemic, implementing regulatory policies and meeting compliance requirements. Thirdly, the Group strengthened the accountability management by supplementing and improving the implementation details of accountability management, to enhance employees' awareness of responsibility and reduce operational risks. Fourthly, the Group continuously promoted the construction of information system by carrying out the construction of new application system and optimization of existing system on the basis of 2019 to provide technical support for further prevention of operational risks.

7.4.2 Information Technology Risk

Information technology risks refer to the risks of operation, law and reputation arising from natural and human factors, technical loopholes and management flaws during the course of the application of information technology.

The CBIRC attaches great importance to the risk management of information technology in the banking industry, requires financial leasing companies to establish effective mechanism to identify, measure, test and control information technology risks of the company so as to promote safe, sustainable and stable operation, promote business innovation to enhance application of information technology, strengthen core competitiveness and sustainable development capability so as to constantly enhance the risk resistance capability.

In 2020, the Group further optimized its management of information technology risk. Firstly, the Group comprehensively carried out construction of new application systems and upgrades of stock systems, and established a special coordination meeting mechanism for informatization, to strengthen management; Secondly, the Group accelerated the construction of big data platform projects and promoted the work related to the supervision and submission system and the big data basic platform as scheduled; Thirdly, the Group further strengthened information security management, carried out upgrading of information security technology protection system, security routine inspection and self-inspection of computer rooms, and investigation of IT infrastructure operation risks, and promoted the improvement of construction of IT infrastructure, to further enhance information security management capabilities and ensure the safe operation of IT infrastructure.

7.4.3 Reputational Risk

Reputational risk refers to the risk of negative comments from stakeholders as a result of the operational, managerial and other behaviors or external incidents of the Company.

In the first half of 2020, the Group enhanced its reputational risk management and focused on the reputational risk prevention and control as well as brand building. According to the regulatory and the relevant requirements of the Group's reputational risk management, the Group conducted regular self-inspection and investigation of reputational risk, actively conducted related training on reputational risk management, properly handled and resolved customers' complaints in a timely manner in accordance with Client Complaint Handling Measures and carried out daily public opinions monitoring through professional institutions, prevented in advance, proactively responded to reputation-related issues of the Company and timely and promptly dealt with the issues, thereby effectively improving the capability of responding to the public sentiment and guiding public opinions. In addition, the Group facilitated the brand building of the Company in markets with great efforts through strengthening cooperation with domestic and foreign authoritative media, strengthened positive advertising, and accumulated positive energy and guided public opinions in an active manner. The reputational risk management of the Group was improved stably for the first half of 2020, effectively safeguarding the sound corporate image and reputation.

8. CAPITAL MANAGEMENT

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

In the first half of 2020, the Group continued to consolidate the foundation of capital management, and actively promoted the operation transformation of capital intensification. Firstly, the Group further optimized the system and mechanism of asset management by systematically implementing assessment procedures of internal capital adequacy ratio which is in compliance with the core regulatory requirements and with features of the Company, completing the assessment report of the internal capital adequacy and the management plan report of capital adequacy ratio for the year, and organizing 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 2020, all capital indicators were in line with regulatory requirements, and capital adequacy ratio maintained at a sound and reasonable level. Each of the management system and management measures was further implemented.

On June 7, 2012, the CBIRC issued the Capital Administrative Measures, which came into effect on January 1, 2013. In order to steadily proceed the successful implementation of the Capital Administrative Measures, the CBIRC issued the Notice on Arranging Related Matters in the Transitional Period of Carrying out the Administrative Measures for Capital of Commercial Banks (Provisional) (《關於實施<商業銀行資本管理辦法(試行)>過渡期安排相關事項的通知》) on November 30, 2012, which stipulates the requirement on annual capital adequacy ratio during the transitional period. As of June 30, 2020, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 9.84%, 9.84% and 11.02%, respectively, which were all above the regulatory requirements.

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

(RMB in millions, except percentages)	**Regulatory requirement**	**June 30, 2020**	June 30, 2019
Net capital:			
Net core tier-one capital		**26,333.2**	23,976.0
Net tier-one capital		**26,333.2**	23,976.0
Net capital		**29,501.7**	26,703.5
Capital adequacy ratio:			
Core tier-one capital adequacy ratio	≥7.5%[(1)]	**9.84%**	10.43%
Tier-one capital adequacy ratio	≥8.5%[(1)]	**9.84%**	10.43%
Capital adequacy ratio	≥10.5%[(1)]	**11.02%**	11.61%

(1) The indicating requirement to be fulfilled before the end of 2018.

9. CAPITAL EXPENDITURES

The capital expenditures of the Group principally comprise expenditures for the purchase of property, equipment, aircraft and ship leasing assets and construction of office building, etc. As of June 30, 2020, the capital expenditures of the Group amounted to RMB5,786.3 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 of the Group for the periods indicated:

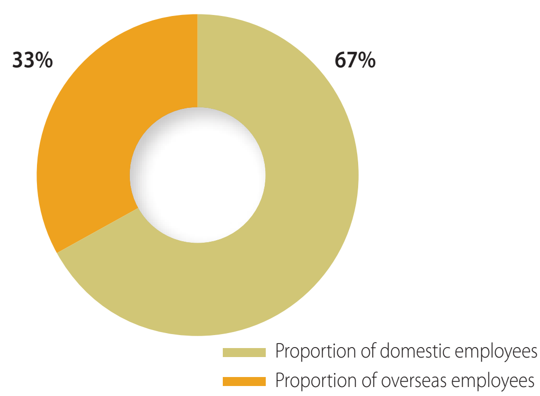
	For the six months ended June 30,	
(RMB in millions)	**2020**	2019
Capital expenditures	**5,786.3**	6,637.2

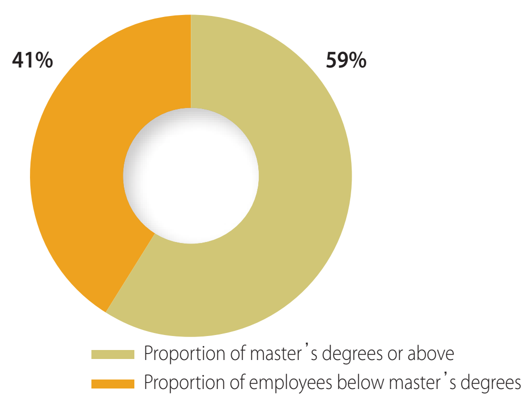
10. PLEDGE OF ASSETS

As at June 30, 2020, properties and equipment for operating lease (net), bonds and finance lease receivables (net) of the Group amounting to RMB23,872.9 million, RMB602.5 million and RMB5,856.5 million respectively, were pledged for financing from banks. The total collateral assets as aforesaid accounted for 10.7% of total assets.

11. HUMAN RESOURCES

As of June 30, 2020, the Group had 358 employees in total, approximately 67% of which are domestic employees and approximately 33% of which are overseas employees. The Group has a team of highly educated and high-quality young talents. As of June 30, 2020, approximately 93% of the Group's employees had bachelor's degrees or above, 59% of which had master's degrees or above.





In the first half of 2020 and 2019, the Group incurred employees' staff costs of RMB256.9 million and RMB229.9 million, respectively, accounting for 2.67% and 2.63% of the total revenue and other income of the Group for the respective periods.

The Group attaches great importance to talent, 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 appraisal, and talent introduction and development. The Group strives to develop a results-oriented performance appraisal system and a remuneration and welfare incentive system which is fair internally and competitive externally, to continuously improve incentive measures, innovate positive incentive methods, and encourage employees to be responsible and results-driven; the Group strives to continuously optimize vocational promotion and development path of employees, spares no efforts to continuously improve talent introduction system and training system, expands diversified talent introduction channels, strengthens talent introduction, seeks for more training resources, builds a "1+4" employee training system, taking party building training as the command and plans of setting sail, sailing far, sailing range, and leading sail for improving the ability of employees in various training stages as the starting point, and continuously promotes and creates an organisational atmosphere for learning.

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 of the Company 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 of the Company dated June 24, 2016.

13. INDUSTRIAL REGULATIONS

In the first half of 2020, the CBIRC took the following actions. Firstly, the CBIRC published the Guiding Opinions on Promoting the High-Quality Development of the Banking and Insurance Industries (《中國銀保監會關於推動銀行業和保險業高質量發展的指導意見》) (Yinbaojianfa [2019] No. 52) on December 30, 2019, which clearly stated that it is necessary to cultivate the unique advantages of non-bank financial institutions, and financial leasing companies shall be encouraged to extend the breadth and depth of leased properties and optimize financial leasing services. Secondly, the CBIRC supported the resumption of work and production after the epidemic, and facilitated the work related to "six fronts" and "six priorities". Thirdly, the CBIRC released the Provisional Rules on Supervisory Rating of Financial Leasing Companies (Trial) (《金融租賃公司監管評級辦法(試行)》) on June 30, 2020, pursuant to which the supervisory rating will become a new evaluation indicator for financial leasing companies. The policy level is guiding the leasing business to develop in a more balanced and healthy direction. The differentiation of the industry competition pattern will continue to accelerate, which will help the continuous improvement of the quality and efficiency of the leasing industry to serve the real economy.

The following table sets forth, as of the dates indicated, information relating to major regulatory indicators of the Group, regulated by the CBIRC:

	Regulatory requirement	As at June 30, 2020
Capital adequacy ratio	Higher than 10.5%	11.02%
Tier-one capital adequacy ratio	Higher than 8.5%	9.84%
Core tier-one capital adequacy ratio	Higher than 7.5%	9.84%
Single customer financing concentration	Not more than 30%	22.46%
Single group customer financing concentration	Not more than 50%	20.17%
Ratio of a single related client(1)	Not more than 30%	2.93%
Ratio of all related parties(2)	Not more than 50%	12%
Ratio of a single related Shareholder(3)	Not more than 100%	43.5%
Ratio of interbank lending(4)	Not more than 100%	10.3%
Provision coverage ratio of non-performing finance lease related assets	Higher than 150%	340.65%
Provision coverage ratio of finance lease related assets(5)	Higher than 2.5%	4.65%
Fixed-income investments(6)	Not more than 20%	2.03%

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

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

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

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

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

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

Financial leasing is a financial instrument closely linked up with the real economy and has a significant effect on promotion of industrial innovation and upgrade, expansion of small and micro-sized enterprises' financing channels, facilitation of social investment and adjustment to economy structure. In recent years, with the support of national policies and the guidance of regulatory authorities, the industrial regulation has been constantly improved and the financial leasing industry has seized new development opportunities. It has now entered a stage of low-to-medium-speed growth and quality orientation and efficiency enhancement. As a leading company in the industry, with the differentiation of the industry's competitive landscape, the Group's competitiveness will become more obvious and it will face good development opportunities. The Group also proactively responded to the call to strictly defend the bottom line of compliance, prudently conduct business and pay attention to the risk management and control, so as to make a proper contribution to the sound development of the industry.

14. PROSPECTS

Looking forward to the second half of 2020, the global epidemic prevention and control will still face severe situation, the impact of economic and trade uncertainties continue to last, and the risk of debt default is rising. These factors will constitute the main challenges facing the global economic recovery. China's economy will continue to recover and improve with the support of a series of policies such as stabilizing employment, protecting people's livelihood, and promoting consumption. However, there will be also hidden dangers such as a rebound of the epidemic, increasing difficulties in production and operation of enterprises, and increasing local debt risks. Generally speaking, in the second half of 2020, domestic liquidity will remain reasonable and abundant, and proactive financial policies will continue to exert effects. Investment will become the main force for stable growth, and the economic improvement trend will not change. The Group will continue to implement the "six fronts" and "six priorities" requirements, strengthen market analysis, research and judgment, closely track customer needs, seize business development opportunities, optimize internal operation management, and improve decision-making approval efficiency. Meanwhile, the Group will also continue to strengthen the risk and compliance management system, consolidate the foundation for business operation, and strive to achieve the goals of the annual business plan and the development goals of the 13th Five-Year Plan.

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. 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.

SHAREHOLDERS' GENERAL MEETINGS

Duties of Shareholders' General Meetings

Shareholders' general meeting is the organ of the authority of the Company comprising all Shareholders. The Shareholders' general meeting is responsible for deciding on the operational policies, strategic development plans and investment plans of the Company; electing and replacing Directors (being not employee representative) and deciding on matters concerning their remuneration; electing and replacing Supervisors (being not employee representative), and deciding on matters concerning their remuneration; considering and approving reports of the Board and the Board of Supervisors; considering and approving the Company's annual financial budget, final account proposals, profit distribution proposals, loss recovery proposals and share incentive plans; adopting resolutions concerning the increase or reduction of registered capital, merger, division, dissolution, liquidation or change of corporate form, annual plans for issuance of corporate bonds, the engagement, dismissal or non-reappointment of accounting firms and amendment to the Articles of Association; examining the material equity investment, bond investment, asset acquisition, asset disposal, write off of assets and external guarantee that shall be approved by the Shareholders' general meeting as stipulated by laws, regulations and relevant regulations of the listing rules of the place where the shares are listed; considering external donation of RMB8 million or more; considering proposals raised by the Shareholders who hold more than five percent (including 5%) of the voting Shares.

Details of Shareholders' General Meetings

During the Reporting Period, the Company held four Shareholders' general meetings (including class meetings), the attendance of Directors at Shareholders' general meetings is set out in the table below:

Directors	No. of meetings attended/No. of meetings eligible to be attended
Mr. Wang Xuedong	4/4
Mr. Peng Zhong	4/4
Mr. Huang Min	4/4
Mr. Li Yingbao	0/4
Mr. Wang Bangyi	0/4
Ms. Wang Ying	0/1
Mr. Zheng Xueding	1/4
Mr. Xu Jin	4/4
Mr. Zhang Xianchu	0/4

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 declaring any interim dividends during the six months ended June 30, 2020.

AUDIT COMMITTEE

The Audit Committee comprises five Directors, including three independent non-executive Directors, namely Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu, and two non-executive Directors, namely Mr. Li Yingbao and Mr. Wang Bangyi. 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, 2020 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 20, 2020, with the approvals from the CBIRC Shenzhen Office for the qualifications, Mr. Peng Zhong was appointed as the executive Director and vice-chairman of the Company and Ms. Wang Ying as the non-executive Director.

The Board considered and approved the proposal on election of members of the special committees under the second session of the Board on March 16, 2020. The Board resolved that the composition of each special committee is as follows: (1) The members of the Strategy Decision Committee are Mr. Wang Xuedong, Mr. Peng Zhong, Mr. Li Yingbao, Mr. Zheng Xueding and Mr. Xu Jin, and the chairman is Mr. Wang Xuedong; (2) The members of the Risk Management and Internal Control Committee are Mr. Wang Xuedong, Mr. Peng Zhong, Mr. Huang Min, Mr. Li Yingbao, Mr. Wang Bangyi, Ms. Wang Ying and Mr. Zheng Xueding, and the chairman is Mr. Wang Xuedong; (3) The members of the Related Party Transaction Control Committee are Mr. Xu Jin, Mr. Huang Min, Ms. Wang Ying, Mr. Zheng Xueding and Mr. Zhang Xianchu, and the chairman is Mr. Xu Jin; (4) The members of the Audit Committee are Mr. Zheng Xueding, Mr. Li Yingbao, Mr. Wang Bangyi, Mr. Xu Jin and Mr. Zhang Xianchu, and the chairman is Mr. Zheng Xueding; (5) The members of the Remuneration Committee are Mr. Zhang Xianchu, Mr. Peng Zhong, Mr. Li Yingbao, Mr. Zheng Xueding and Mr. Xu Jin, and the chairman is Mr. Zhang Xianchu; (6) The members of the Nomination Committee are Mr. Xu Jin, Mr. Wang Xuedong, Mr. Zheng Xueding and Mr. Zhang Xianchu, and the chairman is Mr. Xu Jin. The terms of office of the Special Committees are the same as that of the second session of the Board. Their duties and authorities, the decision making procedures and the rules of procedures are performed in accordance with the terms of reference of each of the Special Committees.

On May 29, 2020, Ms. Wang Ying resigned as a non-executive director of the Company, a member of the Risk Management and Internal Control Committee and a member of the Related Party Transaction Control Committee of the Board due to personal work arrangement. Her resignation became effective from May 29, 2020.

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, 2020, 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.

TOP TEN SHAREHOLDERS AT THE END OF THE REPORTING PERIOD

As at the end of the Reporting Period, the Company had 12,642,380,000 Ordinary Shares in total; comprising 9,872,786,000 Domestic Shares, representing 78.09% of the total number of Ordinary Shares; and 2,769,594,000 H Shares, representing 21.91% of the total number of Ordinary Shares.

As at the end of the Reporting Period, the total number of Shareholders of Domestic Shares of the Company was nine.

No.	Name	Class of Shares	Number of Shares	Percentage in Total Shareholdings
1	China Development Bank	Domestic Shares	8,141,332,869	64.40%
2	HNA Group Company Ltd.	Domestic Shares	795,625,000	6.29%
3	China Three Gorges Corporation	Domestic Shares	687,024,000	5.43%
4	Three Gorges Capital Holdings (HK) Co., Ltd	H Shares	619,476,000	4.90%
5	China Reinsurance (Group) Corporation	H Shares	600,022,000	4.75%
6	Hengjian International Investment Holding (HK) Limited	H Shares	523,310,000	4.14%
7	CSSC International Holding Company Ltd.	H Shares	193,746,000	1.53%
8	Express Glory Enterprises Ltd.	H Shares	157,644,000	1.25%
9	CCCC International Holding Ltd.	H Shares	154,000,000	1.22%
10	AVIC Xi'an Aircraft Industry (Group) Company ltd.	Domestic Shares	148,737,069	1.18%

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

As at June 30, 2020, 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	82.46	64.40
	H Shares	Interests of controlled corporation(5)	600,022,000	Long position	21.66	4.75
China Development Bank	Domestic Shares	Beneficial owner(1)	8,141,332,869	Long position	82.46	64.40
Shengtang Development (Yangpu) Co., Ltd.	Domestic Shares	Interests of controlled corporation(2)	795,625,000	Long position	8.06	6.29
Hainan Traffic Administration Holding Co., Ltd.	Domestic Shares	Interests of controlled corporation(2)	795,625,000	Long position	8.06	6.29
HNA Group Company Limited	Domestic Shares	Beneficial owner(2)	795,625,000	Long position	8.06	6.29
China Three Gorges Corporation	Domestic Shares	Beneficial owner	687,024,000	Long position	6.96	5.43
	H Shares	Interests of controlled corporation(3)	619,476,000	Long position	22.37	4.90
Three Gorges Capital Holdings Co., Ltd.	H Shares	Interests of controlled corporation(3)	619,476,000	Long position	22.37	4.90
Hengjian International Investment Holding (Hong Kong) Limited	H Shares	Beneficial owner(4)	523,310,000	Long position	18.89	4.14
Guangdong Hengjian Investment Holding Co., Ltd.	H Shares	Interests of controlled corporation(4)	523,310,000	Long position	18.89	4.14
China Reinsurance (Group) Corporation	H Shares	Beneficial owner(5)	600,022,000	Long position	21.66	4.75
National Council for Social Security Fund	H Shares	Beneficial owner	142,666,000	Long position	5.15	1.13
State-owned Assets Supervision and Administration Commission of the State Council	H Shares	Interests of controlled corporation(6)	193,746,000	Long position	7.00	1.53
China State Shipbuilding Corporation	H Shares	Interests of controlled corporation(6)	193,746,000	Long position	7.00	1.53
CSSC International Holding Company Limited	H Shares	Beneficial owner(6)	193,746,000	Long position	7.00	1.53
Goldway Financial Corp.	H Shares	Interests of controlled corporation(7)	157,644,000	Long position	5.69	1.25
Express Glory Enterprises Ltd	H Shares	Beneficial owner(7)	157,644,000	Long position	5.69	1.25

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 (%)
Bank of China Limited	H Shares	Interests of controlled corporation[7]	157,644,000	Long position	5.69	1.25
Bank of China Group Investment Limited	H Shares	Interests of controlled corporation[7]	157,644,000	Long position	5.69	1.25
CCCC International Holding Ltd	H Shares	Beneficial owner	154,000,000	Long position	5.56	1.22
China Communications Construction Company	H Shares	Interests of controlled corporation	154,000,000	Long position	5.56	1.22

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) China Three Gorges Corporation holds 70.00% of the equity interests in Three Gorges Capital Holdings Co., Ltd., which in turn holds 619,476,000 H Shares of the Company through its wholly-owned subsidiary, Three Gorges Capital Holdings (HK) Co., Ltd. Hence, pursuant to the SFO, each of China Three Gorges Corporation and Three Gorges Capital Holdings Co., Ltd. is deemed to be interested in the 619,476,000 H Shares held by Three Gorges Capital Holdings (HK) 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 600,022,000 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) Bank of China Limited holds 100% of the equity interests in Bank of China Group Investment Limited. Bank of China Group Investment Limited holds 100% of the equity interests in Goldway Financial Corp., which in turn holds 100% of the equity interests in Express Glory Enterprises Ltd. Hence, pursuant to the SFO, each of Bank of China Limited, Bank of China Group Investment Limited and Goldway Financial Corp. is deemed to be interested in the 157,644,000 H Shares held by Express Glory Enterprises Ltd.

(8) 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, 2020, 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 RMB12,986.2 million include a condition requiring that China Development Bank, the Controlling Shareholder of the Company, shall hold directly or indirectly, no less than 50% 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 RMB808.0 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 RMB2,695.1 million include the conditions requiring that China Development Bank, the Controlling Shareholder of the Company, shall hold directly or indirectly, no less than 50% of the Shares of the Company and remain as the single largest Shareholder of the Company. The terms of such loan agreements range from two months to one year.

MATERIAL LEGAL, LITIGATION AND ARBITRATION MATTERS

As at June 30, 2020, the underlying amount in relation to the pending litigation against the Company as the defendant was RMB16.63 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 38: Contingent Liabilities of the financial statements for details.

Definitions

"Airbus"	Airbus S.A.S. (Airbus), a "Société par Actions Simplifiée (SAS)" incorporated under French law
"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 Delaware, the United States
"Capital Administrative Measures"	Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法》(試行)), issued by CBIRC on June 7, 2012 and being effective from January 1, 2013
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) and its predecessor, China Banking Regulatory Commission (中國銀行業監督管理委員會)
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
"Company" or "our 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 our 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 SPCs, or our Company and any one or more of its subsidiaries or SPCs, as the context may require
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "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, 2020 to June 30, 2020
"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"	the State Council of the PRC
"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
"US$", "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 64 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 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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 issued by International Auditing and Assurance Standards Board. 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
31 August 2020

Interim Condensed Consolidated Statement of Profit or Loss

		Unaudited	
		For the six months ended 30 June	
	Notes	2020	2019
		RMB'000	RMB'000
Revenue			
Finance lease income	4	4,442,603	3,985,182
Operating lease income	4	4,357,048	3,954,215
Total revenue		8,799,651	7,939,397
Net investment gains/(losses)	5	(16,912)	60,788
Other income, gains or losses	6	833,793	738,379
Total revenue and other income		9,616,532	8,738,564
Depreciation and amortisation	7	(2,016,225)	(1,746,754)
Staff costs	8	(256,934)	(229,879)
Fee and commission expenses	9	(15,013)	(23,737)
Interest expense	10	(3,340,865)	(3,646,820)
Other operating expenses	11	(334,987)	(263,828)
Impairment losses	12	(2,035,671)	(1,006,022)
Total expenses		(7,999,695)	(6,917,040)
Profit before tax		1,616,837	1,821,524
Income tax expense	13	(377,490)	(460,321)
Profit after tax		1,239,347	1,361,203
Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share)-Basic and diluted	14	0.10	0.11

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	Unaudited For the six months ended 30 June 2020 RMB'000	 2019 RMB'000
Profit for the period		1,239,347	1,361,203
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)
Gains/(losses) on cash flow hedges, net of tax	32	(947,073)	(516,192)
Currency translation differences		115,945	72,653
Total other comprehensive income for the period, net of tax		(831,128)	(457,013)
Total comprehensive income for the period		408,219	904,190

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

	Notes	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Assets			
Cash and bank balances	15	26,449,663	21,528,292
Financial assets at fair value through profit or loss (FVTPL)	16	756,435	148,774
Derivative financial assets	17	10,816	32,425
Assets held-for-sale	18	–	1,585,803
Accounts receivable	19	1,702,623	2,168,454
Finance lease receivables	20	156,152,003	141,498,088
Prepayments	21	15,362,963	14,820,598
Investment properties	22	981,228	990,374
Property and equipment	23	76,810,391	73,260,791
Right-of-use assets	24	589,034	604,509
Deferred tax assets	25	1,719,270	1,428,924
Goodwill		851	–
Other assets	26	3,460,545	3,233,636
Total assets		283,995,822	261,300,668
Liabilities			
Borrowings	27	189,255,574	174,135,636
Due to banks and other financial institutions		4,101,925	–
Financial assets sold under repurchase agreements		597,000	–
Derivative financial liabilities	17	1,911,532	789,218
Accrued staff costs	28	196,425	303,967
Tax payable		404,278	576,568
Lease liabilities	24	591,566	626,523
Bonds payable	29	44,941,248	42,811,268
Deferred tax liabilities	25	750,484	827,334
Other liabilities	30	16,490,469	15,560,912
Total liabilities		259,240,501	235,631,426

	Notes	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Equity			
Share capital	31	**12,642,380**	12,642,380
Capital reserve		**2,418,689**	2,418,689
Hedging and fair value reserve	32	**(1,589,067)**	(641,994)
Translation reserve		**409,593**	293,648
General reserves	33	**4,544,432**	4,544,432
Retained earnings	34	**6,329,294**	6,412,087
Total equity		**24,755,321**	25,669,242
Total liabilities and equity		**283,995,822**	261,300,668

The accompanying notes form an integral part of this interim condensed consolidated financial information.

The financial statements on pages 64 to 70 were approved by the Board of Directors on 31 August 2020 and were signed on its behalf.

WANG Xuedong PENG Zhong

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited						
		Equity attributable to owners of the Company						
	Notes	Share capital RMB'000	Capital reserve RMB'000	Hedging and fair value reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2020		12,642,380	2,418,689	(641,994)	293,648	4,544,432	6,412,087	25,669,242
Profit for the period		–	–	–	–	–	1,239,347	1,239,347
Other comprehensive income for the period	32	–	–	(947,073)	115,945	–	–	(831,128)
Total comprehensive income for the period	35	–	–	(947,073)	115,945	–	1,239,347	408,219
Final 2019 dividends declared		–	–	–	–	–	(1,322,140)	(1,322,140)
At 30 June 2020		12,642,380	2,418,689	(1,589,067)	409,593	4,544,432	6,329,294	24,755,321
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	32	–	–	(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		–	–	–	–	–	(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

The accompanying notes 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	
	Notes	2020	2019
		RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before tax		1,616,837	1,821,524
Adjustments for:			
Bonds payable interest expense	10	805,414	807,173
Lease liabilities interest expense		13,621	4,076
Depreciation and amortisation	7	2,016,225	1,746,754
Impairment losses	12	2,035,671	1,006,022
Gains on disposal of equipment held for operating lease businesses	6	(321,856)	(283,285)
Gains on disposal of finance lease receivables	5	(30,634)	(47,629)
Realised losses/(gains) from derivatives	5	3,552	(281)
Realised gains from FVTPL	5	(5,585)	(5,359)
Realised gains from financial assets at fair value through other comprehensive income (FVOCI)	5	–	(1,488)
Unrealised fair value changes in derivatives	5	20,585	17,273
Unrealised fair value changes in FVTPL	5	28,994	(23,304)
Operating cash flows before movements in working capital		6,182,824	5,041,476
(Increase)/decrease in mandatory reserve deposits with central bank		(18,552)	28,145
Decrease in accounts receivable		29,287	1,430,906
Increase in finance lease receivables		(15,905,967)	(5,823,014)
Decrease/(increase) in other assets		3,123	(963,663)
Increase/(decrease) in borrowings		14,275,926	(7,669,057)
Increase in due to banks and other financial institutions		4,101,925	2,000,000
Increase/(decrease) in financial assets sold under repurchase agreements		597,000	(880,000)
Decrease in accrued staff costs		(107,542)	(46,692)
Decrease in other liabilities		(448,587)	(1,141,633)
Cash from/(used in) operating activities		8,709,437	(8,023,532)
Income taxes paid		(793,570)	(636,408)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		7,915,867	(8,659,940)

	Notes	Unaudited For the six months ended 30 June 2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES			
Changes in pledged and restricted bank deposits		(1,377,514)	3,157,929
Purchase of FVTPL		(636,656)	–
Disposal of FVTPL		2,033	1,573,659
Disposal of FVOCI		30,635	495,816
Disposal of property and equipment		2,910,747	3,940,401
Purchase of property and equipment		(6,518,472)	(9,523,783)
NET CASH USED IN INVESTING ACTIVITIES		(5,589,227)	(355,978)
FINANCING ACTIVITIES			
Proceeds from issue of bonds payable		1,887,914	8,164,796
Bonds interest paid		(801,435)	(599,892)
Decrease in lease liabilities		(64,217)	–
NET CASH FROM FINANCING ACTIVITIES		1,022,262	7,564,904
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,348,902	(1,451,014)
Effects of foreign exchange changes		176,403	19,349
Cash and cash equivalents at beginning of the period		19,445,527	18,375,210
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	37	22,970,832	16,943,545
NET CASH FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		4,568,397	4,276,408
Interest paid, exclusive bonds payable interest expenses		(2,902,730)	(3,462,780)
Net interest received		1,665,667	813,628

The accompanying notes 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.

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

The Company and its subsidiaries (the "Group") are principally engaged in 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 2020 ("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 2020 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34").

The interim condensed consolidated financial information does 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 2019, 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 applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

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

Amendments to IFRS 3: Definition of a Business

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments did not have any impact on the financial position and performance of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods.

Amendment to IFRS 16: COVID-19-Related Rent Concessions (early adopted)

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

This amendment had no impact on the consolidated financial statements of the Group as the Group did not receive any rent concession directly related to COVID-19 pandemic.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to IAS 1 and IAS 8: Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

4 TOTAL REVENUE

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance lease income	**4,442,603**	3,985,182
Operating lease income	**4,357,048**	3,954,215
	8,799,651	7,939,397

5 NET INVESTMENT GAINS/(LOSSES)

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Realised gains from financial assets at fair value through other comprehensive income	**–**	1,488
Realised gains from financial assets at fair value through profit or loss	**5,585**	5,359
Realised gains from disposal of finance lease receivables	**30,634**	47,629
Realised gains/(losses) from derivatives	**(3,552)**	281
Unrealised fair value change of derivatives	**(20,585)**	(17,273)
Unrealised fair value change of financial assets at fair value through profit or loss	**(28,994)**	23,304
	(16,912)	60,788

6 OTHER INCOME, GAINS OR LOSSES

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income from deposits with financial institutions	140,509	291,226
Gains on disposal of assets held for operating lease businesses, net	321,856	283,285
Government grants and incentives	120,403	78,062
Management and commission fee income	138,498	4,933
Consulting fee income	1,893	2,522
Foreign exchange gains/(losses), net	29,138	(5,950)
Others	81,496	84,301
	833,793	738,379

7 DEPRECIATION AND AMORTISATION

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	1,937,770	1,692,533
Depreciation of investment properties	17,174	18,541
Amortisation of lease premium assets	22,889	15,469
Depreciation of right-of-use assets	31,114	13,071
Amortisation of land use rights	5,032	5,217
Amortisation of prepaid expenses	313	1,070
Amortisation of other intangible assets	1,933	853
	2,016,225	1,746,754

8 STAFF COSTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	**196,444**	187,223
Social welfare[1]	**41,363**	26,933
Defined contribution plans – annuity schemes	**15,453**	9,461
Others	**3,674**	6,262
	256,934	229,879

(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.

9 FEE AND COMMISSION EXPENSES

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Business collaboration fee for leasing projects	**11,826**	11,512
Bank charges	**3,187**	12,225
	15,013	23,737

10 INTEREST EXPENSE

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Borrowings	2,638,067	3,024,638
Bonds payable	805,414	807,173
Due to banks and other financial institutions	38,464	24,354
Financial assets sold under repurchase agreements	2,224	20,056
Deposits from lessees	697	1,553
Others	25,692	5,297
Less: Interest capitalised on qualifying assets	(169,693)	(236,251)
	3,340,865	3,646,820

Interest capitalised on qualifying assets in the six months ended 30 June 2020 represented approximately RMB169,693,000 (2019: RMB236,251,000) on prepayment.

11 OTHER OPERATING EXPENSES

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Service fees of operating lease ship business	134,250	68,670
Taxes and surcharges	27,350	48,336
Business travel and transportation expenses	7,066	18,276
Auditor's remuneration	8,589	5,659
Operating lease rentals in respect of rented premises	3,426	3,306
Sundry expenses	154,306	119,581
	334,987	263,828

12 IMPAIRMENT LOSSES

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance lease receivables	1,245,452	537,333
Accounts receivable	426,942	146,587
Operating lease assets	363,277	322,102
	2,035,671	1,006,022

13 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	624,835	512,229
Income tax in other countries	11	190
Deferred income tax	(247,412)	(71,473)
Under provision in prior period	56	19,375
	377,490	460,321

The applicable enterprise income tax rate is 25% (2019: 25%) for the Company and all its subsidiaries established in mainland China, 16.5% (2019: 16.5%) for subsidiaries in Hong Kong, and 12.5% (2019: 12.5%) for subsidiaries in Ireland. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

13 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit before tax	1,616,837	1,821,524
Tax at the statutory tax rate of 25%	404,209	455,381
Tax effect of expenses not deductible for tax purpose	4,598	7,585
Under provision in prior period	56	19,375
Tax losses not recognised	(7,101)	9,570
Deductible temporary difference not recognised	(5,258)	–
Effect of different tax rates of group entities operating in jurisdictions other than PRC	(19,014)	(31,590)
Income tax expense for the period	377,490	460,321

14 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Earnings:		
Profit attributable to owners of the Company (RMB'000)	1,239,347	1,361,203
Number of shares:		
Weighted average number of shares in issue ('000)	12,642,380	12,642,380
Basic earnings per share (RMB Yuan)[1]	0.10	0.11

[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 2020 and 2019.

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 2020 and 2019.

15 CASH AND BANK BALANCES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Pledged and restricted bank deposits[(1)]	3,053,031	1,675,517
Mandatory reserve deposits with central bank[(2)]	425,800	407,248
Surplus reserve deposits with central bank[(3)]	35,403	43,423
Cash and bank balances	22,935,429	19,402,104
	26,449,663	21,528,292

(1) There are no bank deposits were pledged as collateral for the Group's bank borrowings (Note 27) as at 30 June 2020 (31 December 2019: Nil).

The bank deposits amounting to approximately RMB3,053,031,000 (31 December 2019: RMB1,675,517,000) were restricted for use, which represented the guaranteed deposit of approximately RMB105,000,000 held by the Group in relation to the financial lease receivables transferred as at 30 June 2020 (31 December 2019: RMB127,902,000), RMB1,881,576,000 in relation to the borrowings as at 30 June 2020 (31 December 2019: RMB1,460,615,000), RMB141,104,000 in relation to the notes payable as at 30 June 2020 (31 December 2019: RMB87,000,000), RMB925,351,000 in relation to the advance payment as at 30 June 2020 (31 December 2019: Nil), 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.

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Measured at fair value:		
Financial bonds	602,452	–
Unlisted equity investment	142,971	148,774
Listed equity investment	11,012	–
	756,435	148,774

17 DERIVATIVE FINANCIAL INSTRUMENTS

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

	Contractual/ Nominal amount	30 June 2020 Fair value	
		Assets	Liabilities
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	33,401,039	–	(1,765,244)
Cash flow hedge – cross currency swaps	5,979,220	9,608	(52,347)
Derivatives not under hedge accounting:			
Currency forwards	4,212,303	1,208	(57,342)
Interest rate swaps	568,990	–	(36,599)
	44,161,552	10,816	(1,911,532)

	Contractual/ Nominal amount	31 December 2019 Fair value	
		Assets	Liabilities
	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	25,976,893	32,425	(708,224)
Cash flow hedge – cross currency swaps	4,424,738	–	(51,280)
Derivatives not under hedge accounting:			
Currency forwards	1,276,218	–	(14,069)
Interest rate swaps	590,846	–	(15,645)
	32,268,695	32,425	(789,218)

The fair values of interest rate swaps, cross currency swaps and currency forwards as shown above are determined with reference to market-to-market values provided by Bloomberg, Reuters and counterparties.

Hedge accounting has been applied for interest rate swaps and cross currency swaps that are assessed by the Group to be highly effective hedges.

The Group determines the economic relationship between the hedging instruments and the hedged items by matching the critical terms of interest rate swap and cross currency swap contracts with the terms of borrowing and bond payable contracts (i.e., notional amount, expected payment date and interest rate). The hedge ratio (the ratio between the notional amount of the derivatives to the par value of the borrowings and bonds payable being hedged) is determined to be 1:1. There were no expected sources of ineffectiveness on the Group's hedges as the critical terms of the derivatives match exactly with the terms of the hedged items.

17 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Unaudited	Outstanding notional amounts	Assets/ (Liabilities)	Hedge rates: USD interest rates (p.a.)	Hedge rates: Foreign currency rates	Maturity (Year)
30 June 2020					
Cash flow hedge					
Interest rate swaps[1]					
USD	33,401,039	(1,765,244)	1.005% to 3.203%	–	2020 to 2028
Cross currency swaps[2]					
HKD-USD	5,225,309	7,792	1.21% to 3.9625%	USD1:HKD7.75 to USD1:HKD7.8483	2020 to 2022
CNY-USD	753,911	(50,531)	2.935% to 3.645%	USD1:CNY6.691 to USD1:CNY6.7282	2021 to 2022

Audited	Outstanding notional amounts	Assets/ (Liabilities)	Hedge rates: USD interest rates (p.a.)	Hedge rates: Foreign currency rates	Maturity (Year)
31 December 2019					
Cash flow hedge					
Interest rate swaps[1]					
USD	25,976,893	(675,799)	1.2278% to 3.203%	–	2020 to 2028
Cross currency swaps[2]					
HKD-USD	3,681,827	(16,598)	3.475% to 3.9625%	USD1:HKD7.8282 to USD1:HKD7.8483	2020 to 2022
CNY-USD	742,911	(34,682)	2.935% to 3.645%	USD1:CNY6.691 to USD1:CNY6.7282	2021 to 2022

(1) The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from related borrowings and bonds payable which are pegged to USD Libor. Under these interest rate swaps, the Group receives floating interest pegged to USD Libor and pays fixed interest. These hedges are classified as cash flow hedges and the fair value changes of these interest rate swaps are recognized in hedging reserve.

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

18 ASSETS HELD-FOR-SALE

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Aircraft	–	1,585,803

19 ACCOUNTS RECEIVABLE

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Operating lease receivables[(1)]	2,154,088	700,070
Advances for finance lease projects[(2)]	715,659	2,215,659
Other accounts receivable	17,780	7,478
	2,887,527	2,923,207
Less: Allowances for impairment losses		
– Allowances for operating lease receivables	(469,245)	(34,010)
– Allowances for advances for finance lease projects	(715,659)	(720,743)
	(1,184,904)	(754,753)
	1,702,623	2,168,454

(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 is completed and the terms of corresponding lease contract commences upon signing off between the lessees and the Group. The advances for finance lease projects will then be transferred to finance lease receivables. Thus, ageing analysis of such advances was considered to be not meaningful.

19 ACCOUNTS RECEIVABLE (Continued)

Movements of accounts receivable between stages for the six months ended 30 June 2020 and the year ended 31 December 2019 are as follows:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Gross carrying amount					
Amount as at 1 January 2020	1,500,000	–	715,659	707,548	2,923,207
Movement within stages	–	–	–	–	–
Transfer out to finance lease receivables	–	–	–	–	–
New assets originated/(repayment)	(1,500,000)	–	–	1,443,801	(56,199)
Effect of foreign currency exchange differences	–	–	–	20,519	20,519
Amount as at 30 June 2020	–	–	715,659	2,171,868	2,887,527

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Gross carrying amount					
Amount as at 1 January 2019	4,622,632	–	715,659	729,936	6,068,227
Movement within stages	–	–	–	–	–
Transfer out to finance lease receivables	–	–	–	–	–
New assets originated/(repayment)	(3,122,632)	–	–	(33,173)	(3,155,805)
Effect of foreign currency exchange differences	–	–	–	10,785	10,785
Amount as at 31 December 2019	1,500,000	–	715,659	707,548	2,923,207

19 ACCOUNTS RECEIVABLE (Continued)

Movements of allowances for impairment losses during the six months ended 30 June 2020 and the year ended 31 December 2019 are as follows:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Allowance for impairment losses					
Amount as at 1 January 2020	5,084	–	715,659	34,010	754,753
Movement within stages	–	–	–	–	–
Transfer out to finance lease receivables	–	–	–	–	–
Net increase/(decrease)[1]	(5,084)	–	–	–	(5,084)
Charge/(recovered) for the period[2]	–	–	–	432,026	432,026
Effect of foreign currency exchange differences	–	–	–	3,209	3,209
Amount as at 30 June 2020	–	–	715,659	469,245	1,184,904

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Allowance for impairment losses					
Amount as at 1 January 2019	15,432	–	643,501	3,642	662,575
Movement within stages	–	–	–	–	–
Transfer out to finance lease receivables	–	–	–	–	–
Net increase/(decrease)[1]	(10,059)	–	–	–	(10,059)
Charge/(recovered) for the year[2]	(289)	–	72,158	29,933	101,802
Effect of foreign currency exchange differences	–	–	–	435	435
Amount as at 31 December 2019	5,084	–	715,659	34,010	754,753

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

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

20 FINANCE LEASE RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Finance lease receivables		
Not later than one year	48,320,459	42,453,243
Later than one year and not later than five years	102,021,063	90,137,547
Later than five years	47,256,034	47,570,554
Gross amount of finance lease receivables	197,597,556	180,161,344
Less: Unearned finance income	(34,537,994)	(33,007,750)
Present value of finance lease receivables	163,059,562	147,153,594
Less: Allowances for impairment losses	(6,907,559)	(5,655,506)
Carrying amount of finance lease receivables	156,152,003	141,498,088
Present value of finance lease receivables		
Not later than one year	39,036,612	30,398,418
Later than one year and not later than five years	83,780,446	72,681,050
Later than five years	40,242,504	44,074,126
	163,059,562	147,153,594

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

The finance lease receivables with carrying amount of approximately RMB5,856,527,000 and RMB3,557,488,000 were pledged as collateral for the Group's bank borrowings (Note 27) as at 30 June 2020 and 31 December 2019, respectively.

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

20 FINANCE LEASE RECEIVABLES (Continued)

Movements between stages during the six months ended 30 June 2020 and the year ended 31 December 2019 within finance lease receivables are as follows:

	Stage 1	Stage 2	Stage 3	Total
Present value of minimum finance lease receivables				
Amount as at 1 January 2020	126,794,611	18,554,482	1,804,501	147,153,594
Movement within stages:				
Move to stage 1	–	–	–	–
Move to stage 2	(819,033)	819,033	–	–
Move to stage 3	(116,800)	–	116,800	–
Transfer in from accounts receivable	–	–	–	–
Net assets originated/(repayment)	15,066,547	877,557	(241,297)	15,702,807
Written-off	–	–	–	–
Effect of foreign currency exchange differences	200,862	379	1,920	203,161
Amount as at 30 June 2020	141,126,187	20,251,451	1,681,924	163,059,562

	Stage 1	Stage 2	Stage 3	Total
Present value of minimum finance lease receivables				
Amount as at 1 January 2019	110,544,074	17,671,497	1,601,560	129,817,131
Movement within stages:				
Move to stage 1	822,637	(822,637)	–	–
Move to stage 2	(5,473,192)	5,473,192	–	–
Move to stage 3	(120,292)	(155,139)	275,431	–
Transfer in from accounts receivable	–	–	–	–
Net assets originated/(repayment)	20,823,885	(3,613,241)	(54,147)	17,156,497
Written-off	–	–	(18,654)	(18,654)
Effect of foreign currency exchange differences	197,499	810	311	198,620
Amount as at 31 December 2019	126,794,611	18,554,482	1,804,501	147,153,594

20 FINANCE LEASE RECEIVABLES (Continued)

Movements of allowances for impairment losses on finance lease receivables during the six months ended 30 June 2020 and the year ended 31 December 2019 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2020	1,298,288	2,673,179	1,684,039	5,655,506
Movement within stages:				
Move to stage 1	–	–	–	–
Move to stage 2	(4,573)	4,573	–	–
Move to stage 3	(11,601)	–	11,601	–
Transfer in from accounts receivable	–	–	–	–
Net increase/(decrease)[1]	277,351	(278,441)	(224,547)	(225,637)
Charge/(recovered) for the period[2]	658,876	814,632	(2,419)	1,471,089
Written-off	–	–	–	–
Effect of foreign currency exchange differences	5,752	13	836	6,601
Amount as at 30 June 2020	2,224,093	3,213,956	1,469,510	6,907,559

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount as at 1 January 2019	1,142,718	2,102,878	1,429,930	4,675,526
Movement within stages:				
Move to stage 1	187,033	(187,033)	–	–
Move to stage 2	(108,768)	108,768	–	–
Move to stage 3	(2,320)	(7,662)	9,982	–
Transfer in from accounts receivable	–	–	–	–
Net increase/(decrease)[1]	343,724	(873,101)	(13,655)	(543,032)
Charge/(recovered) for the year[2]	(269,881)	1,529,021	276,225	1,535,365
Written-off	–	–	(18,654)	(18,654)
Effect of foreign currency exchange differences	5,782	308	211	6,301
Amount as at 31 December 2019	1,298,288	2,673,179	1,684,039	5,655,506

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

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

21 PREPAYMENTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Prepayments for operating lease assets purchases	15,362,963	14,820,598

22 INVESTMENT PROPERTIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cost		
At the beginning of the period/year	1,282,616	1,282,616
Transfer from property and equipment	8,270	–
At the end of the period/year	1,290,886	1,282,616
Accumulated depreciation		
At the beginning of the period/year	(152,853)	(115,684)
Charge for the period/year	(17,174)	(37,169)
Transfer from property and equipment	(242)	–
At the end of the period/year	(170,269)	(152,853)
Accumulated impairment		
At the beginning of the period/year	(139,389)	(91,666)
Charge for the period/year	–	(47,723)
At the end of the period/year	(139,389)	(139,389)
Net carrying amount		
At the beginning of the period/year	990,374	1,075,266
At the end of the period/year	981,228	990,374

The Group recognised the operating lease income of approximately RMB57,052,000 and RMB56,353,000 from investment properties in the six months ended 30 June 2020 and 2019, respectively.

23 PROPERTY AND EQUIPMENT

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Equipment held for operating lease businesses	75,930,255	72,360,693
Property and equipment held for administrative purposes	880,136	900,098
	76,810,391	73,260,791

Equipment held for operating lease businesses

Unaudited	Aircraft RMB'000	Ships RMB'000	Special equipment RMB'000	Total RMB'000
Cost				
As at 1 January 2020	75,886,939	9,475,663	671,727	86,034,329
Additions	3,948,905	1,831,698	–	5,780,603
Disposals/written-off	(1,804,481)	–	–	(1,804,481)
Foreign currency translation	1,137,962	138,456	–	1,276,418
As at 30 June 2020	79,169,325	11,445,817	671,727	91,286,869
Accumulated depreciation				
As at 1 January 2020	(11,692,317)	(421,288)	(205,508)	(12,319,113)
Charge for the period	(1,678,107)	(220,091)	(21,117)	(1,919,315)
Disposals/written-off	794,091	–	–	794,091
Foreign currency translation	(179,015)	(5,261)	–	(184,276)
As at 30 June 2020	(12,755,348)	(646,640)	(226,625)	(13,628,613)
Accumulated impairment				
As at 1 January 2020	(911,753)	(249,866)	(192,904)	(1,354,523)
Charge for the period	(278,911)	–	(84,366)	(363,277)
Disposals/written-off	7,308	–	–	7,308
Foreign currency translation	(15,307)	(2,202)	–	(17,509)
As at 30 June 2020	(1,198,663)	(252,068)	(277,270)	(1,728,001)
Net carrying amount				
As at 1 January 2020	63,282,869	8,804,509	273,315	72,360,693
As at 30 June 2020	65,215,314	10,547,109	167,832	75,930,255

23 PROPERTY AND EQUIPMENT (Continued)

Equipment held for operating lease businesses (Continued)

Audited	Aircraft RMB'000	Ships RMB'000	Special equipment RMB'000	Total RMB'000
Cost				
As at 1 January 2019	70,061,718	4,397,029	671,727	75,130,474
Additions	11,979,072	5,430,241	–	17,409,313
Disposals/written-off	(5,008,080)	(470,556)	–	(5,478,636)
Transferred to assets held-for-sale	(2,357,144)	–	–	(2,357,144)
Foreign currency translation	1,211,373	118,949	–	1,330,322
As at 31 December 2019	75,886,939	9,475,663	671,727	86,034,329
Accumulated depreciation				
As at 1 January 2019	(12,186,262)	(187,440)	(152,123)	(12,525,825)
Charge for the year	(3,176,918)	(281,235)	(53,385)	(3,511,538)
Disposals/written-off	3,059,899	50,947	–	3,110,846
Transferred to assets held-for-sale	773,866	–	–	773,866
Foreign currency translation	(162,902)	(3,560)	–	(166,462)
As at 31 December 2019	(11,692,317)	(421,288)	(205,508)	(12,319,113)
Accumulated impairment				
As at 1 January 2019	(486,957)	–	–	(486,957)
Charge for the year	(461,965)	(248,024)	(192,904)	(902,893)
Disposals/written-off	33,241	–	–	33,241
Transferred to assets held-for-sale	17,104	–	–	17,104
Foreign currency translation	(13,176)	(1,842)	–	(15,018)
As at 31 December 2019	(911,753)	(249,866)	(192,904)	(1,354,523)
Net carrying amount				
As at 1 January 2019	57,388,499	4,209,589	519,604	62,117,692
As at 31 December 2019	63,282,869	8,804,509	273,315	72,360,693

As at 30 June 2020, the aircraft with net book value of approximately RMB22,593,027,000 (31 December 2019: RMB23,522,445,000) and RMB1,279,883,000 (31 December 2019: RMB1,294,656,000) of the Group were pledged as collateral for the Group's bank borrowings (Note 27) and long-term payable, respectively.

23 PROPERTY AND EQUIPMENT (Continued)

Property and equipment held for administrative purposes

Unaudited	Buildings RMB'000	Computer and electronic equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost						
As at 1 January 2020	886,444	14,937	5,472	133,010	19,697	1,059,560
Additions	2,206	1,183	28	1,360	873	5,650
Disposals/written-off	–	–	–	(43)	–	(43)
Transferred to investment properties	(8,270)	–	–	–	–	(8,270)
Transferred to other intangible assets	–	–	–	(61,446)	–	(61,446)
Foreign currency translation	256	–	–	917	–	1,173
As at 30 June 2020	880,636	16,120	5,500	73,798	20,570	996,624
Accumulated depreciation						
As at 1 January 2020	(53,505)	(9,096)	(2,333)	(76,658)	(17,870)	(159,462)
Charge for the period	(12,559)	(1,180)	(386)	(4,028)	(302)	(18,455)
Disposals/written-off	–	–	–	38	–	38
Transferred to investment properties	242	–	–	–	–	242
Transferred to other intangible assets	–	–	–	61,446	–	61,446
Foreign currency translation	(138)	–	–	(159)	–	(297)
As at 30 June 2020	(65,960)	(10,276)	(2,719)	(19,361)	(18,172)	(116,488)
Net carrying amount						
As at 1 January 2020	832,939	5,841	3,139	56,352	1,827	900,098
As at 30 June 2020	814,676	5,844	2,781	54,437	2,398	880,136

23 PROPERTY AND EQUIPMENT (Continued)

Property and equipment held for administrative purposes (Continued)

Audited	Buildings	Computer and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
As at 1 January 2019	877,457	18,286	4,038	77,531	17,769	995,081
Additions	12,268	4,632	2,881	4,673	1,928	26,382
Transferred from other intangible assets	–	–	–	61,647	–	61,647
Disposals/written-off	(5,520)	(7,981)	(1,447)	(11,873)	–	(26,821)
Foreign currency translation	2,239	–	–	1,032	–	3,271
As at 31 December 2019	886,444	14,937	5,472	133,010	19,697	1,059,560
Accumulated depreciation						
As at 1 January 2019	(29,384)	(15,853)	(3,132)	(9,242)	(16,577)	(74,188)
Charge for the year	(25,872)	(1,126)	(406)	(9,080)	(1,293)	(37,777)
Transferred from other intangible assets	–	–	–	(61,647)	–	(61,647)
Disposals/written-off	2,481	7,883	1,205	3,455	–	15,024
Foreign currency translation	(730)	–	–	(144)	–	(874)
As at 31 December 2019	(53,505)	(9,096)	(2,333)	(76,658)	(17,870)	(159,462)
Net carrying amount						
As at 1 January 2019	848,073	2,433	906	68,289	1,192	920,893
As at 31 December 2019	832,939	5,841	3,139	56,352	1,827	900,098

As at 30 June 2020, property and equipment of the Group with carrying values of RMB8,801,000 (31 December 2019: RMB9,072,000) have not completed registration. However, this registration process does not affect the rights of the Group to these assets.

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 pre-tax discount rate to calculate the value in use. For the calculation of value in use, the weighted average discount rate for 30 June 2020 is 4.80% (31 December 2019: 5.00%).

24 LEASES

The Group as a lessee

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period/year are as follows:

Unaudited	Properties	Aircraft	Total
As at 1 January 2020	172,790	431,719	604,509
Additions	505	–	505
Depreciation charge	(15,045)	(16,069)	(31,114)
Foreign currency translation	8,848	6,286	15,134
As at 30 June 2020	167,098	421,936	589,034

Audited	Properties	Aircraft	Total
As at 1 January 2019	187,077	–	187,077
Additions	11,443	495,084	506,527
Depreciation charge	(28,254)	(68,709)	(96,963)
Foreign currency translation	2,524	5,344	7,868
As at 31 December 2019	172,790	431,719	604,509

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the period/year are as follows:

Unaudited

	2020
Carrying amount at 1 January	626,523
New leases	505
Accretion of interest recognised during the period	13,621
Payments	(57,123)
Foreign currency translation	8,040
Carrying amount at 30 June	591,566

Audited

	2019
Carrying amount at 1 January	187,077
New leases	463,754
Accretion of interest recognised during the year	19,327
Payments	(51,768)
Foreign currency translation	8,133
Carrying amount at 31 December	626,523

24 LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	13,621	4,076
Depreciation charge of right-of-use assets	31,114	13,071
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 30 June (included in cost of sales)	3,419	3,306
Expense relating to leases of low-value assets (included in administrative expenses)	7	–
Total amount recognised in profit or loss	48,161	20,453

(d) Purchase options

The Group has several lease contracts that include purchase options. The Group plans to execute the purchase option at the end of the lease term and the depreciation of the related right-of-use asset is calculated using the estimated useful life of the asset.

The Group acts as lessee for three aircraft, which are currently leased through the Group to an international airline using a lease in lease out structure (LILO). A right-of-use asset was calculated based on the discounted future lease payments. The Group will require all three aircraft in 2020 and will continue to lease these to the current international airline.

24 LEASES (Continued)

The Group as a lessor

The Group leases its investment properties (Note 22) and property and equipment (Note 23) consisting of aircraft, ships, special equipment and buildings under operating lease arrangements. The terms of the leases generally require the lessees to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the period was RMB4,357 million (2019: RMB3,954 million), details of which are included in Note 4 to the financial statements.

As at 30 June 2020 and 31 December 2019, the undiscounted lease receivable of the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within one year	6,985,498	7,151,250
After one year but within two years	6,084,649	6,778,691
After two years but within three years	5,804,605	6,019,768
After three years but within four years	5,232,909	5,706,628
After four years but within five years	4,783,845	4,887,734
After five years	16,309,516	17,185,498
	45,201,022	47,729,569

25 DEFERRED TAXATION

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Deferred tax assets		
– Deferred tax assets to be recovered after more than 12 months	1,711,962	1,427,386
– Deferred tax assets to be recovered within 12 months	7,308	1,538
	1,719,270	1,428,924
Deferred tax liabilities		
– Deferred tax liabilities to be recovered after more than 12 months	(738,539)	(808,141)
– Deferred tax liabilities to be recovered within 12 months	(11,945)	(19,193)
	(750,484)	(827,334)
	968,786	601,590

25 DEFERRED TAXATION (Continued)

Deferred income tax liabilities of RMB293 million (31 December 2019: RMB295 million) have not been recognised for the taxable temporary differences arising from undistributed profit of foreign subsidiaries given that the timing of the reversal of the temporary difference is controlled by the Group and the directors of the Group are of the view that it is probable that the temporary differences will not be reversed in the foreseeable future.

The following are the unrecognised deferred tax assets for the six months ended at 30 June 2020 and the year ended 31 December 2019:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Tax losses	37,257	44,358
Deductible temporary differences	24,074	29,332
	61,331	73,690

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

25 DEFERRED TAXATION (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon in the six months ended 30 June 2020 and the year ended 31 December 2019:

Unaudited	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of FVTPL	Changes in fair value of FVOCI	Deductible tax losses	Accelerated depreciation of operating lease assets	Deferred income	Accrued staff costs	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	1,257,439	85,355	(19,194)	–	–	(617,650)	29,438	17,726	(151,524)	601,590
(Charged)/credited to profit or loss	242,340	(1,907)	7,249	–	8,040	(19,149)	(369)	–	11,208	247,412
Credited to other comprehensive income	–	119,784	–	–	–	–	–	–	–	119,784
As at 30 June 2020	1,499,779	203,232	(11,945)	–	8,040	(636,799)	29,069	17,726	(140,316)	968,786

Audited	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of FVTPL	Changes in fair value of FVOCI	Deductible tax losses	Accelerated depreciation of operating lease assets	Deferred income	Accrued staff costs	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	283,060	9,670	60,520	–	(3,634)	(134,327)	(3,184)	17,726	(153,157)	76,674
Credited to other comprehensive income	–	42,533	–	4,492	–	–	–	–	–	47,025
Disposal of subsidiaries	–	–	3,800	–	–	–	–	–	–	3,800
As at 31 December 2019	1,257,439	85,355	(19,194)	–	–	(617,650)	29,438	17,726	(151,524)	601,590

26 OTHER ASSETS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Maintenance right assets	1,649,735	1,454,824
Deductible value-added tax	568,162	583,859
Land use rights[(1)]	395,000	400,032
Other receivables	152,020	191,727
Lease premium assets	206,467	227,559
Prepaid expenses	469,257	367,141
Deposits for lease of business place	7,364	7,817
Other intangible assets	10,665	13,493
Interest receivable	14,715	–
	3,473,385	3,246,452
Less: Allowances for impairment losses – other receivables	(12,840)	(12,816)
	3,460,545	3,233,636

Movements of allowances for impairment losses on other receivables during the period/year ended 30 June 2020 and 31 December 2019 are as follows:

	For the six months ended 30 June 2020 RMB'000 (Unaudited)	For the year ended 31 December 2019 RMB'000 (Audited)
At the beginning of the period/year	12,816	76,331
Allowance during the period/year	–	(63,546)
Effect of foreign currency exchange differences	24	31
At the end of the period/year	12,840	12,816

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

27 BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Secured bank borrowings[(1)]	20,148,659	17,523,360
Unsecured bank borrowings	169,106,915	156,612,276
	189,255,574	174,135,636

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Carrying amount repayable:		
Within one year	151,418,162	142,105,752
More than one year, but not exceeding two years	12,408,210	7,311,165
More than two years, but not exceeding five years	18,235,950	22,916,883
More than five years	7,193,252	1,801,836
	189,255,574	174,135,636

(1) Secured bank borrowings

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Property and equipment	22,593,027	23,522,445
Finance lease receivables	5,856,527	3,557,488
	28,449,554	27,079,933

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Fixed-rate borrowings:		
Within one year	133,363,168	124,673,898
More than one year, but not exceeding five years	1,403,715	3,262,786
More than five years	3,413,357	601,458
	138,180,240	128,538,142

27 BORROWINGS (Continued)

In addition, the Group has floating-rate borrowings which carry interest based on PBOC Rates, LPR or LIBOR.

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Effective interest rate:		
Fixed-rate borrowing	0.75% to 4.45%	2.18% to 5.00%
Floating-rate borrowing	"LIBOR+0.40% to LIBOR+3.30%" "LPR-1.050% to LPR+0.125%"	"LIBOR+0.60% to LIBOR+2.70%"

28 ACCRUED STAFF COST

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Salaries, bonus and allowances	121,304	209,587
Social welfare and others	75,121	94,380
	196,425	303,967

29 BONDS PAYABLE

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guaranteed unsecured bonds[1]	41,442,170	39,314,166
Unguaranteed unsecured bonds	3,499,078	3,497,102
	44,941,248	42,811,268

			30 June 2020		
		Maturity (Year)	Face value RMB'000	Guaranteed unsecured bonds[1] RMB'000	Unguaranteed unsecured bonds RMB'000
Currency	Fixed Coupon Rate				
RMB	3.60% to 4.65%	2020 to 2022	4,215,000	715,000	3,500,000
HKD	1.60% to 3.80%	2020 to 2022	5,269,635	5,269,635	–
USD	2.63% to 3.75%	2020 to 2027	34,752,165	34,752,165	–
			44,236,800	40,736,800	3,500,000
Currency	Floating Rate				
USD	3-month LIBOR + Margin ranging from 1.15% to 1.25%	2021	857,720	857,720	–
			45,094,520	41,594,520	3,500,000

29 BONDS PAYABLE (Continued)

			31 December 2019		
		Maturity (Year)	Face value RMB'000	Guaranteed unsecured bonds[1] RMB'000	Unguaranteed unsecured bonds RMB'000
Currency	Fixed Coupon Rate				
RMB	3.60% to 4.65%	2020 to 2022	4,215,000	715,000	3,500,000
HKD	2.90% to 3.60%	2020 to 2022	3,707,633	3,707,633	–
USD	2.63% to 4.25%	2020 to 2027	28,811,706	28,811,706	–
			36,734,339	33,234,339	3,500,000
Currency	Floating Rate				
USD	3-month LIBOR + Margin ranging from 1.15% to 1.25%	2021	6,278,580	6,278,580	–
			43,012,919	39,512,919	3,500,000

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

30 OTHER LIABILITIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guaranteed deposits from lessees	7,427,450	7,743,223
Maintenance deposits from lessees	2,576,090	2,528,956
Account payables	1,376,705	1,487,308
Dividend payable	1,322,140	–
Interest payable	1,216,781	1,545,298
Lease discount liabilities	506,753	537,267
Notes payable	875,520	700,000
Other payables	912,209	608,764
Other taxes payable	57,517	107,640
Deferred income	117,682	155,479
Management consulting fees payable	56,530	57,650
Project arrangement fee in advance	39,760	83,995
Accrued liabilities	5,332	5,332
Total	16,490,469	15,560,912

31 SHARE CAPITAL

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Registered, issued and fully paid:		
par value RMB1.00 per share	12,642,380	12,642,380

32 HEDGING AND FAIR VALUE RESERVE

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

	For the six months ended 30 June 2020 RMB'000 (Unaudited)	For the year ended 31 December 2019 RMB'000 (Audited)
At the beginning of the period/year	(641,994)	(177,698)
Fair value changes on derivatives	(1,066,857)	(493,353)
Fair value changes on FVOCI	–	(17,968)
Income tax effects	119,784	47,025
At the end of the period/year	(1,589,067)	(641,994)

33 GENERAL RESERVES

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

Six months ended 30 June 2020

	Opening RMB'000	Additions RMB'000	Closing RMB'000
Statutory reserve(1)	633,486	–	633,486
Reserve for general risk(2)	3,910,946	–	3,910,946
	4,544,432	–	4,544,432

Year ended 31 December 2019

	Opening RMB'000	Additions RMB'000	Closing RMB'000
Statutory reserve(1)	478,953	154,533	633,486
Reserve for general risk(2)	3,563,775	347,171	3,910,946
	4,042,728	501,704	4,544,432

(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.

34 RETAINED PROFITS

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

	For the six months ended 30 June 2020 RMB'000 (Unaudited)	For the year ended 31 December 2019 RMB'000 (Audited)
At the beginning of the period/year	6,412,087	5,103,746
Profit for the period/year	1,239,347	2,938,125
Appropriation to general reserves	–	(501,704)
Dividends declared	(1,322,140)	(1,128,080)
At the end of the period/year	6,329,294	6,412,087

35 DIVIDENDS

On 29 May 2020, the board of directors has decided to distribute a final dividend of RMB1.0458 per 10 shares for the year ended 31 December 2019. The total share capital of the Group amounted to 12,642,380,000, and the total amount of profit distribution amounted to RMB1,322,140,100. The proposed final dividend for the year has been approved by the shareholders at the annual general meeting on 24 June 2020.

36 TRANSFERS OF FINANCIAL ASSETS

Repurchase agreements

As at 30 June 2020, the Group entered into repurchase agreements with certain counterparties to sell the Group's financial assets at fair value through profit or loss with carrying amounts of approximately RMB602,452,000 (31 December 2019：Nil).

Sales and repurchase agreements are transactions in which the Group sells financial assets at fair value through profit or loss 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 bonds sold. These bonds 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 bonds. The proceeds from selling such bonds 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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Carrying amount of transferred assets	602,452	–
Carrying amount of associated liabilities	(597,000)	–
Net position	5,452	–

37 CASH AND CASH EQUIVALENTS

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	26,449,663	21,528,292
Less: Pledged and restricted bank deposits	3,053,031	1,675,517
Less: Mandatory reserve deposits with central bank	425,800	407,248
	22,970,832	19,445,527

38 CONTINGENT LIABILITIES

As at 30 June 2020 and 31 December 2019, there were no significant legal proceedings outstanding against the Group. No provision has been made for pending assessments, lawsuits or possible violations of contracts as the outcome cannot be reasonably estimated or management believes the probability of a loss is low or remote.

39 CAPITAL COMMITMENTS

Capital expenditures contracted by the Group as at 30 June 2020 and 31 December 2019 but are not yet to be recognised on the statements of financial position are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Acquisition of equipment held for operating lease businesses	48,696,227	61,150,703

40 FINANCE LEASE COMMITMENTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Finance lease commitments	22,011,529	31,170,429

Finance lease commitments are in relation to finance lease contracts signed by the Group as lessor that are not yet effective as at 30 June 2020 and 31 December 2019.

41 RELATED PARTY TRANSACTION

41.1 Parent Company

As at 30 June 2020, 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 2020 RMB' 000 (Unaudited)	31 December 2019 RMB' 000 (Audited)
Bank balances	1,751,373	1,717,350
Financial assets at fair value through profit or loss	602,452	–
Operating leases receivable	7,062	7,062
Right-of-use assets	1,287	1,522
Other receivable	6,560	6,453
Bank borrowings	6,584,855	7,175,434
Derivative financial liabilities	50,097	21,354
Bonds payable	402,029	403,948
Lease liabilities	1,452	1,742
Interest payable	26,535	22,008
Other liabilities	1,017,930	148,536

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

	For the six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Interest income	2,292	203
Interest expense	99,777	155,314
Operating lease income	49,645	49,536
Net investment losses	(30,283)	–
Fee and commission expenses	17,684	16,446
Other operating expense	193	–

The Hong Kong branch of the China Development Bank provided guarantee to the Group for bonds described in Note 29(1), amounting to RMB7,080 million as at 30 June 2020(31 December 2019: RMB6,976 million)

41 RELATED PARTY TRANSACTION (Continued)

41.2 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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Basic salaries and allowances	5,585	5,012
Bonuses	12,670	7,550
Employer's contribution to pension schemes	526	457
	18,781	13,019

42 SEGMENT REPORTING

Information reported to the chief operating decision maker (hereinafter refer to as the "CODM"), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of services provided by the Group, which is also consistent with the Group's basis of organisation, whereby the businesses are organised and managed separately as individual strategic business unit that serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors of the Company, which are consistent with the accounting and measurement criteria in the preparation of the interim 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 leasing: mainly engaged in the leasing of ships;

(d) Inclusive finance: mainly engaged in the leasing of vehicles and construction machinery; and

(e) Others: 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 exclude 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 2020 and 2019.

42 SEGMENT REPORTING (Continued)

The operating and reportable segment information provided to the CODM during the six months ended 30 June 2020 and 2019 is as follows:

	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Consolidated total
Unaudited						
For the six months ended 30 June 2020						
Segment revenue and results						
Finance lease income	7,793	3,069,127	449,597	614,446	301,640	4,442,603
Operating lease income	3,966,143	16,627	285,021	–	89,257	4,357,048
Segment revenue	3,973,936	3,085,754	734,618	614,446	390,897	8,799,651
Segment other income, gains and losses	596,805	52,292	161,718	9,785	(3,719)	816,881
Segment revenue and other income	4,570,741	3,138,046	896,336	624,231	387,178	9,616,532
Segment expenses	(3,888,171)	(2,587,118)	(876,246)	(376,314)	(271,846)	(7,999,695)
Profit before income tax	682,570	550,928	20,090	247,917	115,332	1,616,837
Profit before impairment losses and income tax	1,429,441	1,630,333	102,389	313,615	176,730	3,652,508
Unaudited						
As at 30 June 2020						
Segment assets and liabilities						
Segment assets	95,713,589	120,690,330	29,719,367	24,182,534	11,970,732	282,276,552
Deferred tax assets						1,719,270
Group's total assets						283,995,822
Segment liabilities	85,159,817	113,132,099	24,610,791	22,587,417	12,999,893	258,490,017
Deferred tax liabilities						750,484
Group's total liabilities						259,240,501
Unaudited						
For the six months ended 30 June 2020						
Other segment information						
Depreciation of investment properties	–	–	–	–	(17,174)	(17,174)
Depreciation of property and equipment	(1,682,009)	(21,018)	(222,130)	(1,899)	(10,714)	(1,937,770)
Depreciation of right-of-use assets	(26,609)	(2,946)	(631)	(588)	(340)	(31,114)
Amortisation	(23,203)	(1,263)	(271)	(252)	(5,178)	(30,167)
Impairment losses	(746,871)	(1,079,405)	(82,299)	(65,698)	(61,398)	(2,035,671)

42 SEGMENT REPORTING (Continued)

The operating and reportable segment information provided to the CODM during the six months ended 30 June 2020 and 2019 is as follows (continued):

	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Consolidated total
Unaudited						
For the six months ended 30 June 2019						
Segment revenue and results						
Finance lease income	70,783	2,599,799	461,369	588,031	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	700,335	588,031	353,914	7,939,397
Segment other income, gains and losses	531,638	135,909	171,035	(50,285)	10,870	799,167
Segment revenue and other income	4,207,706	2,756,958	871,370	537,746	364,784	8,738,564
Segment expenses	(3,203,744)	(2,294,972)	(718,570)	(379,376)	(320,378)	(6,917,040)
Profit before income tax	1,003,962	461,986	152,800	158,370	44,406	1,821,524
Profit before impairment losses and income tax	1,156,010	1,120,771	259,283	175,436	116,046	2,827,546
Audited						
As at 31 December 2019						
Segment assets and liabilities						
Segment assets	93,839,336	100,713,345	27,247,090	23,030,160	15,041,813	259,871,744
Deferred tax assets						1,428,924
Group's total assets						261,300,668
Segment liabilities	82,358,345	93,386,043	26,398,588	20,377,906	12,283,210	234,804,092
Deferred tax liabilities						827,334
Group's total liabilities						235,631,426
Unaudited						
For the six months ended 30 June 2019						
Other segment information						
Depreciation of investment properties	–	–	–	–	(18,541)	(18,541)
Depreciation of property and equipment	(1,536,046)	(20,286)	(112,403)	(1,975)	(21,823)	(1,692,533)
Depreciation of right-of-use assets	(9,481)	(2,248)	(566)	(505)	(271)	(13,071)
Amortisation	(16,539)	(534)	(135)	(120)	(5,281)	(22,609)
Impairment losses	(152,048)	(658,785)	(106,483)	(17,066)	(71,640)	(1,006,022)

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

43 FINANCIAL INSTRUMENTS

Categories of financial instruments

	30 June 2020 RMB' 000 (Unaudited)	31 December 2019 RMB' 000 (Audited)
Financial assets		
Cash and bank balances	26,449,663	21,528,292
Financial assets at fair value through profit and loss	756,435	148,774
Derivative financial assets	10,816	32,425
Accounts receivable	1,702,623	2,168,454
Finance lease receivables	156,152,003	141,498,088
Other financial assets	161,259	186,728
	185,232,799	165,562,761

	30 June 2020 RMB' 000 (Unaudited)	31 December 2019 RMB' 000 (Audited)
Financial liabilities		
Borrowings	189,255,574	174,135,636
Due to banks and other financial institutions	4,101,925	–
Financial assets sold under repurchase agreements	597,000	–
Bonds payable	44,941,248	42,811,268
Derivative financial liabilities	1,911,532	789,218
Lease liabilities	591,566	626,523
Other financial liabilities	11,870,527	12,147,575
	253,269,372	230,510,220

44 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF THE FINANCIAL INSTRUMENTS

44.1 Financial risk factors

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

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

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

44 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF THE FINANCIAL INSTRUMENTS (Continued)

44.2 Liquidity risk

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

44.3 Fair value estimation

44.3.1 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. As level 2, the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

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

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

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

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

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

44 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF THE FINANCIAL INSTRUMENTS (Continued)

44.3 Fair value estimation (Continued)

44.3.2 Financial instruments that are not measured at fair value

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values:

	Carrying amount		Fair value	
	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Bonds payable	**44,941,248**	42,811,268	**46,109,564**	43,540,363

Fair value hierarchy of bonds payable is Level 2 and its fair value is determined by the open market quotations, or measured by the discounted cashflow model based on the current income curve matching the residual maturity date.

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 majority of financial assets and liabilities are matured within one year or at floating interest rates.

44.3.3 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).

44 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF THE FINANCIAL INSTRUMENTS (Continued)

44.3 Fair value estimation (Continued)

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

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

	Financial assets/ financial liabilities	Fair value as at 30 June 2020	Fair value as at 31 December 2019	Fair value hierarchy	Valuation technique(s) and key Input(s)
Currency forwards (Note 17)	Assets Liabilities	1,208 57,342	– 14,069	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contractual forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps (Note 17)	Assets Liabilities	– 1,801,843	32,425 723,869	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contractual interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Unlisted equity investments (Note 16)	Assets	142,971	148,774	Level 3	Market comparison approach. The valuation of the equity investment is based on comparing comparable listed companies in operating and financial index and then adjusted for non-liquidity.
Listed equity investments (Note 16)	Assets	11,012	–	Level 1	Open market quotations
Cross Currency Swaps (Note 17)	Assets Liabilities	9,608 52,347	– 51,280	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest and exchange rates (from observable yield curves and observable forward exchange rates at the end of the reporting period) and contractual interest and exchange rates, discounted at a rate that reflects the credit risk of various counterparties.
FVTPL – Bonds investment (Note 16)	Assets	602,452	–	Level 2	Quoted market prices from dealers or independent pricing service vendors.

45 CAPITAL MANAGEMENT

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

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

Capital adequacy and the utilisation of regulatory capital are closely monitored by the management in accordance with the guidelines developed by the Basel Commission and relevant regulations promulgated by the CBIRC. The Group files the required information to CBIRC quarterly. As at 30 June 2020, the capital adequacy ratio is 11.02% (31 December 2019：11.69%).

46 EVENTS AFTER THE REPORTING PERIOD

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