国银租赁
CHINA DEVELOPMENT BANK LEASING

國銀金融租賃股份有限公司*

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.*

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

(Stock Code: 1606)

Announcement on Interim Results for the Six Months Ended June 30, 2021

The Board of China Development Bank Financial Leasing Co., Ltd. hereby announces the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended June 30, 2021, together with comparative figures for the same period of 2020, which shall be read in conjunction with the management discussion and analysis below.

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

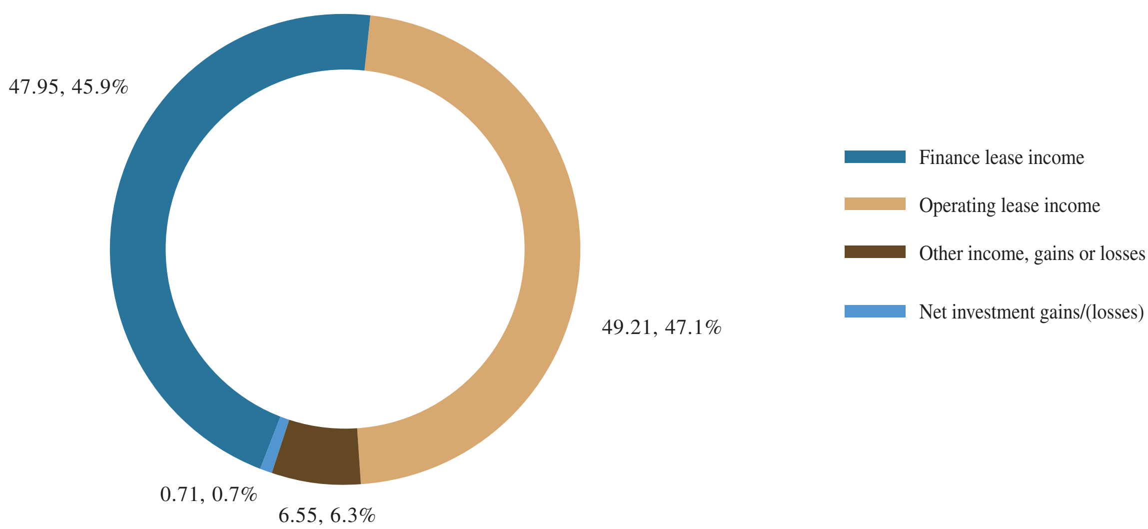
FINANCIAL HIGHLIGHTS

1. SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(RMB in thousands)	**For the six months ended June 30, 2021**	For the six months ended June 30, 2020	For the year ended December 31, 2020
Finance lease income	**4,794,702**	4,442,603	9,199,844
Operating lease income	**4,921,163**	4,357,048	8,520,051
Total revenue	**9,715,865**	8,799,651	17,719,895
Net investment gains/(losses)	**71,312**	(16,912)	41,189
Other income, gains or losses	**654,816**	833,793	1,567,632
Total revenue and other income	**10,441,993**	9,616,532	19,328,716
Total expenses	**(7,969,557)**	(7,999,695)	(14,745,139)
Of which: Depreciation and amortisation	**(2,085,551)**	(2,016,225)	(4,133,564)
Interest expense	**(3,991,415)**	(3,340,865)	(6,980,798)
Impairment losses	**(1,160,388)**	(2,035,671)	(2,281,623)
Profit before income tax	**2,472,436**	1,616,837	4,583,577
Profit for the Reporting Period	**1,812,125**	1,239,347	3,268,321
Basic and diluted earnings per share *(RMB Yuan)*	**0.14**	0.10	0.26

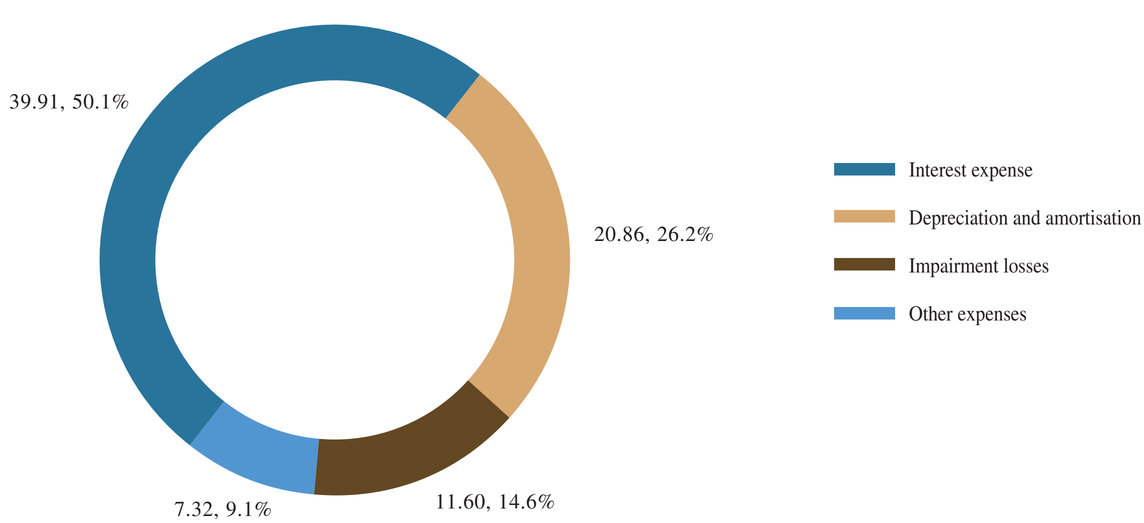
In the first half of 2021, finance lease income accounted for 45.9% of the operating income of the Group, representing a year-on-year decrease of 0.3 percentage point; operating lease income accounted for 47.1%, representing a year-on-year increase of 1.8 percentage points; other income, gains or losses accounted for 6.3%, representing a year-on-year decrease of 2.4 percentage points; and net investment gains/(losses) accounted for 0.7%, representing a year-on-year increase of 0.9 percentage point.

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



In the first half of 2021, interest expense accounted for 50.1% of the operating expenses of the Group, representing a year-on-year increase of 8.3 percentage points; depreciation and amortisation accounted for 26.2%, representing a year-on-year increase of 1.0 percentage point; impairment losses accounted for 14.6%, representing a year-on-year decrease of 10.8 percentage points; and other expenses accounted for 9.1%, representing a year-on-year increase of 1.5 percentage points.

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



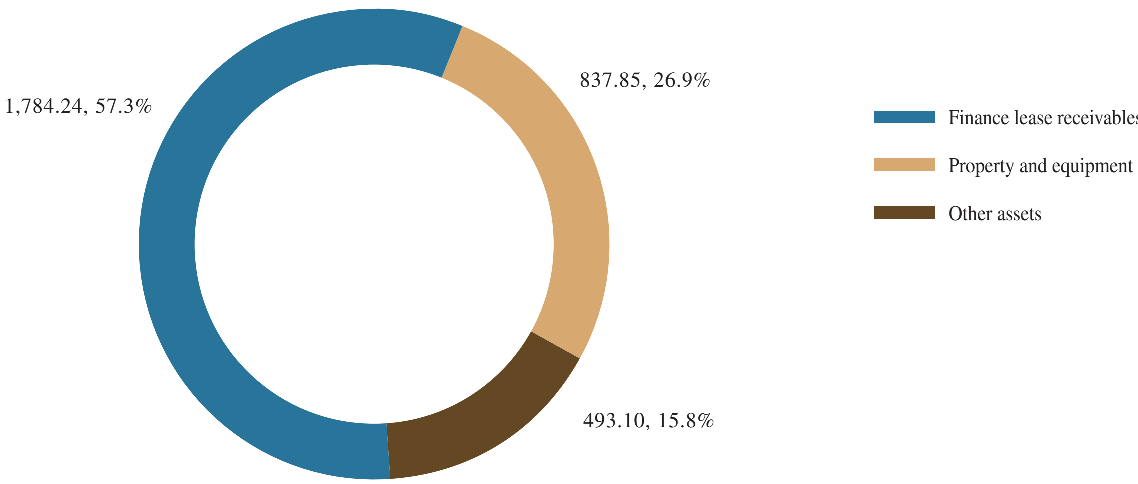
Note: Data of percentages in the charts were calculated based on data denominated in RMB'000, and differences may exist between such data and data calculated on the basis of RMB'00 million with two decimal places.

2. SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(RMB in thousands)		**June 30, 2021**	December 31, 2020
Total assets		**311,519,317**	303,329,667
Of which:	Cash and bank balances	**26,723,653**	34,992,986
	Accounts receivable	**1,400,829**	1,960,650
	Finance lease receivables	**178,423,693**	166,040,552
	Prepayments	**11,376,889**	15,829,764
	Property and equipment	**83,785,363**	77,088,767
Total liabilities		**283,760,199**	276,700,352
Of which:	Borrowings	**196,321,280**	210,382,017
	Bonds payable	**51,940,843**	46,221,709
Net assets		**27,759,118**	26,629,315
Net assets per share *(RMB Yuan)*		**2.20**	2.11

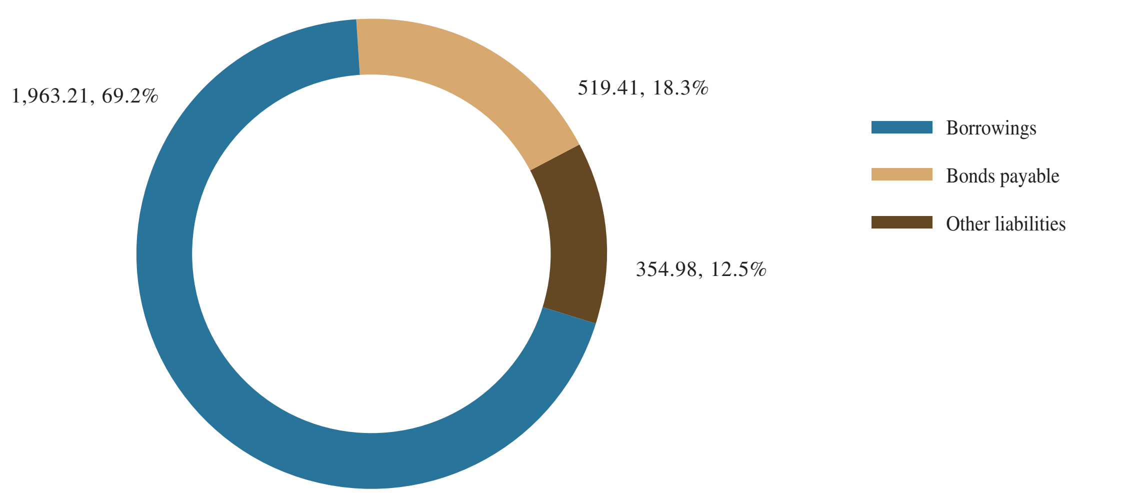
As at June 30, 2021, finance lease receivables accounted for 57.3% of the total assets of the Group, representing an increase of 2.6 percentage points compared with that as at December 31, 2020; property and equipment accounted for 26.9%, representing an increase of 1.5 percentage points compared with that as at December 31, 2020; and other assets accounted for 15.8%, representing a decrease of 4.1 percentage points compared with that as at December 31, 2020.

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



As at June 30, 2021, borrowings accounted for 69.2% of the total liabilities of the Group, representing a decrease of 6.8 percentage points compared with that as at December 31, 2020; bonds payable accounted for 18.3%, representing an increase of 1.6 percentage points compared with that as at December 31, 2020; and other liabilities accounted for 12.5%, representing an increase of 5.2 percentage points compared with that as at December 31, 2020.

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



Note: Data of percentages in the charts were calculated based on data denominated in RMB'000, and differences may exist between such data and data calculated on the basis of RMB'00 million with two decimal places.

3. SELECTED FINANCIAL RATIOS

	For the six months ended June 30/As at June 30, 2021	2020	For the year ended December 31/As at December 31, 2020
Return on average total assets[(1)]	**1.18%**	0.91%	1.16%
Return on average equity[(2)]	**13.33%**	9.83%	12.50%
Cost-to-income ratio[(3)]	**7.13%**	6.73%	7.14%
Non-performing asset ratio[(4)]	**0.78%**	0.85%	0.80%
Non-performing asset ratio of finance lease business[(5)]	**0.48%**	1.37%	0.54%
Gearing ratio[(6)]	**8.61 times**	8.58 times	8.36 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 annualised 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 annualised basis.

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

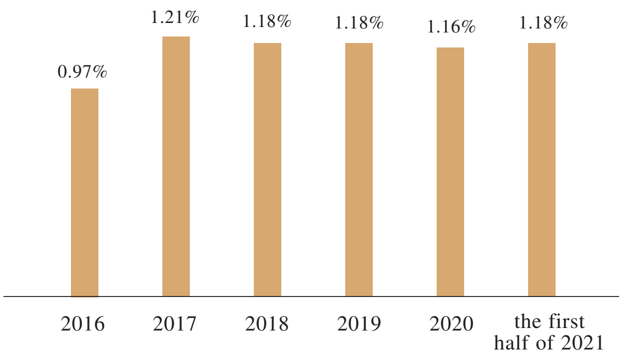
(4) Non-performing asset ratio refers to the percentage of non-performing assets over total assets before allowance for impairment losses as at the applicable date.

(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.

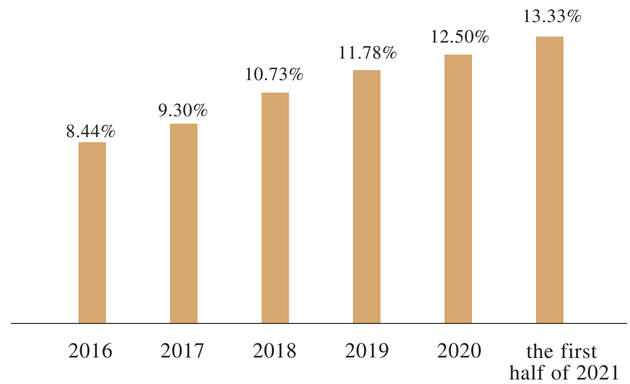
(6) Calculated by dividing net debt by total equity. Net debt is defined as total liabilities less cash and cash equivalents. Total liabilities comprise borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements and bonds payable.

In the first half of 2021, the Group recorded return on average total assets of 1.18% and return on average equity of 13.33%, both increase compared with those for the same period of last year, mainly due to a greater year-on-year increase in net profit.

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, 2021**	December 31, 2020	December 31, 2019
Capital adequacy indicators[1]				
Core tier-one capital adequacy ratio[2]	≥7.5%	**9.71%**	9.82%	10.51%
Tier-one capital adequacy ratio[3]	≥8.5%	**9.71%**	9.82%	10.51%
Capital adequacy ratio[4]	≥10.5%	**12.41%**	12.60%	11.69%
Asset quality indicators				
Allowance to non-performing finance lease related assets[5]	≥150%	**710.46%**	625.95%	269.61%

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

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

1 BUSINESS ENVIRONMENT

1.1 Macro Economy

In the first half of 2021, with the acceleration of COVID-19 vaccination, the global pandemic eased despite the rebound of COVID-19 in some regions, and the global economy continued to recover amid fluctuations, albeit with obvious regional divergence. Developed economies in Europe and America and China led the global economic growth, while the recovery of emerging economies was relatively weak. World trade was picking up, and commodity trade was recovering faster than service trade. China further consolidated its achievements in epidemic prevention and control and economic recovery, actively responded to internal and external risks and challenges, achieved good results in macro-control policies, and took the lead in resuming normal economic activities among major economies in the world. In the process of economic recovery, the outside world provided strong support for China's exports and promoted the recovery and expansion of domestic production, but the recovery of domestic consumption and investment was slow in comparison. In the first half of the year, China's GDP increased year on year by 12.7%, GDP growth in the second quarter reached 7.9% compared to the same period last year on a low base. In the first half of 2021, the aggregate financing to the real economy (AFRE) (flow) amounted to RMB17.74 trillion, down by RMB3.13 trillion compared with the same period last year and up by RMB3.12 trillion compared with the same period of 2019. Specifically, RMB loans to the real economy grew by RMB613.5 billion year on year, and the net financing of government bonds and that of corporate bonds decreased by RMB1.34 trillion and RMB1.87 trillion respectively over the same period last year. As at the end of June, the outstanding AFRE reached RMB301.56 trillion, a year-on-year increase of 10.9%. In the first half of 2021, the aggregate financing increased moderately on the high base of credit of the previous year with improving credit supply structure. In particular, financial support for manufacturing, infrastructure and other key sectors was robust.

1.2 Industry Environment

The financial leasing industry is closely related to the real economy. In the first half of the year, the economic recovery created good opportunities for the development of the financial leasing industry. As such, the industry was in good condition with controllable risks, and played an important role in enriching and improving China's financial system, broadening the financing channels of enterprises, and serving the real economy. Under the guidance of relevant policies, financial leasing companies proactively fit into the new development pattern in the new era, implemented the financial supply side structural reform, and vigorously developed green finance business based on the "carbon peak and neutrality" initiatives to support green economic transformation, promote inclusive finance, and support the development of small and micro enterprises. They also further focused their business on key economic regions of China such as the Yangtze River Economic Belt, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Beijing-Tianjin-Hebei region.

1.3 Uncertainties and Risk Alert

In the international market, the extensive and sustained impact of the COVID-19 pandemic casts uncertainties over the recovery progress of global industrial chains and supply chains, and geopolitics are undergoing new complicated situations. Changes in external environment may result in fluctuations in interest rates, exchange rates, and commodity prices as well as changes and adjustments to trading and monetary policies. In the domestic market, on the one hand, credit risks may see new divergence due to further implementation of implicit government debts settlement and de-leveraging requirements. On the other hand, issues such as slowed recovery, dampened social financing growth, regional economic differentiation and “quality asset shortage” during domestic economic recovery pose certain challenges to the Company’s business development and layout, which may also lead to fiercer market competition.

2 THE COMPANY’S RESPONSES

In the first half of 2021, the Group maintained strategic determination, strengthened responsibility, adhered to new development concepts, and steadily promoted high-quality development, and achieved good results in business investment, risk prevention and control, internal management, etc.

We sped up the improvement of business development, increased the coverage of key strategic regions, and effectively served strategic emerging industries, green development, inclusive finance and other key industries. In the first half of 2021, the Company’s business investment in key strategic regions such as the Yangtze River Economic Belt and Guangdong-Hong Kong-Macao Greater Bay Area increased year on year by 16.7% and accounted for 84.0% of its total investment. Our investment in strategic emerging industries grew year on year by 15.8%. We leveraged our advantages in leasing products to support green development and pollution prevention and help implement “carbon peak and neutrality” initiatives. As a result, our investment in the new energy sector increased year on year by 52.6%. We also followed the guidance of national policies to promote inclusive financial services. Our investment in construction machinery and commercial vehicles increased year on year by 40.0%, with more than 34,000 units of new equipment for lease being added. In addition, we accelerated the application of fintech, developed self-risk control models, built an intelligent management system, and promoted the transformation of the vehicle business to the passenger car terminal retail business to make new development in passenger car business.

We kept track of international market and COVID-19 developments to prevent and control aviation risks and seize opportunities from shipping recovery. After in-depth analysis of the global air cargo market, we took the lead in promoting passenger-to-cargo conversions in the industry, thus reducing the pressure on the depreciation of old wide-body aircraft. As the index of shipping industry picked up and the asset value of mainstream ship types recovered, we developed shipbuilding and second-hand ship leasing business to promote “domestic shipbuilding” and support the development of domestic shipbuilding enterprises. In the first half of the year, the profit contribution of ship leasing business increased substantially year on year.

We improved the overall management of assets and liabilities, and advanced cost reduction and efficiency enhancement. Specifically, we established a regular mechanism for capital market research and analysis to keep track of and conduct analysis on market trends, dynamically monitor exposures, and control interest rate and exchange rate risks; accelerated the issuance of financial bonds and revived existing assets through multiple channels; formulated the Company's capital replenishment plan and continuously consolidated the foundation for business development.

We strengthened the customer-centric business development model to improve the quality and efficiency of business development. We deepened our research and analysis system, kept abreast of internal and external changes, sorted out and conducted analysis on factors affecting business operations and development opportunities to improve the foresight and effectiveness of business decisions. Based on the changes in business landscape and the characteristics of customer demand, we improved the customer management plans, improved active services, and ensured the implementation of project development. In the first half of 2021, the Company's leasing investment remained at the forefront of the industry, and its customer-centric model continued to yield good results.

We strengthened risk control in key areas, enhanced the comprehensive risk management system, and enhanced risk control capabilities. Specifically, we developed a list of customers and projects subject to risk warning and monitored it, accelerated risk mitigation for key projects, and maintained the overall stability of asset quality. We also promoted the annual plan for enhancement of comprehensive risk management, completed and released the annual risk appetite statement, and arranged the compilation and study of risk cases to enhance the risk management awareness of all employees.

Guided by compliance principles, we continued to implement standard internal operations and management for the Company. We strengthened the interpretation of regulatory policies, prepared analysis reports on regulatory cases of financial leasing companies, and improved compliance management requirements. We also reinforced the management of related party transactions and anti-money laundering to improve the compliance and internal control system.

We continued to promote information system construction and data governance to consolidate the Company's information security foundation. Specifically, we developed intelligent data platform, core leasing business system, passenger car system and other relevant systems to support business development; implemented regulatory requirements, reinforced data governance, thoroughly searched for deficiencies in data standards, and strengthened information and data security management; and further improved the Company's IT infrastructure and network security system.

3 ANALYSIS OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

3.1 Overview of Condensed Consolidated Statement of Profit and Loss

In the first half of 2021, the Group recorded total revenue and other income of RMB10,442.0 million, an increase of RMB825.5 million or 8.6% compared with that for the same period of last year; and achieved a net profit of RMB1,812.1 million, an increase of RMB572.8 million or 46.2% compared with that for the same period of last year, primarily due to firstly the growth in total leased assets resulting from the increase in financing to lessees, secondly the substantial year-on-year increase in revenue from ship operating lease business, thirdly the decline in the rate of financing cost of US dollars, and fourthly the lower net profit base for the same period of last year as a result of the impact of the pandemic and the year-on-year decrease in impairment losses this year as COVID-19 was under control in China.

The following table sets forth the statement of profit or loss of the Group for the six months ended June 30, 2021 and comparative figures for the same period of last year:

	For the six months ended June 30,		
(RMB in millions, except percentages)	**2021**	2020	Change
Revenue			
Finance lease income	**4,794.7**	4,442.6	7.9%
Operating lease income	**4,921.2**	4,357.0	12.9%
Total revenue	**9,715.9**	8,799.6	10.4%
Net investment gains/(losses)	**71.3**	(16.9)	(521.9%)
Other income, gains or losses	**654.8**	833.8	(21.5%)
Total revenue and other income	**10,442.0**	9,616.5	8.6%
Depreciation and amortisation	**(2,085.6)**	(2,016.2)	3.4%
Staff costs	**(236.4)**	(256.9)	(8.0%)
Fee and commission expenses	**(31.2)**	(15.0)	108.0%
Interest expense	**(3,991.4)**	(3,340.9)	19.5%
Other operating expenses	**(464.6)**	(335.0)	38.7%
Impairment losses	**(1,160.4)**	(2,035.7)	(43.0%)
Total expenses	**(7,969.6)**	(7,999.7)	(0.4%)
Profit before income tax	**2,472.4**	1,616.8	52.9%
Income tax expense	**(660.3)**	(377.5)	74.9%
Net profit	**1,812.1**	1,239.3	46.2%

3.2 Total revenue

For the first half of 2021, total revenue of the Group amounted to RMB9,715.9 million, representing an increase of 10.4% compared with the total revenue of RMB8,799.6 million for the same period of last year, primarily due to the increase in total lease assets resulting from the increase in finance lease business and operating lease business in the first half of 2021, and the significant year-on-year increase in ship leasing income on the back of a higher Baltic Dry Index.

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 other business for the periods indicated:

	For the six months ended June 30,		
(RMB in millions, except percentages)	**2021**	2020	Change
Finance lease income			
Aircraft leasing	**0.5**	7.8	(93.6%)
Infrastructure leasing	**3,532.1**	3,069.1	15.1%
Ship leasing	**323.9**	449.6	(28.0%)
Inclusive finance	**688.3**	614.4	12.0%
Others	**249.9**	301.7	(17.2%)
Total	**4,794.7**	4,442.6	7.9%

For the first half of 2021, finance lease income of the Group amounted to RMB4,794.7 million, accounting for 49.3% of the total revenue and representing an increase of 7.9% compared with the finance lease income of RMB4,442.6 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 2021, finance lease income of the Group amounted to RMB0.5 million, representing a decrease of 93.6% compared with the finance lease income of RMB7.8 million for the same period of last year, primarily due to the decrease in the scale of finance lease business resulting from the aircraft segment's focus on the development of operating lease business in the first half of 2021.

With respect to infrastructure leasing, for the first half of 2021, finance lease income of the Group amounted to RMB3,532.1 million, representing an increase of 15.1% compared with the finance lease income of RMB3,069.1 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 infrastructure leasing business.

With respect to ship leasing, for the first half of 2021, finance lease income of the Group amounted to RMB323.9 million, representing a decrease of 28.0% compared with the finance lease income of RMB449.6 million for the same period of last year, primarily due to the decrease in the size of the ship finance leasing projects as the Group focused on developing ship operating lease business in 2021; in addition, the floating interest rate of some ship finance leasing projects was based on US dollars, and the project yield was affected by the decline of the London Interbank Offered Rate (LIBOR).

With respect to inclusive finance, for the first half of 2021, finance lease income of the Group amounted to RMB688.3 million, representing an increase of 12.0% compared with the finance lease income of RMB614.4 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 inclusive finance.

With respect to other leasing businesses, for the first half of 2021, finance lease income of the Group amounted to RMB249.9 million, representing a decrease of 17.2% compared with the finance lease income of RMB301.7 million for the same period of last year, primarily due to the fact that the Group focused on its principal business and reduced the business of other segments.

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)	**2021**	2020	Change
Operating lease income			
Aircraft leasing	**3,476.4**	3,966.1	(12.3%)
Infrastructure leasing	**16.6**	16.6	–
Ship leasing	**1,360.9**	285.0	377.5%
Others	**67.3**	89.3	(24.6%)
Total	**4,921.2**	4,357.0	12.9%

For the first half of 2021, the operating lease income of the Group amounted to RMB4,921.2 million, accounting for 50.7% of the total revenue and representing an increase of 12.9% compared with the operating lease income of RMB4,357.0 million for the same period of last year, primarily due to the significant year-on-year increase in ship operating lease income resulting from the increase in shipping business and number of operating lease fleets and on the back of a higher Baltic Dry Index.

3.2.3 Net Investment Gains/(Losses)

For the first half of 2021, net investment gains of the Group amounted to RMB71.3 million, representing an increase of RMB88.2 million compared with the net investment loss of RMB16.9 million for the same period of last year, primarily due to the increase in income from transfer resulting from more transfers of finance lease assets in the first half of 2021.

3.2.4 Other Income, Gains or Losses

For the first half of 2021, other income, gains or losses of the Group amounted to RMB654.8 million, representing a decrease of 21.5% compared with the other income, gains or losses of RMB833.8 million for the same period of last year, primarily due to the year-on-year decrease in income from transfer of aircraft assets under operating lease and exchange gains for the first half of 2021.

3.3 Cost and Expenses

For the first half of 2021, total cost and expenses of the Group amounted to RMB7,969.6 million, representing a decrease of 0.4% compared with the total cost and expenses of RMB7,999.7 million for the same period of last year, primarily due to the year-on-year decrease in impairment provision.

3.3.1 Depreciation and Amortisation

For the first half of 2021, depreciation and amortisation expenses of the Group amounted to RMB2,085.6 million, representing an increase of 3.4% compared with the depreciation and amortisation expenses of RMB2,016.2 million for the same period of last year, primarily due to the increase in depreciation expenses of ship assets resulting from the increase in ship assets under operating lease.

3.3.2 Staff Costs

For the first half of 2021, staff costs of the Group amounted to RMB236.4 million, representing a decrease of 8.0% compared with the staff costs of RMB256.9 million for the same period of last year, primarily due to the decrease in staff costs resulting from changes in internal and external policies as well as the operating environment.

3.3.3 Fee and Commission Expenses

For the first half of 2021, fee and commission expenses of the Group amounted to RMB31.2 million, representing an increase of 108.0% compared with the fee and commission expenses of RMB15.0 million for the same period of last year, primarily due to the increase in handling fees for letters of guarantee.

3.3.4 Interest Expense

For the first half of 2021, interest expense of the Group amounted to RMB3,991.4 million, representing an increase of 19.5% compared with the interest expense of RMB3,340.9 million for the same period of last year, primarily due to the increase in interest expense resulting from the increase in financing scale.

3.3.5 Other Operating Expenses

For the first half of 2021, other operating expenses of the Group amounted to RMB464.6 million, representing an increase of 38.7% compared with the other operating expenses of RMB335.0 million for the same period of last year, primarily due to the increase in ship management expenses resulting from the increase in the scale of ships of the Group.

3.3.6 Impairment Losses

For the first half of 2021, impairment losses of the Group amounted to RMB1,160.4 million, representing a decrease of 43.0% compared with the impairment losses of RMB2,035.7 million for the same period of last year, primarily due to the decrease in credit impairment losses compared with that for the same period of last year, as the pandemic in China eased in the first half of 2021 compared with the situation for the same period of last year.

3.4 Profit before Income Tax

For the first half of 2021, profit before income tax of the Group amounted to RMB2,472.4 million, representing an increase of 52.9% compared with the profit before income tax of RMB1,616.8 million for the same period of last year, primarily due to the year-on-year increase in net leasing income and decrease in asset impairment losses.

3.5 Income Tax Expense

For the first half of 2021, income tax expense of the Group amounted to RMB660.3 million, representing an increase of 74.9% compared with the income tax expense of RMB377.5 million for the same period of last year, primarily due to the increase in profit before income tax from regions with higher tax rates.

4 ANALYSIS ON CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

(RMB in millions, except percentages)	**June 30, 2021**	December 31, 2020	Change
Assets			
Cash and bank balances	**26,723.7**	34,993.0	(23.6%)
Financial assets at fair value through profit or loss	**188.1**	216.9	(13.3%)
Derivative financial assets	**61.0**	328.3	(81.4%)
Accounts receivable	**1,400.8**	1,960.7	(28.6%)
Finance lease receivables	**178,423.7**	166,040.6	7.5%
Prepayments	**11,376.9**	15,829.8	(28.1%)
Financial assets at fair value through other comprehensive income	**1,936.7**	955.1	102.8%
Assets held-for-sale	**1,334.5**	–	100.0%
Investment properties	**1,029.1**	1,040.0	(1.0%)
Property and equipment	**83,785.4**	77,088.8	8.7%
Deferred tax assets	**1,381.1**	1,330.8	3.8%
Right-of-use assets	**167.7**	181.1	(7.4%)
Other assets	**3,710.6**	3,364.6	10.3%
Total assets	**311,519.3**	303,329.7	2.7%
Liabilities			
Borrowings	**196,321.3**	210,382.0	(6.7%)
Due to banks and other financial institutions	**15,728.8**	895.7	1,656.0%
Financial assets sold under repurchase agreements	**1,830.7**	–	100.0%
Derivative financial liabilities	**973.5**	1,416.2	(31.3%)
Accrued staff costs	**150.2**	155.7	(3.5%)
Tax payable	**205.4**	342.0	(39.9%)
Bonds payable	**51,940.8**	46,221.7	12.4%
Deferred tax liabilities	**977.0**	757.8	28.9%
Lease liabilities	**189.9**	196.5	(3.4%)
Other liabilities	**15,442.6**	16,332.8	(5.5%)
Total liabilities	**283,760.2**	276,700.4	2.6%
Total equity	**27,759.1**	26,629.3	4.2%

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 96.9% of the Group's total assets as at June 30, 2021. As at June 30, 2021, the Group's total assets amounted to RMB311,519.3 million, representing an increase of RMB8,189.6 million or 2.7% compared with total assets of RMB303,329.7 million as at December 31, 2020, primarily due to the continued increase in the balance of finance lease assets resulting from the sustained high pace of investment.

4.1.1 Finance Lease Receivables

(RMB in millions, except percentages)	**June 30, 2021**	December 31, 2020	Change
Finance lease receivables – gross	**219,312.3**	205,778.5	6.6%
Less: Unearned finance income	**(34,649.5)**	(33,917.0)	2.2%
Finance lease receivables – net	**184,662.8**	171,861.5	7.4%
Less: Allowance for impairment losses	**(6,239.1)**	(5,820.9)	7.2%
Finance lease receivables – net value	**178,423.7**	166,040.6	7.5%

As at June 30, 2021, finance lease receivables of the Group amounted to RMB178,423.7 million, representing an increase of 7.5% compared with the finance lease receivables of RMB166,040.6 million as at December 31, 2020, primarily due to the continued increase in the scale of finance lease business as a result of the increase in the Group's finance lease business.

4.1.2 Accounts Receivable

As at June 30, 2021, accounts receivable of the Group amounted to RMB1,400.8 million, representing a decrease of 28.6% compared with the accounts receivable of RMB1,960.7 million as at December 31, 2020, primarily due to the decrease in total operating lease accounts receivable and higher impairment for operating lease accounts receivable.

4.1.3 Prepayments

As at June 30, 2021, prepayments of the Group amounted to RMB11,376.9 million, representing a decrease of 28.1% compared with the prepayments of RMB15,829.8 million as at the end of last year, primarily due to the cancellation of some prepaid aircraft orders and the transfer of prepayments to operating lease assets as the ships under construction became ready for their intended use.

4.1.4 Property and Equipment

As at June 30, 2021, equipment held for operating lease of the Group amounted to RMB83,008.4 million, representing an increase of 8.8% compared with the equipment held for operating lease of RMB76,299.1 million as at December 31, 2020, primarily due to the increase in the scale of ships held for operating lease.

As at June 30, 2021, property and equipment held for administrative purposes by the Group amounted to RMB777.0 million, representing a decrease of 1.6% compared with the property and equipment held for administrative purposes of RMB789.7 million as at December 31, 2020, primarily due to the decrease in the addition of property and equipment held for administrative purposes, resulting in a decrease in the net value of property and equipment held for administrative purposes with provision for depreciation.

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

(RMB in millions, except percentages)	**June 30, 2021**	December 31, 2020	Change
Property and equipment			
Equipment held for operating lease	**83,008.4**	76,299.1	8.8%
Property and equipment held for administrative purposes	**777.0**	789.7	(1.6%)
Property and equipment – net value	**83,785.4**	77,088.8	8.7%

4.1.5 Cash and Bank Balances

As at June 30, 2021, cash and bank balances of the Group amounted to RMB26,723.7 million, representing a decrease of 23.6% compared with cash and bank balances of RMB34,993.0 million as at December 31, 2020, primarily due to enhanced capital efficiency and reduced cash position resulting from strengthened cash position management.

4.1.6 Financial Assets at Fair Value Through Other Comprehensive Income

As at June 30, 2021, the Group's financial assets at fair value through other comprehensive income amounted to RMB1,936.7 million, representing an increase of 102.8% from RMB955.1 million of financial assets at fair value through other comprehensive income as at December 31, 2020, primarily due to the increase in interbank deposits.

4.1.7 Other Assets

Other assets mainly included maintenance right assets, other receivables, prepaid expenses, deductible input value-added tax and land use rights. As at June 30, 2021, other assets of the Group amounted to RMB3,710.6 million, representing an increase of 10.3% compared with other assets of RMB3,364.6 million as at the end of last year, primarily due to the increase in other receivables.

4.2 Lease Assets

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

(RMB in millions, except percentages)	**June 30, 2021**	December 31, 2020	Change
Finance lease related assets			
Finance lease receivables	**178,423.7**	166,040.6	7.5%

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

(RMB in millions, except percentages)	**June 30, 2021**	December 31, 2020	Change
Operating lease assets			
Investment properties	**1,029.1**	1,040.0	(1.0%)
Property and equipment – equipment held for operating lease	**83,008.4**	76,299.1	8.8%
Total	**84,037.5**	77,339.1	8.7%

Finance lease assets of the Group increased by 7.5% compared with that at the beginning of the year, and operating lease assets increased by 8.7% compared with that at the beginning of the year. In the first half of 2021, the Group maintained significant investment in leasing, and the balance of lease assets maintained stable growth compared with that at the beginning of the year.

4.3 Liabilities

As at June 30, 2021, total liabilities of the Group amounted to RMB283,760.2 million, representing an increase of 2.6% compared with the total liabilities of RMB276,700.4 million as at December 31, 2020, primarily due to growth in the scale of liabilities commensurate with that of assets.

4.3.1 Borrowings

As at June 30, 2021, balance of borrowings of the Group amounted to RMB196,321.3 million, representing a decrease of 6.7% compared with the balance of borrowings of RMB210,382.0 million as at December 31, 2020, primarily due to the increase in the balance of other financing such as bonds, notes and interbank borrowings to expand financing channels.

4.3.2 Bonds Payable

As at June 30, 2021, balance of bonds payable of the Group amounted to RMB51,940.8 million, representing an increase of 12.4% compared with the balance of bonds payable of RMB46,221.7 million as at December 31, 2020, primarily due to the increase in bond financing to support the development of business scale.

4.3.3 Other Liabilities

As at June 30, 2021, balance of other liabilities of the Group amounted to RMB15,442.6 million, representing a decrease of 5.5% compared with the balance of other liabilities of RMB16,332.8 million as at December 31, 2020, primarily due to the decrease in accounts received in advance and aircraft maintenance reserve.

5 ANALYSIS ON STATEMENT OF CASH FLOWS

The following table sets forth the Group's statement of cash flow and movement for the six months ended June 30, 2021:

	For the six months ended June 30,		
(RMB in millions, except percentages)	**2021**	2020	Change
Net cash flows from operating activities	**(6,002.2)**	7,915.9	(175.8%)
Net cash flows from investing activities	**(7,570.5)**	(5,589.2)	35.4%
Net cash flows from financing activities	**5,189.8**	1,022.2	407.7%
Net increase/(decrease) in cash and cash equivalents	**(8,382.9)**	3,348.9	(350.3%)

For the first half of 2021, net cash outflow from operating activities of the Group amounted to RMB6,002.2 million, with the negative growth in cash flow from operating activities primarily due to the decrease in bank borrowings and the increase in bond financing included in financing activities resulting from adjustments to the financing channels in the first half of 2021. During the same period, net cash outflow from investing activities of the Group amounted to RMB7,570.5 million, representing an increase of 35.4% in net outflow compared with that for the same period of last year, primarily due to the increase in cash outflow from investment in operating lease assets and financial assets. In addition, for the first half of 2021, net cash inflow from financing activities of the Group amounted to RMB5,189.8 million, representing an increase of 407.7% compared with that for the same period of last year, primarily due to the year-on-year increase in proceeds received from bonds issued by the Group.

6 BUSINESS OPERATION

The business segments of the Group include the four leasing segments of aircraft leasing, infrastructure leasing, ship leasing and inclusive finance, and others. In the first half of 2021, we steadily developed infrastructure leasing business and orderly developed inclusive finance business, and seized market opportunities to cautiously develop aircraft leasing and ship leasing business, and prudently developed other leasing business to enhance the business structure of the Company continuously. In the first half of 2021, the total lease financing to lessees of the Group amounted to RMB57,106.6 million, of which the lease financing to lessees in infrastructure leasing, inclusive finance, aircraft leasing, ship leasing and others amounted to RMB31,742.9 million, RMB13,483.6 million, RMB5,491.4 million, RMB3,615.8 million and RMB2,772.9 million respectively.

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

(RMB in millions, except percentages)	**June 30, 2021**		December 31, 2020	
Segment assets	**Amount**	**Percentage**	Amount	Percentage
Aircraft leasing	**81,648.3**	**26.3%**	94,673.5	31.3%
Infrastructure leasing	**152,638.5**	**49.2%**	136,052.4	45.1%
Ship leasing	**37,433.7**	**12.1%**	34,183.2	11.3%
Inclusive finance	**29,997.6**	**9.7%**	25,131.3	8.3%
Others	**8,420.1**	**2.7%**	11,958.4	4.0%
Total	**310,138.2**	**100.0%**	301,998.8	100.0%

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

	For the six months ended June 30,			
(RMB in millions, except percentages)	**2021**		2020	
Segment revenue and other income	**Amount**	**Percentage**	Amount	Percentage
Aircraft leasing	**3,656.8**	**35.0%**	4,570.7	47.5%
Infrastructure leasing	**3,748.2**	**35.9%**	3,138.0	32.6%
Ship leasing	**1,991.3**	**19.1%**	896.3	9.4%
Inclusive finance	**717.0**	**6.9%**	624.2	6.5%
Others	**328.7**	**3.1%**	387.3	4.0%
Total	**10,442.0**	**100.0%**	9,616.5	100.0%

6.1 Aircraft Leasing

COVID-19 continues to inflict significant pressure on the airline industry ecosystem, reflecting a combination of the unprecedented near-term industry headwinds fueled by travel restrictions and a slowly recovering underlying demand for air travel underpinned by optimism demonstrated by rebounds in domestic markets. The first half of 2021 has seen some green shoots pointing to the start of industry recovery in earnest, which is expected to accelerate in the latter part of 2021. With the global rollout of vaccine programs and a gradual re-opening of borders, effectively restarting aviation will energize the air travel sector and drive progress in restoring air connectivity and increasing passenger volume.

The International Air Transport Association (IATA) has revised its financial industry outlook for 2021, expecting net airline industry losses of US$47.7 billion in 2021 (net profit margin of -10.4%). This is an improvement on the estimated net industry loss of US$126.4 billion in 2020 (net profit margin of -33.9%). Despite an estimated 2.4 billion people expected to travel by air in 2021, airlines will burn through a further US$81 billion of cash. Revenues are expected to total US$458 billion for 2021, just 55% of the US$838 billion generated in 2019 but represent 23% growth on the US$372 billion generated in 2020.[1]

IATA estimates that travel will recover to 43% of 2019 level over the year. Domestic markets will improve faster than international travel. Overall passenger numbers are expected to reach 2.4 billion in 2021. That is an improvement on the nearly 1.8 billion who traveled in 2020, but well below the 2019 peak of 4.5 billion. Cargo has outperformed the passenger business throughout the pandemic. That trend is expected to continue throughout 2021, with the demand for cargo expected to grow by 13.1% over 2020.[1]

The airlines with larger domestic markets or with large cargo operations have been performing better. Significant differentiation is emerging between regions with large domestic markets and those relying primarily on international traffic. Losses are highest in Europe (-US$22.2 billion) with only 11% of its passenger traffic being domestic. Proportionately, losses are much smaller in North America (-US$5.0 billion) and Asia-Pacific (-US$10.5 billion) where domestic markets are larger (66% and 45% respectively, pre-pandemic).[1]

The concerning factors hindering the industry's ongoing recovery are continued travel restrictions and quarantine measures triggered by virus flare-ups as well as the slow pace of vaccination rollouts in certain regions that effectively prevent a revival of global connectivity. While the industry is expected to improve its performance compared to 2020, the road to recovery is likely to be still long and difficult. [2]

---

1 International Air Transport Association (IATA) release, April 2021.

2 Boeing and Airbus Forecasts 2020.

Aviation remains an integral part of transportation systems around the world. The maturation of many emerging market economies will further increase consumer spending's share of economic activity, bolstering demand for air travel. Over the last decade, growth in passenger air travel averaged 6.5% per year, well above the long-term average of 5%. While aviation has seen periodic demand shocks since the beginning, the industry has recovered from these downturns every time. In addition, coming out of every crisis, the industry has innovated by improving service and adding value for the traveling public.[2]

While many of the world's airlines grew their fleets through deliveries of new airplanes and often delayed airplane retirements to accommodate passenger demand over the past decade, the current market disruption will shape airline fleet strategies long into the future as airlines make decisions to renew their fleets and resume growth. Airlines will focus on building versatile fleets that provide future network flexibility, maximizing capability while minimizing risk, and improving efficiency and sustainability.[2]

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-lease-back 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 sale-lease-back transactions.

In the face of these adverse conditions, the Group's aircraft leasing team has persisted to attain continued growth and advance key initiatives that have progressed several aspects of the long-term vision of the Group. Despite the near term adverse market conditions in the first half of 2021 and the expected gradual recovery of the airline sector, the Group has been able to leverage its aircraft leasing platform to work with existing and new airline customers and other industry stakeholders to support the sector's recovery, while strengthening the platform's capabilities and financial position to enable further growth and ensure sufficient liquidity for the future.

The Group also acted quickly in realigning its orderbook to the change in the industry outlook in close co-operation with OEMs. Through the challenges brought 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 China Development Bank group.

2 Boeing and Airbus Forecasts 2020.

Major highlights for the first half of 2021 include:

- Signed new lease transactions (including order placement, sale-lease-back, remarketing and extension) for a total of 31 aircraft with 11 customers;

- Sold 4 aircraft with a total gain of US$15.6 million during the first half of 2021;

- Acquired 14 aircraft on operating lease, including 5 via direct OEM orders, 6 via sale-lease-back, and 3 via portfolio acquisitions;

- Signed financing transactions for US$1.8 billion; and

- Added 3 new lessees.

As of June 30, 2021, the Group owned and managed a well-diversified portfolio of 241 delivered aircraft assets on lease to 72 lessees in 37 jurisdictions. As of June 30, 2021, total assets of the aircraft leasing segment of the Group amounted to RMB81,648.3 million, representing a decrease of 13.8%[3] compared to December 31, 2020, and the total revenue and other income of the aircraft leasing segment amounted to RMB3,656.8 million, representing a year-on-year decrease of 20.0% compared to the same period of last year. The assets of the aircraft leasing segment accounted for 26.3% of the Group, representing a decrease of 5.0 percentage points compared to December 31, 2020. The revenue and other income of the aircraft leasing segment accounted for 35.0% of the overall revenue of the Group, representing a decrease of 12.5 percentage points compared to the same period of last year.

As of June 30, 2021, the Group had a total portfolio of 379 aircraft, consisting of 241 owned aircraft and 138 committed aircraft. As of June 30, 2021, 240 owned aircraft of the Group were held for operating lease and 1 owned aircraft of the Group was under finance lease. As of June 30, 2021, the weighted average age by aircraft value[4] of the Group's owned aircraft held for operating lease was 4.6 years, the weighted average remaining lease term by aircraft value[4] of the Group's owned aircraft held for operating lease was 7.8 years.

The Group's owned and in-service fleet mainly includes narrow-body aircraft types such as Airbus A320ceo and A320neo family aircraft and Boeing 737NG and 737 MAX family aircraft, and wide-body aircraft types such as Airbus A330ceo, A330neo and A350, and Boeing 777-300ER and 787-9. As of June 30, 2021, the Group's aircraft fleet consists of 67% narrow-body aircraft, 29% wide-body aircraft and 4% regional and other aircraft by aircraft value[4]. As of June 30, 2021, the total net book value of the Group's owned aircraft was US$10,059.3 million.

---

3 The decrease in total assets of the aircraft leasing segment of the Group in the first half of 2021 mainly attributes to the decrease in cash & bank balance, which is mainly driven by optimized Group liquidity management leading to less requirement of cash provisions for aircraft leasing segment, further enhanced Group's cash & bank balance management, and prepayment of existing loans reducing interest expense.

4 Aircraft value equals the total of aircraft net book value, aircraft intangible value and finance lease receivable (if applicable).

The Group's orderbook contains next-generation, liquid, narrow-body types. As of June 30, 2021, the Group has committed to purchase 113 aircraft under its direct OEM orders, including 45 aircraft from Boeing[5] and 68 aircraft from Airbus. These aircraft are scheduled to be delivered between 2021 and 2026. The Group also has contractual commitments to acquire a further 25 aircraft under sale-lease-back transactions. The aggregate of these commitments net of predelivery payments paid is RMB36,254.4 million.

The following table sets forth the composition of the Group's fleet and committed aircraft as of June 30, 2021:

Aircraft Type	**Owned aircraft**	**Committed aircraft**	**Total**
A320-200	40	–	40
A321-200	8	–	8
A330-200	7*	–	7
A330-300	25**	–	25
A330-900	5	–	5
A350-900	3	–	3
A320neo	40	50	90
A321neo	18	30	48
Airbus Total	**146**	**80**	**226**
737-700	2	–	2
737-800	52	–	52
777-300ER	1	–	1
737 Max 8	17	58	75
787-9	2	–	2
Boeing Total	**74**	**58**	**132**
E190-100LR	20	–	20
Embraer Total	**20**	**–**	**20**
Other	**1*****	**–**	**1**
Total	**241**	**138**	**379**

* During the first half of 2021, one A330-200 aircraft and four A319-100 aircraft exited the fleet via teardown, two managed aircraft were redelivered upon lease expiry. As of June 30, 2021, the Group no longer had any A319 or managed aircraft.

** Seven A330-300/200 aircraft will be converted to freighters, of which four are scheduled for delivery in 2022 and three in 2023.

*** One other aircraft was held under finance lease.

5 A total of 20 undelivered 737 MAX 8 order has been cancelled by the Group in the first half of 2021.

In addition to the above committed aircraft, the Group 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.

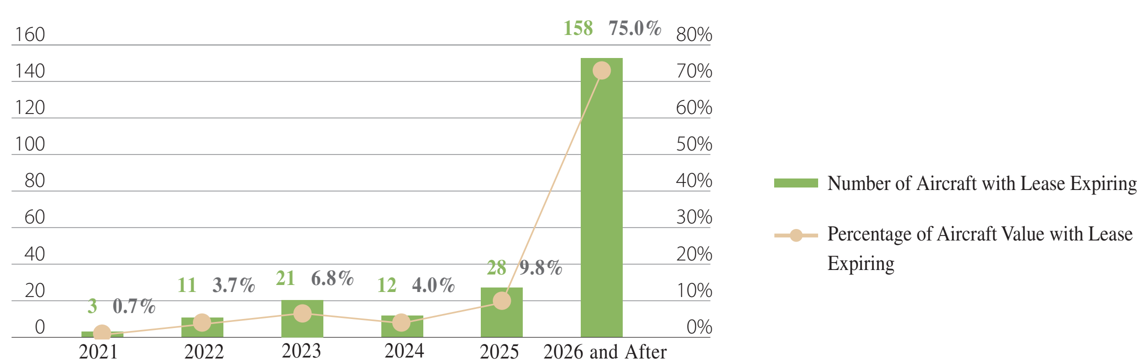
Among 138 committed aircraft as of June 30, 2021 (including direct OEM orders and sale-lease-back), 26 were scheduled for delivery in the second half of 2021, 19 in 2022, 21 in 2023 and 72 after 2023.

As of June 30, 2021, of the 113 aircraft committed to be purchased directly from OEMs, 15 were committed for lease, of which 8 were scheduled for delivery in the second half of 2021 and 7 in 2022.

As of June 30, 2021, the Group was committed to sale-lease-back transactions covering 25 aircraft, including 18 scheduled for delivery in the second half of 2021 and 7 in 2022.

The following chart sets forth the breakdown of the number of aircraft and percentage of aircraft value balance as of June 30, 2021 of those owned aircraft under operating lease with leases expiring in the future, excluding any aircraft for which the Group has a sale commitment or under teardown or freighter conversion. As of June 30, 2021, only 3 aircraft to expire in 2021 were pending agreements signed, of which 2 already had letters of intent signed or were proceeding directly to lease documentation for lease transitions or extensions as of July 23, 2021.

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



During the first half of 2021, the Group signed lease extensions for 2 aircraft and new leases for 17 remarketed aircraft. As of June 30, 2021, all owned aircraft were committed to lease.

The Group continued to trade aircraft during the first half of 2021, selling 4 aircraft in total with a gain on disposal of US$15.6 million and a total net book value of US$112.5 million. In the first half of 2021, none of the finance leased aircraft were expired or terminated early. The Group's owned aircraft under operating lease maintained 99.6% fleet utilization.

In the first half of 2021, the net lease yield of the operating leased aircraft was 7.8%[6], the lease yield of the finance leased aircraft was 3.1%[7]. In the first half of 2021, the annualized pre-tax return on average total aircraft leasing assets was 0.08%, a decrease of 1.42 percentage points compared to the same period of last year. This was primarily due to continued travel restrictions and quarantine measures triggered by virus flare-ups as well as the slow pace of vaccination rollouts in certain regions that effectively prevent a revival of global connectivity, continuing to depress the demand of aircraft and impact the ability of airlines to make on time payment to lessors.

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 2021:

Region	**Percentage of lease revenue in the first half of 2021**	**Percentage of aircraft value as of June 30, 2021**
The PRC	33.9%	27.1%
Asia Pacific (excluding the PRC)	24.3%	26.0%
Europe	25.0%	25.2%
Americas	11.2%	16.4%
Middle East	3.2%	3.0%
Africa	2.4%	1.9%
Under teardown	–	0.4%
Total	**100.0%**	**100.0%**

The following table sets forth a breakdown of the Group's owned aircraft by manufacturer as of June 30, 2021:

Manufacturer	**Percentage by aircraft value as of June 30, 2021**
Airbus	69.3%
Boeing	27.4%
Others	3.3%
Total	**100.0%**

6 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.

7 The calculation is lease income/average monthly balance of aircraft finance lease assets. As of June 30, 2021, only one finance leased aircraft remained, therefore the impact of finance lease on revenue is immaterial.

6.2 Infrastructure Leasing

In the first half of 2021, relying on China Development Bank's resources advantages in the infrastructure sector, the Group focused on key national strategic development regions such as the Yangtze River Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area and Beijing-Tianjin-Hebei region, implemented arrangements for "carbon peak and neutrality", stepped up support in the area of green and low carbon circular economy, facilitated the implementation of the domestic demand expansion strategy, and supported the development of green finance and the real economy, resulting in additional lease financing to lessees of RMB31,742.9 million, representing a year-on-year increase of 9.5%.

The Group had a mature business model for the infrastructure leasing segment, with good asset quality and stable profitability. As at June 30, 2021, the total assets of the infrastructure leasing segment of the Group amounted to RMB152,638.5 million, representing an increase of RMB16,586.1 million or 12.2% compared with that as at the end of last year. In the first half of 2021, the business segment recorded revenue and other income of RMB3,748.2 million, representing an increase of RMB610.2 million or 19.4% compared with that for 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 the sale-and-leaseback model, which can effectively help enterprises revive 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 asset net values and their proportion of each sub-segment in infrastructure leasing of the Group as at the dates indicated:

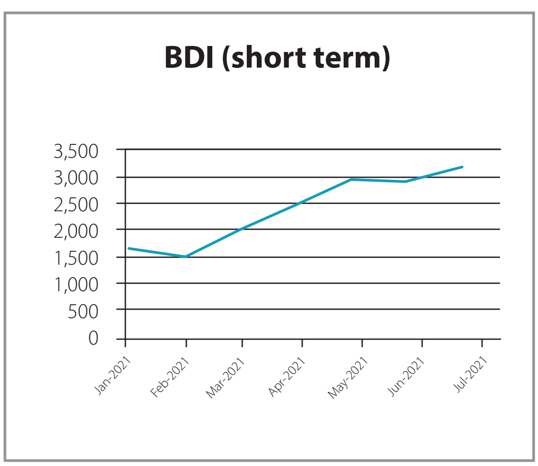
(RMB in millions, except percentages)	**Asset net values as at June 30, 2021**	**Percentage of asset net values as at June 30, 2021**
Transportation infrastructure leasing	46,530.7	30.5%
Urban infrastructure leasing	82,191.8	53.8%
Energy infrastructure leasing	23,916.0	15.7%
Total	**152,638.5**	**100.0%**

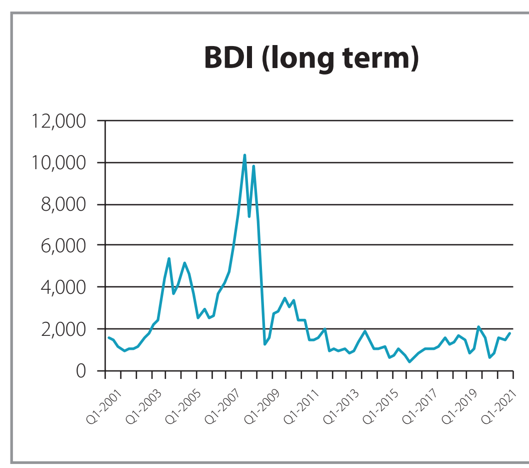
In the second half of the year, the Group will continue to promote business coordination with China Development Bank, and serve the major national strategic development regions such as the Yangtze River Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area, and Beijing-Tianjin-Hebei region focusing on the 14th Five-Year Plan. It will continue to leverage the leasing characteristics and advantages, make up for the weakness in service infrastructure, conduct business in transportation infrastructure, urban infrastructure and other fields in an orderly manner, and align itself with policy direction and market changes.

6.3 *Ship Leasing*

6.3.1 Shipping Market

In the first half of 2021, COVID-19 continued to weigh heavily on the shipping market, but it showed different effects on the three main traditional ship types: In the container shipping market, due to the strong economies of scale resulting from high concentration of shipowners and the affected supply capacity resulting from the poor circulation of containers caused by the pandemic, the container ship freight rates remained at a high level; in the bulk carrier shipping market, there was strong inelastic demand for the shipping of iron ore, coal, grain and other resource and energy commodities. The trade volume of commodities increased amid rising commodity prices driven by the over issuance of US dollars, and the loading and unloading efficiency of ships at ports was significantly reduced due to the impact of COVID-19, which eventually led to the increase in volume and price in the bulk carrier shipping market. The average BDI (Baltic Dry Index) in the first half of the year reached a 10-year record high; the booming oil tanker market in the first half of 2020 somewhat overdrew the demand for crude oil shipping this year, and the overall demand in the product tanker market remained sluggish as the demand for jet fuel shipping showed no signs of recovery and the new energy transportation market picked up. Due to various factors, the oil tanker market saw depressing freight rates in the first half of the year. The Group's ship leasing segment is mainly engaged in operating lease of bulk carriers, which generated considerable revenue in the first half of the year.





Source: CLARKSONS, August 2021

6.3.2 Business Development

In the first half of 2021, the Group continued to carry out ship leasing business based on the high-quality development concept featuring innovation, green development and prudent operation. On the one hand, we seized opportunities for cooperation with top clients and solidly developed ship finance leasing business; on the other hand, we strengthened industry research with a focus on the impact of COVID-19 on the development trends of the shipping market, and stepped up the efforts to develop ship operating lease business.

In the first half of 2021, the Group successfully delivered 36 ships, including 13 newly built ships and 23 second-hand ships.

6.3.3 Balance of Assets

As at June 30, 2021, the total assets of the Group's ship leasing segment amounted to RMB37,433.7 million, an increase of RMB3,250.5 million or 9.5% as compared with that as at the end of last year. In particular, ship leasing related assets amounted to RMB32,946.8 million (comprising balance of RMB11,737.1 million of finance lease related assets, RMB19,250.5 million of operating lease related assets, and RMB1,959.2 million of prepayments) and other related assets amounted to RMB4,486.9 million. In the first half of 2021, the Group achieved total revenue and other income of RMB1,991.3 million from the ship leasing segment, an increase of RMB1,095.0 million or 122.2% as compared with that for the same period of last year.

6.3.4 Capacity Structure

As at June 30, 2021, the Group had a total of 146 ships in operation, including 121 ships for operating lease (107 bulk carriers and 14 product tankers) and 25 ships for finance lease (8 bulk carriers, 13 container ships, 3 LNG ships, and 1 luxury cruise ship). The Group had a total of 25 ships under construction, including 23 for operating lease and 2 for finance lease.

The assets structure of the Group's ships in operation as at June 30, 2021 is as follows:

Ship type	**Operating lease (ships)**	**Finance lease (ships)**	**Total (ships)**	**Remark**
Bulk carrier	107	8	115	Another 23 new ships are under construction, and 15 second-hand ships are to be delivered with deposit paid
Container ship	–	13	13	Another 2 new ships are under construction
Product tanker	14	–	14	
LNG ships	–	3	3	
Luxury cruise ship	–	1	1	Under joint lease
Total	**121**	**25**	**146**	

6.3.5 Business Highlights

1. **Profitability improved greatly.** In the first half of the year, the net profit and profit margin of the Group's ship leasing segment were much higher than those for the same period of the previous year. This benefited from the turnaround of the bulk carrier shipping market, proved how forward-looking and scientific the Group was to strategically develop ship operating lease business, and served as an affirmation of our enhanced professional capabilities in ship leasing business.

2. **Great results were achieved in grasping business opportunities.** The Federal Reserve System's ultra-loose monetary policy promoted the rise of global mass commodity prices, which further boosted the overall increase in new and second-hand bulk carriers. At the beginning of the year, the Group judged that this round of asset appreciation would last for a long time, and with the improvement of supply and demand, the rent level of bulk carriers would remain high for quite a while. As such, the Group reckoned that the first half of the year would probably be the best timing to invest in the bulk carrier market. In order to successfully capture business opportunities, our ship leasing segment devoted most of its efforts to the development of ship operating lease business. On the one hand, we paid close attention to the dynamic changes of the shipping market and strengthened research and analysis on the development trends of market segments. On the other hand, we kept close contact with shipyards, shipowners, shippers and traders, and rapidly expanded shipping capacity by placing new shipbuilding orders and purchasing second-hand ships whenever a chance arose. In the first half of the year, the number of decisions and contracts signed for the Group's ship operating lease business reached a record high, and the announcements on the purchase of ship assets disclosed on the Stock Exchange were well received by the shipping market.

3. **Pandemic prevention and control were effective.** The COVID-19 pandemic brought great challenges to ship management, especially the normal shifting of crew, and caused a hidden danger to the safe operation of ships. The full-blown outbreak of COVID-19 in India in the first half of the year further aggravated the operational risks facing shipowners. On the basis of learning from the anti-pandemic experience in 2020, the Group further improved its pandemic prevention and control measures with a focus on strengthening the prevention and control of COVID-19 on board, arranged the crew to change shifts in time, and gave appropriate allowances to the crew members whose service was extended. As at the end of June, the Group's ships under operating lease had been in good condition in terms of safety, and no confirmed cases of COVID-19 had been found in the crew members, demonstrating that the COVID-19 risk of ship operation was effectively prevented and controlled.

6.4 *Inclusive Finance*

Since the establishment of the inclusive finance business department in 2019, the Group has been deeply engaged in the leasing of construction machinery and vehicles in accordance with the spirit of the CPC Central Committee and the State Council on the development of inclusive finance and in line with the national campaign of "finance serving the real economy". On the one hand, we uphold the "market-oriented" and "professional" development concept, focus on the leasing of construction machinery and vehicles under the inclusive finance segment, proactively improve the ability to serve the real economy with inclusive finance, and provide efficient and convenient financial leasing services to small, medium and micro customers; on the other hand, we accelerate the stable development of the Company's inclusive finance business, build an inclusive finance system with "controllable risks, a considerable scale, strong professionalism, a prominent brand, and excellent assets", and vigorously promote the shift of inclusive finance business from traditional sectors to digital fields, so as to create a stable and sustainable source of revenue and another growth driver for the Group.

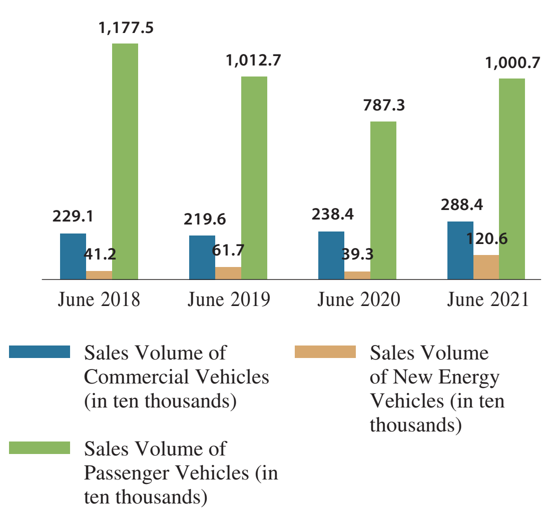
As a critical year for China's economic recovery after the pandemic, 2021 marks the first year of the 14th Five-Year Plan for the Group's inclusive finance business. Since the first half of the year, the state has been speeding up the construction of traditional and new infrastructure and increasing investment in intelligent and digital high-end manufacturing to promote relevant industries to become important pillars of China's domestic economic cycle, which provides a good foundation for the continuous sound development of inclusive finance. In the first half of this year, in face of the increasingly fierce market competition, the Group, with an aim to "provide key customers with integrated terminal retail and wholesale financial services", continuously enhanced its competitiveness and the efficiency of response to market needs, vigorously developed new services, improved business management standards, and promoted the coordinated development of vehicle and construction machinery leasing business in an orderly manner.

In the first half of 2021, the Group further refined the business process management and constantly optimized and improved the business system, thus laying a solid foundation for the digital transformation of inclusive finance business. As at June 30, 2021, the total assets of the Group's inclusive finance business amounted to RMB29,997.6 million, an increase of RMB4,866.3 million or 19.4% compared with that as at the end of last year. In the first half of 2021, the Group achieved total revenue and other income of RMB717.0 million from inclusive finance business, an increase of RMB92.8 million or 14.9% compared with that for the same period of last year.

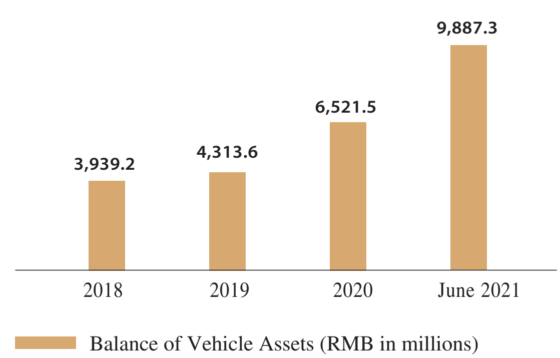
6.4.1 Vehicle Leasing

In the first half of 2021, China's economy continued to recover steadily, supporting the stable development of the automobile market. In particular, the strategic goals of "carbon peak and neutrality" set by the state have provided stimulus to domestic industrial transformation and the development of new energy vehicles. According to the statistics of China Association of Automobile Manufacturers, in the first half of 2021, the total sales volume of vehicles increased compared with that for the same period of last year, and the automobile market was generally stable. The sales volume of commercial vehicles was 2.884 million units, a year-on-year increase of 21.0%, but a month-on-month decline occurred due to the impact of the switch of emission standards in the first half of this year; the sales volume of new energy vehicles was 1.206 million units, a year-on-year increase of 206.9%; the sales volume of passenger cars was 10.007 million units, a year-on-year increase of 27.1%. It can be seen from the statistics that in the first half of the year, the new energy vehicle market recorded a substantial year-on-year growth and a stable development; the commercial vehicle market fluctuated greatly in the first half of the year and saw a month-on-month decline in production and sales; and the passenger car market recovered to the equivalent sales volume before the pandemic and still had a large market size. The instability and uncertainty of global economic recovery and COVID-19 prevention and control, the variances in the development of different industries in China, and particularly the rising prices of raw materials which further increase the cost pressure on enterprises, will affect the development of the automobile industry. As such, we will be cautiously optimistic about the development trend of the industry in the second half of the year.

Domestic Vehicle Sales Trend



Balance of Vehicle Assets of the Group



Upholding the principle of sound operation, the Group continuously tracked and judged the development trend of the vehicle leasing market and exerted synergy with the China Development Bank to steadily develop vehicle leasing business. In terms of commercial vehicle business, the Group focuses on the business of sale and leaseback of vehicles. In the first half of 2021, we vigorously promoted the manufacturer leasing business, continued to maintain cooperation with strategic customers, and actively carried out business with leading commercial vehicle manufacturers and leasing companies in China to increase business lines. In terms of new energy bus business, the Group prepared publicity materials for inclusive leasing business according to the spirit of the CPC Central Committee on eco-friendly equipment leasing business, promoted a new energy vehicle leasing program with its branches, implemented the concept of combining green finance with inclusive finance, and advanced the comprehensive integration of new energy vehicle industry and financial leasing, thus facilitating the coordinated development of the real economy and emerging industries. In terms of passenger car business, the Group focused on the development of passenger car leasing business, and promoted business growth through sale and leaseback of vehicles and terminal leasing products. Externally, we actively carried out marketing and established strategic cooperation with leading players in the passenger car market; internally, we accelerated the development of independent risk control models, built an internal control system covering intelligent management system, business process authority and business management ledger, promoted the Company's digital transformation of inclusive finance business, and put forward new ideas, new approaches and new directions for the risk control, management and development of the Company's inclusive finance business.

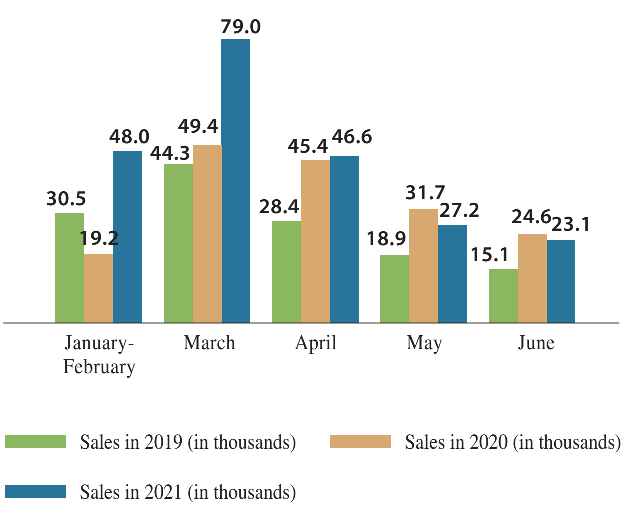
As at June 30, 2021, the Group's assets related to vehicle leasing business amounted to RMB9,887.3 million, representing an increase of RMB3,365.8 million or 51.6% from that of December 31, 2020 and accounting for 33.0% of the assets of the inclusive finance segment, demonstrating a great improvement of asset structure.

In the second half of 2021, the Group will continuously strengthen the analysis and judgment of policies for the automobile industry to seize market opportunities and guide the steady development of vehicle leasing business. On the one hand, regarding digital transformation as an opportunity, we will further promote the digital transformation of inclusive finance business, enhance the risk control strategy system, improve the construction of digital internal control system, and enhance the value service capabilities in terms of inclusive finance; on the other hand, we will continue to intensify cooperation with leading vehicle manufacturers to expand business channels and provide support for the sustainable development of vehicle leasing business under inclusive finance, in a drive to develop a multi-sector, multi-model and multi-dimensional digital inclusive finance ecosystem.

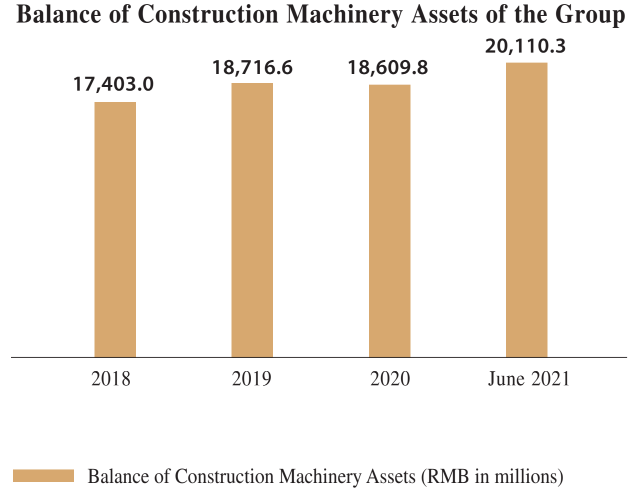
6.4.2 Construction Machinery Leasing

In the first half of 2021, as many major projects commenced construction in various places, there was a strong demand for engineering construction in China. Moreover, in China's shift from a "big manufacturing country" to a "powerful manufacturing country", China's construction machinery industry plays a positive role in stimulating construction machinery companies to build high-end manufacturing capacity. In addition, with the gradual recovery of the overseas construction machinery market, the construction machinery industry performed soundly in the first half of the year, marking a good start for the 14th Five-Year Plan period. According to the statistics of the China Construction Machinery Industry Association, in terms of the industry's "signposted" product-excavator, the sales volume was 48,000 units in January-February 2021 and 79,000 units in March, compared with 19,000 units and 49,000 units in the same periods of 2020. The sales volume in January-February and in March 2021 increased year on year by 149.5% and 59.9% respectively. The sales volume of the construction machinery industry increased significantly in the first quarter compared with that for the same period of last year mainly because the investment boom and other factors after the COVID-19 outbreak, but slowed down in growth from April to June mainly because the investment boom of last year was subsiding. In April to June, the sales growth of most construction machinery products slowed down compared with that for the same period of last year as the market gradually returned to normal. This will help achieve the goal of steady growth throughout the year and maintain high-quality development of the industry.

Excavator Sales Volume in the Domestic Market



Balance of Construction Machinery Assets of the Group



In the first half of 2021, the Group continued to monitor the price increase of equipment in the construction machinery industry, closely observed the industry trend under supply and demand dynamics, frequently interacted with top construction machinery companies in China, continuously implemented the "customer-centric" development concept, carried out strategic cooperation with leading industry players, and maintained cooperation with medium-sized manufacturers in the industry. In this way, the Group deepened the system of cooperation with large and medium-sized manufacturers and developed differentiated financial products and a multi-level pricing system to meet different customer needs.

As at June 30, 2021, the Group's assets related to construction machinery leasing business of the Group amounted to RMB20,110.3 million, representing an increase of RMB1,500.5 million or 8.1% from December 31, 2020 and accounting for 67.0% of the assets of the inclusive finance segment.

In the second half of 2021, the Group will continue to increase the market penetration of inclusive finance business in the construction machinery industry, consolidate its market position amid increasingly fierce competition, and focus on cooperating with leading industry players. On the one hand, we will improve the original product portfolio according to market changes in order to meet different customer needs with diverse products; on the other hand, we will step up efforts to serve small and micro customers, and enhance the capabilities for the long-term sustainable and healthy development of inclusive finance business.

6.5 Others

In the first half of 2021, the Group focused on its principal business and prudently expanded to other business fields. As at June 30, 2021, total assets of other business amounted to RMB8,420.1 million, representing a decrease of RMB3,538.3 million or 29.6% compared with that as at the end of last year, primarily due to the fact that the Group focused on its principal business and reduced the business of other segments.

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 at June 30, 2021, the Group had established business relationships with 151 banks and was granted credit facilities amounting to a total of approximately RMB651.4 billion, including unused credit facilities of RMB418.9 billion. In the first half of 2021, with the COVID-19 pandemic gradually easing but remaining fluid at home while still raging overseas, the domestic and international financial markets were affected by multiple factors, such as heightened risk-off market sentiment and the loose fiscal and monetary policies implemented by various governments. The macroeconomic and financial environment was complex and volatile, and the financial markets fluctuated violently at one time. Closely aligning itself with the changes in the macroeconomic landscape, the Group actively grasped the market trend, adjusted the financing strategy in time, ensured the smooth operation of the Group's financing and fund management during the epidemic period, and further improved the debt structure and reduced the financing cost.

In respect of bond financing, the Group seized the best market window after the Spring Festival to successfully issue US$500 million of 3-year senior bonds and US$500 million of 5-year senior bonds through overseas public offering on February 25, 2021, creating the lowest pricing spread among leasing peers since last year's COVID-19 outbreak and achieving issuance in the full amount of US$1 billion. The bond offering locked in the Company's medium and long-term US$ financing cost at a low level with fixed coupon rates, and attracted the participation of world-renowned high-quality investors such as Fullerton, Fidelity, Allianz Global Investors, BlackRock, etc. In the first half of the year, the Group issued 7 tranches of private bonds, raising US$563 million in total. In terms of RMB financing, the Group actively responded to changes in market trends, and dynamically adjusted the term of RMB financing under the premise of ensuring liquidity safety, so as to quickly complete the swapping of existing financing debts during the period of interest rate decline, which significantly reduced the overall financing costs of RMB. In terms of US$ financing, in the first half of the year, the US$ market gradually regained stability and the Group's foreign currency financing focused on expanding channels and reducing liquidity provision to reduce costs and increase efficiency. As for interest rate structure, the Group continued to maintain the original risk management strategy for interest rates, and actively managed the matching of assets and liabilities in terms of interest rate structure. As for the structure of exchange rates, the Group continued to maintain its original risk management strategy for exchange rates and maintained the basic matching of currency between assets and liabilities basically, significantly reducing the impact of market exchange rate fluctuations on the Company.

In the first half of 2021, the financing sources of the Group mainly included bank borrowings and issuance of bonds. As at June 30, 2021, the Group's bank borrowings and bonds payable were RMB196,321.3 million and RMB51,940.8 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 reputational risk, etc. The Group carries out risk management with the strategic objectives as supporting for sustainable development of the business and enhancing the Group's value, 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 is equal in the face of risks, everyone is responsible for risk control", in which it forms an impeccable risk management framework and system with a detail-defined division among all business segments as well as risk management and internal audit segments 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. The Group has 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 are the first layer of defence of comprehensive risks prevention, with 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 management of the risks. 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.

At present, the Group adopts a stable 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 taking into account operation strategies, the market environment and the features of leased properties.

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 proactively adjusts the operation strategies of the industry, strengthens the customer admission criteria, improves the risk pricing system and strives for a balance between risk and return. By enhancing the Group's business quality and efficiency of resource allocation, the value of risk management can be achieved.

In the first half of 2021, the Group constantly enhanced the establishment of a comprehensive risk management system to improve its risk management framework; improved the management system of risk preference, quota and early warning; refined the mechanism for comprehensive risk identification and assessment to improve risk identification, assessment and monitoring; improved the stress test method based on the Company's business characteristics, and conducted stress testing of the Company's asset portfolio under sudden changes in key market variables effectively; strictly implemented the accountability system, strengthened risk-related training, and guided employees to enhance their awareness of compliance and responsibility.

7.1 Credit Risk

The following table sets forth the Group's maximum credit risk exposure without collateral held and other credit enhancement as at the dates indicated:

(RMB in millions, except percentages)	**June 30, 2021**	December 31, 2020
Financial assets		
Cash and bank balances	**26,723.7**	34,993.0
Derivative financial assets	**61.0**	328.3
Accounts receivable	**1,400.8**	1,960.7
Finance lease receivables	**178,423.7**	166,040.6
Financial assets at fair value through other comprehensive income	**1,936.7**	955.1
Other financial assets	**628.6**	401.3
Total	**209,174.5**	204,679.0

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》) issued by the CBIRC. In addition, the Group formulated the financial 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 at the dates indicated:

(RMB in millions, except percentages)	**June 30, 2021**	December 31, 2020
Five-category		
Normal	**289,305.4**	279,991.1
Special mention	**30,501.7**	30,544.5
Substandard	**874.8**	805.4
Doubtful	**988.6**	1,076.2
Loss	**663.3**	612.3
Total assets before allowance for impairment losses	**322,333.8**	313,029.5
Non-performing assets (1)	**2,526.7**	2,493.9
Non-performing asset ratio (2)	**0.78%**	0.80%

(1) Non-performing assets are defined as the last three categories of assets recognised 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 at the dates indicated.

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

(RMB in millions, except percentages)	**June 30, 2021**	December 31, 2020
Five-category		
Normal	**174,268.3**	161,213.3
Special mention	**9,516.3**	9,718.2
Substandard	**–**	7.4
Doubtful	**246.3**	336.8
Loss	**631.9**	585.8
Finance lease related assets before allowance for impairment losses	**184,662.8**	171,861.5
Non-performing finance lease related assets (1)	**878.2**	930.0
Non-performing asset ratio of finance lease business (2)	**0.48%**	0.54%

(1) Non-performing finance lease related assets are defined as the last three categories of finance lease related assets recognised 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 at the dates indicated.

As at June 30, 2021, the non-performing assets of the Group amounted to RMB2,526.7 million, representing an increase of RMB32.8 million compared with that as at the end of last year, while the non-performing asset ratio was 0.78%, representing a decrease of 0.02 percentage point compared with that as at the end of last year. As at June 30, 2021, the non-performing finance lease related assets of the Group amounted to RMB878.2 million, representing a decrease of RMB51.8 million compared with that as at the end of last year, while the non-performing asset ratio of finance lease business was 0.48%, representing a decrease of 0.06 percentage point compared with that as at 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, we strictly followed the principles of industry selection and customer selection. In terms of existing business, we took measures to mitigate risk at various stages of business including post-lease management and collateral management in order to enhance credit risk management.

The following table sets forth the distribution of the Group's finance lease related assets portfolio by business segments and the five-category asset quality classification as at June 30, 2021:

(RMB in millions, except percentages)	**Aircraft leasing**	**Infrastructure leasing**	**Ship leasing**	**Inclusive finance**	**Others**	**Total**
Five-category						
Normal	24.5	135,432.4	11,717.2	20,710.8	6,383.4	174,268.3
Special mention	–	3,115.9	537.4	5,863.0	–	9,516.3
Substandard	–	–	–	–	–	–
Doubtful	–	–	–	–	246.3	246.3
Loss	–	127.7	–	332.3	171.9	631.9
Finance lease related assets before allowance for impairment losses	24.5	138,676.0	12,254.6	26,906.1	6,801.6	184,662.8
Non-performing finance lease related assets	–	127.7	–	332.3	418.2	878.2
Non-performing asset ratio of finance lease business	0.00%	0.09%	0.00%	1.24%	6.15%	0.48%

On the basis of the Expected Credit Loss (ECL) model, the Group divided the credit level changes 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 classified in this stage. For such finance lease receivables, the expected credit loss in the next 12 months will be recognised;

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

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

With the ECL model and the above division of credit levels, the Group's net value of the finance lease related assets and the balance of allowance for impairment losses thereof on December 31, 2020 are set forth below:

(RMB in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Net value of finance lease related assets	149,536.3	21,240.8	1,084.4	171,861.5
Allowance for impairment losses of finance lease related assets	1,790.0	3,074.9	956.0	5,820.9

With the ECL model and the above division of credit levels, the Group's net value of the finance lease related assets and the balance of allowance for impairment losses thereof on June 30, 2021 are set forth below:

(RMB in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Net value of finance lease related assets	163,419.9	20,206.1	1,036.8	184,662.8
Allowance for impairment losses of finance lease related assets	1,823.3	3,468.1	947.7	6,239.1

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 at June 30, 2021, the balance of finance lease businesses for the largest single client of the Group accounted for 12.29% of the net capital while the balance of finance lease businesses for the largest single group client accounted for 13.50% of the net capital.

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

Concentration indicator	**June 30, 2021**	December 31, 2020
Degree of concentration of single client financing (1)	**12.29%**	18.72%
Degree of concentration of single group client financing (2)	**13.50%**	16.62%

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

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

As at June 30, 2021, in terms of finance lease related assets before allowance for impairment losses, the total financing raised by the top ten single clients amounted to RMB29,190.3 million, accounting for 15.81% of finance lease related assets.

The following table sets forth the financing amount raised by the top ten finance lease clients of the Group as at June 30, 2021:

(RMB in millions, except percentages)	**Business segment**	**Financing amount**	**Percentage of finance lease related assets before allowance for impairment losses**
Client A	Infrastructure	4,479.9	2.43%
Client B	Infrastructure	3,783.5	2.05%
Client C	Ship	3,545.8	1.92%
Client D	Inclusive finance	3,233.0	1.75%
Client E	Infrastructure	2,886.1	1.56%
Client F	Infrastructure	2,860.9	1.55%
Client G	Ship	2,376.9	1.29%
Client H	Infrastructure	2,257.1	1.22%
Client I	Other	1,903.9	1.03%
Client J	Infrastructure	1,863.2	1.01%
Total		**29,190.3**	**15.81%**

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 at the dates indicated:

	June 30, 2021		December 31, 2020	
(RMB in millions, except percentages)	**Amount**	**Percentage**	Amount	Percentage
Aircraft leasing	**24.5**	**0.0%**	41.2	0.0%
Infrastructure leasing	**138,676.0**	**75.1%**	126,308.1	73.5%
Transportation infrastructure	**41,435.4**	**22.4%**	40,588.9	23.6%
Urban infrastructure	**75,375.8**	**40.9%**	64,165.7	37.4%
Energy infrastructure	**21,864.8**	**11.8%**	21,553.5	12.5%
Ship leasing	**12,254.6**	**6.6%**	12,760.5	7.4%
Inclusive finance	**26,906.1**	**14.6%**	22,971.2	13.4%
Vehicle	**8,911.1**	**4.8%**	6,112.8	3.6%
Construction machinery	**17,995.0**	**9.8%**	16,858.4	9.8%
Others	**6,801.6**	**3.7%**	9,780.5	5.7%
Commercial property	**96.8**	**0.1%**	299.9	0.2%
Other sectors	**6,704.8**	**3.6%**	9,480.6	5.5%
Total	**184,662.8**	**100.0%**	171,861.5	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 lease 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 dollars 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 due to fluctuation of the liability interest rate by using hedging strategies, so as to effectively match the future fixed rental income and maintain stable interest rate margins while mitigating the impact 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 Loan Prime Rate (LPR), while liabilities mainly bear a fixed interest rate. For this particular situation, the Group proactively matches the duration of RMB-denominated assets with that of RMB-denominated liabilities 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 risks of the Group primarily arise from the US dollar exposure of foreign currencies-denominated profits realised by subsidiaries, projects subsidiaries and SPVs.

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 bank borrowings and bonds denominated in US dollars. 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.

As at June 30, 2021, the Group's exposure to foreign exchange risk of US dollars against Renminbi that affects profit or loss amounted to US$525.7 million, and the balance of notional principal amount for hedging transactions amounted to US$405.0 million. The Group effectively managed foreign exchange risk through exposure monitoring and financial derivative hedging and other means, and recorded exchange gains of RMB13.85 million for the first half of 2021.

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, 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 and money market bonds held by the Group as the third level liquidity reserve.

As at June 30, 2021, the Group had an interbank borrowing and lending limit of RMB12,642.0 million. In addition, the Group strived to improve its trading capacity in the money market, especially online financing capacity, and the accumulated amount due to banks and other financial institutions (including bond collateral repo) reached RMB109,711.0 million. Meanwhile, the Group maintained a bank-committed overdraft line of RMB1,450.0 million 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 2021, 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 enhanced the liquidity management mechanism, and gradually optimized the three-level liquidity reserve system to further improve the liquidity risk management capability.

7.4 Other Risks

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 2021, the Group further enhanced its operational risk management and control. Firstly, it continuously strengthened the construction of operational risk management system and established an operational risk management network to ensure that there was no omission, no blind area and full coverage of operational risk prevention and control. Secondly, it constantly improved the internal control management system, improved the business management mechanism of the Group, enhanced various management processes and strengthened system implementation management to prevent and reduce the occurrence of operational risk events. Thirdly, it continued to strengthen the construction of its systems, further clarify the structure of business continuity management, and refined the daily management requirements of business continuity. Fourthly, it improved operational risk management methods and tools. It also regularly conducted operational risk identification and assessment, improved the evaluation and assessment mechanism of operational risk management capability, continuously collected operational risk events, implemented the reporting mechanism, and timely revealed the Group's operational risk status.

7.4.2 Information Technology Risk

Information technology risk refers 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 and strengthen core competitiveness and sustainable development capability so as to constantly enhance the risk resistance capability.

In the first half of 2021, the Group further improved information technology risk management. Targeting at promoting digital development, the Group launched the preparation of IT planning during the 14th Five-Year Plan period; implemented standard project management mechanism, improved management level and consolidated internal management. Besides, it accelerated the establishment of new systems such as the core leasing business system and improved and upgraded the existing systems. It also created the "digital service" to improve information service support and assurance.

7.4.3 Reputational Risk

Reputational risk refers to the potential or existing risk of negative impact or damage to the image, reputation and brand value of the company, arising when the operational, managerial and other behaviors or external incidents of the company are noticed or reported by the media. Reputational risk is an important part of corporate governance and comprehensive risk management system.

In the first half of 2021, the Group continued to strengthen its reputational risk management, and actively carried out its reputational risk prevention and control and brand image building in key areas such as "close monitoring, active judgment, positive guidance". Firstly, it conducted regular self-inspection and investigation of reputational risks in accordance with regulatory requirements and reputational risk management requirements of the Group. Secondly, it carried out round-the-clock monitoring of public sentiment in major media through professional institutions, adjusted the scope of public sentiment monitoring in a targeted and dynamic manner, strengthened early warning, and took precautionary measures in advance. Thirdly, it carried out specific response and deployment for important junctures by conducting special monitoring for sensitive public opinions concerned by the Company, and formulated response plans in advance. Fourthly, it vigorously promoted the establishment of the Group's market brand image, strengthened communication with mainstream media at home and abroad, proactively disclosed information, and actively undertook responsibilities while delivering business results to the market, thus creating a sound reputation environment. Throughout the first half of the year, the reputational risk management level of the Group was steadily improved, which effectively maintained the reputation of the Group and established a good brand image.

8 CAPITAL MANAGEMENT

The Group's major objectives of capital management activities are to maintain a reasonable capital adequacy ratio 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 use of regulatory capital are closely monitored by the management of the Group.

In the first half of 2021, the Group continued to consolidate the foundation of capital management, and actively promoted the operation transformation of capital intensification. Firstly, the Group further enhanced 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 making arrangements to promote the construction of the "second pillar"; secondly, the Group deepened the refined capital management concept, commenced in-depth coordination and management of capital replenishment and capital use by regarding capital planning, capital adequacy ratio management plan and supervision of the capital flow as the basis, and improved the capital 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 2021, 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. As at June 30, 2021, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 9.71%, 9.71% and 12.41%, respectively, which were all above the regulatory requirements.

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

(RMB in millions, except percentages)	**Regulatory requirement**	**June 30, 2021**	June 30, 2020
Net capital:			
Net core tier-one capital		**28,527.6**	26,333.2
Net tier-one capital		**28,527.6**	26,333.2
Net capital		**36,461.1**	29,501.7
Capital adequacy ratio:			
Core tier-one capital adequacy ratio	≥7.5%(1)	**9.71%**	9.84%
Tier-one capital adequacy ratio	≥8.5%(1)	**9.71%**	9.84%
Capital adequacy ratio	≥10.5%(1)	**12.41%**	11.02%

(1) According to the capital adequacy ratio standard requirements of CBIRC during the transition period (2013-2018), indicator requirements that must be met by the end of 2018.

9 CAPITAL EXPENDITURES

The capital expenditures of the Group principally comprise expenditures for the purchase of ship and aircraft leasing assets and assets such as property and equipment. In the first half of 2021, the capital expenditures of the Group amounted to RMB11,962.9 million, mainly used for the purchase of ships and aircraft. The Group financed capital expenditures through cash generated from operating activities, bank borrowings and global offering of bonds.

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

(RMB in millions)	**For the six months ended June 30, 2021**	2020
Capital expenditures	**11,962.9**	5,786.3

10 PLEDGE OF ASSETS

As at June 30, 2021, properties and equipment for operating lease (net), bonds and interbank deposits, and finance lease receivables (net) of the Group amounting to RMB21,099.4 million, RMB1,936.7 million and RMB16,284.6 million, respectively, were pledged for bank borrowings and long-term payable. The total assets pledged accounted for 12.6% of total assets.

11 HUMAN RESOURCES

As at June 30, 2021, 506 persons in total rendered relevant services to the Group. The Group has a team of highly educated and high-quality talents. As at June 30, 2021, approximately 94% of the Group's employees had bachelor's degrees or above, approximately 61% of which had master's degrees or above.

In the first half of 2021 and 2020, the Group incurred employees' staff costs of RMB236.4 million and RMB256.9 million, respectively, accounting for 2.26% and 2.67% of the total revenue and other income of the Group for the respective periods.

The Group attaches great importance to human resources. Specifically, we comprehensively strengthened human resources management, covering institutional structure, compensation management, performance appraisal, position ranks, training management, and talent introduction, with a view to providing strong support for business development. We continued to set up a comprehensive incentive system with salary incentive as the core, build a multi-channel talent introduction mechanism, and effectively improve the vitality of the talent team; systematically sorted out department functions and post functions, and consolidated the foundation for scientific and standard management of human resources; built a multi-level training system, strengthened the construction of human resources management system, and promoted the Company's digital management of human resources.

The Group adheres to the philosophy that "talent is the first capital", and strives to create "a platform for entrepreneurship and a stage for self-attainment". Upholding the "people-oriented" principle, the Group will deepen the cultivation of compound, professional and international talents to build a high-quality, hard-working talent team. The Group will enhance development quality and efficiency by strengthening human resources management, so as to promote the sustainable, healthy and high-quality development of the Company.

12 INDUSTRY REGULATION

In the first half of 2021, the CBIRC rolled out a series of regulatory measures. First, the CBIRC strengthened regulatory assessment. In early 2021, the CBIRC issued the Overall Results of the Regulatory Assessment of Corporate Governance of Banking and Insurance Institutions for 2020, the Improvement of Corporate Governance of Non-banking Institutions to Consolidate the Foundation for High-quality Development and other documents, in an effort to urge financial institutions to conduct regulatory evaluation on a regular basis, promptly prevent and mitigate risks, and better protect the legitimate rights and interests of financial consumers.

Second, the CBIRC continued to strengthen and improve the corporate governance of banking and insurance institutions. The CBIRC formulated the Measures for the Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (Trial) to further regulate the performance of duties of directors and supervisors of banking and insurance institutions and improve the quality and efficiency of the performance of duties by directors and supervisors; and issued the Notice on Printing and Distributing the Corporate Governance Guidelines for Banking and Insurance Institutions to clarify the responsibilities of various governance bodies and further implement the standard operation of the governance mechanism.

Third, the CBIRC further promoted the high-quality development of financial services for small and micro enterprises. Based on the theme of high-quality development, the CBIRC imposed five requirements on banking and insurance institutions serving small and micro enterprises, including maintaining stable and efficient incremental financial supply, improving the financial supply structure, enriching inclusive insurance product business, improving relevant mechanisms and systems and professional capabilities, and reviving existing financial resources for better allocation.

Fourth, the CBIRC continued to monitor financial risks. The CBIRC issued the Regulations on Prevention and Disposal of Illegal Fund Raising, which stipulates that the state prohibits any form of illegal fundraising, and adheres to the principles of according top priority to prevention, cracking down misconducts at their early stage, comprehensive treatment and safe disposal.

Fifth, the CBIRC stressed the protection of consumers' rights and interests. In order to maintain the order of competition in the loan market and protect the legitimate rights and interests of financial consumers, the CBIRC has required all loan products to display the annualised interest rate to each borrower in an obvious way, and specify it when signing a loan contract. The daily interest rate and monthly interest rate may also be displayed as needed, but should not be more conspicuous than the annualised interest rate.

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

	Regulatory requirement	As at June 30, 2021
Capital adequacy ratio	Higher than 10.5%	**12.41%**
Tier-one capital adequacy ratio	Higher than 8.5%	**9.71%**
Core tier-one capital adequacy ratio	Higher than 7.5%	**9.71%**
Degree of concentration of single client financing	Not more than 30%	**12.29%**
Degree of concentration of single group client financing	Not more than 50%	**13.50%**
Ratio of a single related client (1)	Not more than 30%	**3.55%**
Ratio of all related parties (2)	Not more than 50%	**8.47%**
Ratio of a single related Shareholder (3)	Not more than 100%	**64.79%**
Ratio of interbank lending (4)	Not more than 100%	**43.14%**
Provision coverage ratio of non-performing finance lease related assets	Higher than 150%	**710.46%**
Provision coverage ratio of finance lease related assets (5)	Higher than 2.5%	**3.38%**
Fixed-income investments (6)	Not more than 20%	**5.37%**

(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 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, 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 with 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 enjoy good development opportunities. The Group also proactively responds to the call to strictly defend the bottom line of compliance, prudently conducts business and pays attention to risk management and control, so as to make due contribution to the sound development of the industry.

13 PROSPECTS

Looking forward to the second half of 2021, as the global economy will continue to suffer from the impact of the COVID-19 pandemic, shrinking aggregated demand and decelerated supply recovery may drag on the pace of business reopening. China's economic growth will regain momentum in general. In the second half of the year, it is expected that external demands will maintain the upward trend, driving further recovery of domestic consumption amid sound monetary policies and proactive fiscal policies. Overall, domestic liquidity is expected to remain reasonably abundant in the second half of 2021, with investment and consumption set to grow steadily leveraging on proactive fiscal support, contributing to gradually resuming normal business operations overall. The Group will balance the development relationship among scale, quality and efficiency, strengthen market analysis and judgment, track customer needs, seize business development opportunities, actively promote business innovation, and constantly enhance internal operation management. Meanwhile, it will continue to strengthen the risk and compliance management system, consolidate the business operation foundation, and pave the way for the Company's development during the 14th Five-Year Plan period.

OTHER INFORMATION

Corporate Governance Practices

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

During the Reporting Period, the Company has been continuously complied with all code provisions of the Corporate Governance Code and adopted most of the recommended best practices set out therein.

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. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

Interim Dividend

The Board does not recommend to declare any interim dividends for the six months ended June 30, 2021.

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.

Review of Interim Results

The unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2021 have been reviewed by the Audit Committee of the Board and Ernst & Young, the auditor of the Group.

Publication of Interim Report

The interim report of the Company for the six months ended June 30, 2021 will be published on the websites of the Company (www.cdb-leasing.com) and HKEX news of the Hong Kong Stock Exchange (www.hkexnews.hk) in due course.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**Unaudited For the six months ended 30 June 2021** *RMB'000*	2020 *RMB'000*
Revenue			
Finance lease income	*4*	**4,794,702**	4,442,603
Operating lease income	*4*	**4,921,163**	4,357,048
Total revenue		**9,715,865**	8,799,651
Net investment gains/(losses)	*5*	**71,312**	(16,912)
Other income, gains or losses	*6*	**654,816**	833,793
Total revenue and other income		**10,441,993**	9,616,532
Depreciation and amortisation		**(2,085,551)**	(2,016,225)
Staff costs		**(236,355)**	(256,934)
Fee and commission expenses		**(31,219)**	(15,013)
Interest expense	*7*	**(3,991,415)**	(3,340,865)
Other operating expenses		**(464,629)**	(334,987)
Net impairment losses on financial assets	*8*	**(767,770)**	(1,672,394)
Net impairment losses on other assets	*9*	**(392,618)**	(363,277)
Total expenses		**(7,969,557)**	(7,999,695)
Profit before tax		**2,472,436**	1,616,837
Income tax expense	*10*	**(660,311)**	(377,490)
Profit after tax		**1,812,125**	1,239,347
Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share) – Basic and diluted	*11*	**0.14**	0.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended 30 June **2021** *RMB'000*	2020 *RMB'000*
Profit for the period	**1,812,125**	1,239,347
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	**(639)**	–
Gains/(losses) on cash flow hedges, net of tax	**333,580**	(947,073)
Currency translation differences	**(34,720)**	115,945
Total other comprehensive income for the period, net of tax	**298,221**	(831,128)
Total comprehensive income for the period	**2,110,346**	408,219

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2021** ***RMB'000***	Audited 31 December 2020 RMB'000
Assets			
Cash and bank balances		**26,723,653**	34,992,986
Financial assets at fair value through profit or loss (FVTPL)		**188,146**	216,862
Derivative financial assets		**60,973**	328,291
Assets held-for-sale		**1,334,544**	–
Financial assets at fair value through other comprehensive income (FVOCI)		**1,936,674**	955,060
Accounts receivable	*12*	**1,400,829**	1,960,650
Finance lease receivables	*13*	**178,423,693**	166,040,552
Prepayments		**11,376,889**	15,829,764
Investment properties		**1,029,130**	1,040,023
Property and equipment	*14*	**83,785,363**	77,088,767
Right-of-use assets		**167,732**	181,149
Deferred tax assets		**1,381,082**	1,330,842
Other assets		**3,710,609**	3,364,721
Total assets		**311,519,317**	303,329,667
Liabilities			
Borrowings	*15*	**196,321,280**	210,382,017
Due to banks and other financial institutions		**15,728,793**	895,747
Financial assets sold under repurchase agreements		**1,830,708**	–
Derivative financial liabilities		**973,452**	1,416,207
Lease liabilities		**189,855**	196,490
Accrued staff costs		**150,205**	155,694
Tax payable		**205,435**	342,021
Bonds payable	*16*	**51,940,843**	46,221,709
Deferred tax liabilities		**977,034**	757,764
Other liabilities		**15,442,594**	16,332,703
Total liabilities		**283,760,199**	276,700,352

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**Unaudited 30 June 2021 *RMB'000***	Audited 31 December 2020 RMB'000
Equity			
Share capital	*17*	**12,642,380**	12,642,380
Capital reserve		**2,418,689**	2,418,689
Hedging and fair value reserve		**(812,944)**	(1,145,885)
Translation reserve		**(223,289)**	(188,569)
General reserves		**5,474,730**	5,474,730
Retained earnings		**8,259,552**	7,427,970
Total equity		**27,759,118**	26,629,315
Total liabilities and equity		**311,519,317**	303,329,667

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 2021		**12,642,380**	**2,418,689**	**(1,145,885)**	**(188,569)**	**5,474,730**	**7,427,970**	**26,629,315**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**1,812,125**	**1,812,125**
Other comprehensive income for the period		**–**	**–**	**332,941**	**(34,720)**	**–**	**–**	**298,221**
Total comprehensive income for the period		**–**	**–**	**332,941**	**(34,720)**	**–**	**1,812,125**	**2,110,346**
Final 2020 dividends declared	*18*	**–**	**–**	**–**	**–**	**–**	**(980,543)**	**(980,543)**
At 30 June 2021		**12,642,380**	**2,418,689**	**(812,944)**	**(223,289)**	**5,474,730**	**8,259,552**	**27,759,118**
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		–	–	(947,073)	115,945	–	–	(831,128)
Total comprehensive income for the period		–	–	(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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Unaudited For the six months ended 30 June 2021** *RMB'000*	2020 *RMB'000*
OPERATING ACTIVITIES			
Profit before tax		**2,472,436**	1,616,837
Adjustments for:			
Bonds payable interest expense	*7*	**741,874**	805,414
Lease liabilities interest expense		**4,077**	13,621
Depreciation and amortisation		**2,085,551**	2,016,225
Net impairment losses on financial assets	*8*	**767,770**	1,672,394
Net impairment losses on other assets	*9*	**392,618**	363,277
Gains on disposal of equipment held for operating lease businesses	*6*	**(101,285)**	(321,856)
Gains on disposal of finance lease receivables	*5*	**(70,926)**	(30,634)
Realised losses from derivatives	*5*	**5,609**	3,552
Realised gains from FVTPL	*5*	**–**	(5,585)
Realised gains from financial assets at fair value through other comprehensive income (FVOCI)	*5*	**(27,745)**	–
Unrealised fair value changes in derivatives	*5*	**(6,966)**	20,585
Unrealised fair value changes in FVTPL	*5*	**28,716**	28,994
Foreign exchange gains from derivatives		**(32,855)**	–
Operating cash flows before movements in working capital		**6,258,874**	6,182,824
Increase in mandatory reserve deposits with central bank		**(10,038)**	(18,552)
Decrease in accounts receivable		**224,370**	29,287
Increase in finance lease receivables		**(12,780,236)**	(15,905,967)
(Increase)/decrease in other assets		**(91,716)**	3,123
(Decrease)/Increase in borrowings		**(13,723,858)**	14,275,926
Increase in due to banks and other financial institutions		**14,833,046**	4,101,925
Increase in financial assets sold under repurchase agreements		**1,830,708**	597,000
Decrease in accrued staff costs		**(5,489)**	(107,542)
Decrease in other liabilities		**(1,879,021)**	(448,587)
Cash (used in)/from operating activities		**(5,343,360)**	8,709,437
Income taxes paid		**(658,801)**	(793,570)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(6,002,161)**	7,915,867

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Unaudited For the six months ended 30 June 2021 *RMB'000*	2020 *RMB'000*
INVESTING ACTIVITIES		
Changes in pledged and restricted bank deposits	**(280,360)**	(1,377,514)
Purchase of FVTPL	**–**	(636,656)
Purchase of FVOCI	**(982,466)**	–
Disposal of FVTPL	**243,792**	2,033
Disposal of FVOCI	**107,187**	30,635
Disposal of property and equipment	**859,973**	2,910,747
Purchase of property and equipment	**(7,518,634)**	(6,518,472)
NET CASH USED IN INVESTING ACTIVITIES	**(7,570,508)**	(5,589,227)
FINANCING ACTIVITIES		
Proceeds from issue of bonds payable	**10,148,042**	1,887,914
Repayments of bonds payable	**(4,297,494)**	–
Bonds interest paid	**(650,150)**	(801,435)
Decrease in lease liabilities	**(10,617)**	(64,217)
NET CASH FROM FINANCING ACTIVITIES	**5,189,781**	1,022,262
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(8,382,888)**	3,348,902
Effect of foreign exchange changes	**(176,843)**	176,403
Cash and cash equivalents at beginning of the period	**34,144,186**	19,445,527
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**25,584,455**	22,970,832
NET CASH FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	**4,966,689**	4,568,397
Interest paid, exclusive bonds payable interest expenses	**(3,376,224)**	(2,902,730)
Net interest received	**1,590,465**	1,665,667

NOTES TO THE 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 2021 ("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 2021 has been prepared in accordance with IAS 34 Interim Financial Reporting. 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 2020, 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 2020, except for the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

    The Group had certain interest-bearing bank borrowings denominated in Unite Stated dollars and foreign currencies based on the Unite Stated Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months (the "2021 Amendment"). Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. The adoption of the above revised IFRS 16 has not had a significant financial impact on this interim financial information.

4 TOTAL REVENUE

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance lease income	**4,794,702**	4,442,603
Operating lease income	**4,921,163**	4,357,048
	9,715,865	8,799,651

5 NET INVESTMENT GAINS/(LOSSES)

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Realised gains from financial assets at fair value through other comprehensive income	**27,745**	–
Realised gains from financial assets at fair value through profit or loss	**–**	5,585
Realised gains from disposal of finance lease receivables	**70,926**	30,634
Realised losses from derivatives	**(5,609)**	(3,552)
Unrealised fair value change of derivatives	**6,966**	(20,585)
Unrealised fair value change of financial assets at fair value through profit or loss	**(28,716)**	(28,994)
	71,312	(16,912)

6 OTHER INCOME, GAINS OR LOSSES

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from deposits with financial institutions	**180,703**	140,509
Gains on disposal of assets held for operating lease businesses, net	**101,285**	321,856
Government grants and incentives	**78,869**	120,403
Management and commission fee income	**247,074**	138,498
Consulting fee income	**952**	1,893
Foreign exchange gains, net	**13,848**	29,138
Others	**32,085**	81,496
	654,816	833,793

7 INTEREST EXPENSE

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Borrowings	**3,414,587**	2,638,067
Bonds payable	**741,874**	805,414
Due to banks and other financial institutions	**126,155**	38,464
Financial assets sold under repurchase agreements	**12,170**	2,224
Deposits from lessees	**441**	697
Others	**53,351**	25,692
Less: Interest capitalised on qualifying assets	**(357,163)**	(169,693)
	3,991,415	3,340,865

Interest capitalised on qualifying assets in the six months ended 30 June 2021 represented approximately RMB357,163 thousand (2020: RMB169,693 thousand) on prepayment.

8 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance lease receivables	**422,476**	1,245,452
Accounts receivable	**311,460**	426,942
Other receivables	**33,834**	–
	767,770	1,672,394

9 NET IMPAIRMENT LOSSES ON OTHER ASSETS

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Operating lease assets	**350,976**	363,277
Assets held-for-sale	**41,642**	–
	392,618	363,277

10 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	**513,926**	624,835
Income tax in other countries	**10**	11
Deferred income tax	**125,845**	(247,412)
Under provision in prior period	**20,530**	56
	660,311	377,490

The applicable enterprise income tax rate is 25% (2020: 25%) for the Company and all its subsidiaries established in mainland China, 16.5% (2020: 16.5%) for subsidiaries in Hong Kong, and 12.5% (2020:12.5%) for subsidiaries in Ireland. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**2,472,436**	1,616,837
Tax at the statutory tax rate of 25%	**618,109**	404,209
Tax effect of expenses not deductible for tax purpose	**399**	4,598
Under provision in prior period	**20,530**	56
Tax losses and deductible temporary difference not recognised	**35,654**	(12,359)
Effect of different tax rates of group entities operating in jurisdictions other than PRC	**(14,381)**	(19,014)
Income tax expense for the period	**660,311**	377,490

11 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to owners of the Company *(RMB'000)*	**1,812,125**	1,239,347
Number of shares:		
Weighted average number of shares in issue *('000)*	**12,642,380**	12,642,380
Basic earnings per share *(RMB Yuan)* [(1)]	**0.14**	0.10

11 EARNINGS PER SHARE (CONTINUED)

(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 2021 and 2020.

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 2021 and 2020.

12 ACCOUNTS RECEIVABLE

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Operating lease receivables[1]	**2,444,660**	2,718,254
Other accounts receivable	**35,349**	14,595
	2,480,009	2,732,849
Less: Allowances for impairment losses		
– Allowances for operating lease receivables	**(1,079,180)**	(772,199)
	1,400,829	1,960,650

(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. As at 30 June 2021, the net value of the Group's operating lease receivables aged less than one year was RMB1,287,146 thousand (31 December 2020: RMB1,946,055 thousand) and aged more than one year was RMB78,334 thousand (31 December 2020: Nil). The aging of operating lease receivables is based on the receivables due date.

Movements of accounts receivable between stages for the six months ended 30 June 2021 and the year ended 31 December 2020 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Gross carrying amount					
Amount as at 1 January 2021	**–**	**–**	**–**	**2,732,849**	**2,732,849**
New assets originated/(repayment)	**–**	**–**	**–**	**(227,263)**	**(227,263)**
Effect of foreign currency exchange differences	**–**	**–**	**–**	**(25,577)**	**(25,577)**
Amount as at 30 June 2021	**–**	**–**	**–**	**2,480,009**	**2,480,009**

	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
New assets originated/(repayment)	(1,500,000)	–	(543,856)	2,187,541	143,685
Written-off	–	–	(171,803)	–	(171,803)
Effect of foreign currency exchange differences	–	–	–	(162,240)	(162,240)
Amount as at 31 December 2020	–	–	–	2,732,849	2,732,849

12 ACCOUNTS RECEIVABLE (CONTINUED)

Movements of allowances for impairment losses during the six months ended 30 June 2021 and the year ended 31 December 2020 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Allowance for impairment losses					
Amount as at 1 January 2021	**–**	**–**	**–**	**772,199**	**772,199**
Net increase/(decrease)(1)	**–**	**–**	**–**	**–**	**–**
Charge/(recovered) for the period(2)	**–**	**–**	**–**	**311,460**	**311,460**
Effect of foreign currency exchange differences	**–**	**–**	**–**	**(4,479)**	**(4,479)**
Amount as at 30 June 2021	**–**	**–**	**–**	**1,079,180**	**1,079,180**

	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
Net increase/(decrease)(1)	(5,084)	–	(543,856)	–	(548,940)
Charge/(recovered) for the year(2)	–	–	–	780,541	780,541
Written-off	–	–	(171,803)	–	(171,803)
Effect of foreign currency exchange differences	–	–	–	(42,352)	(42,352)
Amount as at 31 December 2020	–	–	–	772,199	772,199

(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.

13 FINANCE LEASE RECEIVABLES

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Finance lease receivables		
Not later than one year	**50,645,738**	51,352,631
Later than one year and not later than five years	**121,942,926**	107,822,133
Later than five years	**46,723,652**	46,603,763
Gross amount of finance lease receivables	**219,312,316**	205,778,527
Less: Unearned finance income	**(34,649,529)**	(33,917,035)
Present value of finance lease receivables	**184,662,787**	171,861,492
Less: Allowances for impairment losses	**(6,239,094)**	(5,820,940)
Carrying amount of finance lease receivables	**178,423,693**	166,040,552
Present value of finance lease receivables		
Not later than one year	**41,222,075**	36,763,705
Later than one year and not later than five years	**103,098,855**	89,869,183
Later than five years	**40,341,857**	45,228,604
	184,662,787	171,861,492

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 RMB16,284,640 thousand and RMB15,953,646 thousand were pledged as collateral for the Group's bank borrowings (Note 15) as at 30 June 2021 and 31 December 2020, respectively.

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

Movements between stages during the six months ended 30 June 2021 and the year ended 31 December 2020 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 2021	**149,536,247**	**21,240,845**	**1,084,400**	**171,861,492**
Movement within stages:				
Move to stage 2	**(1,289,428)**	**1,289,428**	**–**	**–**
Net assets originated/(repayment)	**15,231,956**	**(2,321,499)**	**(47,500)**	**12,862,957**
Written-off	**–**	**–**	**11**	**11**
Effect of foreign currency exchange differences	**(58,890)**	**(2,694)**	**(89)**	**(61,673)**
Amount as at 30 June 2021	**163,419,885**	**20,206,080**	**1,036,822**	**184,662,787**

13 FINANCE LEASE RECEIVABLES (CONTINUED)

	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	2,776,902	(2,776,902)	–	–
Move to stage 2	(7,536,166)	7,536,166	–	–
Move to stage 3	(120,469)	(262,028)	382,497	–
Net assets originated/(repayment)	28,448,634	(1,790,804)	(523,716)	26,134,114
Written-off/transfer out	–	–	(573,867)	(573,867)
Effect of foreign currency exchange differences	(827,265)	(20,069)	(5,015)	(852,349)
Amount as at 31 December 2020	149,536,247	21,240,845	1,084,400	171,861,492

Movements of allowances for impairment losses on finance lease receivables during the six months ended 30 June 2021 and the year ended 31 December 2020 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for impairment losses				
Amount as at 1 January 2021	**1,789,997**	**3,074,860**	**956,083**	**5,820,940**
Movement within stages:				
Move to stage 2	**(72,667)**	**72,667**	**–**	**–**
Net increase/(decrease)(1)	**179,683**	**(339,421)**	**(8,178)**	**(167,916)**
Charge/(recovered) for the period(2)	**(70,715)**	**661,172**	**(65)**	**590,392**
Written-off	**–**	**–**	**11**	**11**
Effect of foreign currency exchange differences	**(2,988)**	**(1,189)**	**(156)**	**(4,333)**
Amount as at 30 June 2021	**1,823,310**	**3,468,089**	**947,695**	**6,239,094**

	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	437,135	(437,135)	–	–
Move to stage 2	(95,419)	95,419	–	–
Move to stage 3	(11,719)	(201,134)	212,853	–
Net increase/(decrease)(1)	350,100	(328,911)	(523,244)	(502,055)
Charge/(recovered) for the year(2)	(166,506)	1,278,006	(198,655)	912,845
Written-off/transfer out	–	–	(217,716)	(217,716)
Effect of foreign currency exchange differences	(21,882)	(4,564)	(1,194)	(27,640)
Amount as at 31 December 2020	1,789,997	3,074,860	956,083	5,820,940

(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.

14 PROPERTY AND EQUIPMENT

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Equipment held for operating lease businesses	**83,008,375**	76,299,125
Property and equipment held for administrative purposes	**776,988**	789,642
	83,785,363	77,088,767

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 2021	**77,304,436**	**14,747,602**	**671,727**	**92,723,765**
Additions	**5,798,912**	**6,150,634**	**–**	**11,949,546**
Disposals/written-off	**(727,344)**	**–**	**–**	**(727,344)**
Transferred to assets held-for-sale	**(1,872,224)**	**–**	**–**	**(1,872,224)**
Transferred to other assets	**(13,224)**	**–**	**–**	**(13,224)**
Foreign currency translation	**(716,841)**	**(150,610)**	**–**	**(867,451)**
As at 30 June 2021	**79,773,715**	**20,747,626**	**671,727**	**101,193,068**
Accumulated depreciation				
As at 1 January 2021	**(12,550,199)**	**(882,540)**	**(247,743)**	**(13,680,482)**
Charge for the period	**(1,605,030)**	**(389,880)**	**(7,619)**	**(2,002,529)**
Disposals/written-off	**121,829**	**–**	**–**	**121,829**
Transferred to assets held-for-sale	**370,272**	**–**	**–**	**370,272**
Transferred to other assets	**246**	**–**	**–**	**246**
Foreign currency translation	**69,182**	**7,655**	**–**	**76,837**
As at 30 June 2021	**(13,593,700)**	**(1,264,765)**	**(255,362)**	**(15,113,827)**
Accumulated impairment				
As at 1 January 2021	**(2,226,643)**	**(240,245)**	**(277,270)**	**(2,744,158)**
Charge for the period	**(350,976)**	**–**	**–**	**(350,976)**
Foreign currency translation	**22,887**	**1,381**	**–**	**24,268**
As at 30 June 2021	**(2,554,732)**	**(238,864)**	**(277,270)**	**(3,070,866)**
Net carrying amount				
As at 1 January 2021	**62,527,594**	**13,624,817**	**146,714**	**76,299,125**
As at 30 June 2021	**63,625,283**	**19,243,997**	**139,095**	**83,008,375**

14 PROPERTY AND EQUIPMENT (CONTINUED)

Audited	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	9,526,112	6,168,404	–	15,694,516
Transferred from finance lease receivables	100,083	–	–	100,083
Disposals/written-off	(2,942,610)	–	–	(2,942,610)
Foreign currency translation	(5,266,088)	(896,465)	–	(6,162,553)
As at 31 December 2020	77,304,436	14,747,602	671,727	92,723,765
Accumulated depreciation				
As at 1 January 2020	(11,692,317)	(421,288)	(205,508)	(12,319,113)
Charge for the year	(3,377,686)	(504,470)	(42,235)	(3,924,391)
Disposals/written-off	1,685,581	–	–	1,685,581
Foreign currency translation	834,223	43,218	–	877,441
As at 31 December 2020	(12,550,199)	(882,540)	(247,743)	(13,680,482)
Accumulated impairment				
As at 1 January 2020	(911,753)	(249,866)	(192,904)	(1,354,523)
Charge for the year	(1,455,220)	–	(84,366)	(1,539,586)
Foreign currency translation	140,330	9,621	–	149,951
As at 31 December 2020	(2,226,643)	(240,245)	(277,270)	(2,744,158)
Net carrying amount				
As at 1 January 2020	63,282,869	8,804,509	273,315	72,360,693
As at 31 December 2020	62,527,594	13,624,817	146,714	76,299,125

As at 30 June 2021, the aircraft and ships with net book value of approximately RMB19,993,456 thousand (31 December 2020: RMB18,047,343 thousand) and RMB1,105,954 thousand (31 December 2020: RMB1,148,333 thousand) of the Group were pledged as collateral for the Group's bank borrowings (Note 15) and long-term payable, respectively.

14 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 2021	**800,870**	**17,072**	**5,472**	**17,482**	**72,805**	**913,701**
Additions	**302**	**10,555**	**–**	**1,108**	**–**	**11,965**
Transferred to investment properties	**(7,065)**	**–**	**–**	**–**	**–**	**(7,065)**
Foreign currency translation	**(98)**	**–**	**–**	**(64)**	**(511)**	**(673)**
As at 30 June 2021	**794,009**	**27,627**	**5,472**	**18,526**	**72,294**	**917,928**
Accumulated depreciation						
As at 1 January 2021	**(70,016)**	**(10,886)**	**(3,101)**	**(11,103)**	**(28,953)**	**(124,059)**
Charge for the period	**(10,060)**	**(3,320)**	**(382)**	**(1,864)**	**(1,463)**	**(17,089)**
Foreign currency translation	**77**	**–**	**–**	**29**	**102**	**208**
As at 30 June 2021	**(79,999)**	**(14,206)**	**(3,483)**	**(12,938)**	**(30,314)**	**(140,940)**
Net carrying amount						
As at 1 January 2021	**730,854**	**6,186**	**2,371**	**6,379**	**43,852**	**789,642**
As at 30 June 2021	**714,010**	**13,421**	**1,989**	**5,588**	**41,980**	**776,988**

Audited	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	1,356	2,941	–	1,769	1,621	7,687
Disposals/written-off	–	(806)	–	(352)	(5)	(1,163)
Transfer to other assets	(86,570)	–	–	(115,986)	54,540	(148,016)
Foreign currency translation	(360)	–	–	(959)	(3,048)	(4,367)
As at 31 December 2020	800,870	17,072	5,472	17,482	72,805	913,701
Accumulated depreciation						
As at 1 January 2020	(53,505)	(9,096)	(2,333)	(76,658)	(17,870)	(159,462)
Charge for the year	(23,061)	(2,558)	(768)	(4,567)	(3,595)	(34,549)
Disposals/written-off	–	768	–	332	–	1,100
Transfer to other assets	6,400	–	–	69,525	(8,079)	67,846
Foreign currency translation	150	–	–	265	591	1,006
As at 31 December 2020	(70,016)	(10,886)	(3,101)	(11,103)	(28,953)	(124,059)
Net carrying amount						
As at 1 January 2020	832,939	5,841	3,139	56,352	1,827	900,098
As at 31 December 2020	730,854	6,186	2,371	6,379	43,852	789,642

14 PROPERTY AND EQUIPMENT (CONTINUED)

As at 30 June 2021, property and equipment of the Group with carrying values of RMB8,259 thousand (31 December 2020: RMB8,530 thousand) 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 2021 was 4.80% (31 December 2020: 4.80%).

15 BORROWINGS

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Secured bank borrowings[1]	**23,056,403**	19,087,160
Unsecured bank borrowings	**173,264,877**	191,294,857
	196,321,280	210,382,017

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Carrying amount repayable:		
Within one year	**160,721,802**	177,606,029
More than one year, but not exceeding two years	**8,678,931**	23,609,722
More than two years, but not exceeding five years	**21,574,760**	8,361,171
More than five years	**5,345,787**	805,095
	196,321,280	210,382,017

(1) Secured bank borrowings

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

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Equipment held for operating lease businesses	**19,993,456**	18,047,343
Finance lease receivables	**16,284,640**	15,953,646
	36,278,096	34,000,989

15 BORROWINGS (CONTINUED)

(1) Secured bank borrowings (Continued)

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed-rate borrowings:		
Within one year	**146,554,650**	152,189,299
More than one year, but not exceeding five years	**15,584,885**	1,885,882
More than five years	**691,248**	295,939
	162,830,783	154,371,120

In addition, the Group has floating-rate borrowings which carry interest based on Loan Prime Rate ("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 2021	31 December 2020
	(Unaudited)	(Audited)
Effective interest rate:		
Fixed-rate borrowing	**0.28%-4.60%**	0.83%-4.60%
Floating-rate borrowing	**"LIBOR+0.55% to LIBOR+3.00%"**	"LIBOR+0.65% to LIBOR+3.30%"

16 BONDS PAYABLE

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Guaranteed unsecured bonds(1)	**47,469,817**	41,708,209
Unguaranteed unsecured bonds	**4,471,026**	4,513,500
	51,940,843	46,221,709

16 BONDS PAYABLE (CONTINUED)

Currency	Fixed Coupon Rate	**Maturity (Year)**	**Face value** ***RMB'000***	**30 June 2021** **Guaranteed unsecured bonds [(1)]** ***RMB'000***	**Unguaranteed unsecured bonds** ***RMB'000***
RMB	3.60%	2021 to 2022	270,000	270,000	–
HKD	1.00% to 3.60%	2021 to 2024	3,826,736	3,826,736	–
USD	1.20% to 4.25%	2021 to 2027	42,229,351	37,707,281	4,522,070
			46,326,087	41,804,017	4,522,070
Currency	**Floating Rate**				
USD	3-month LIBOR + Margin ranging from 1.15% to 1.25%	2021	5,814,090	5,814,090	–
			52,140,177	47,618,107	4,522,070

Currency	Fixed Coupon Rate	Maturity (Year)	Face value RMB'000	31 December 2020 Guaranteed unsecured bonds [(1)] RMB'000	Unguaranteed unsecured bonds RMB'000
RMB	3.60% to 3.80%	2021 to 2022	715,000	715,000	–
HKD	1.35% to 3.60%	2021 to 2022	6,008,468	6,008,468	–
USD	1.29% to 4.25%	2021 to 2027	33,798,982	29,231,552	4,567,430
			40,522,450	35,955,020	4,567,430
Currency	Floating Rate				
USD	3-month LIBOR + Margin ranging from 1.15% to 1.25%	2021	5,872,410	5,872,410	–
			46,394,860	41,827,430	4,567,430

(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.

17 SHARE CAPITAL

	30 June 2021 ***RMB'000*** **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Registered, issued and fully paid: par value RMB1.00 per share	**12,642,380**	12,642,380

18 DIVIDENDS

On 13 May 2021, the board of directors has decided to distribute a final dividend of RMB0.7756 per 10 shares for the year ended 31 December 2020. The total share capital of the Group amounted to 12,642,380,000, and the total amount of profit distribution amounted to RMB980,542,993. The proposed final dividend for the year has been approved by the shareholders at the annual general meeting on 29 June 2021.

19 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 manufacturing equipment in various sectors such as chemicals, papermaking, textile, coal and steel, manufacturing sectors supported by national policies, and commercial property.

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 2021 and 2020.

19 SEGMENT REPORTING (CONTINUED)

The operating and reportable segment information provided to the CODM during the six months ended 30 June 2021 and 2020 is as follows:

	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Consolidated total
Unaudited						
For the six months ended 30 June 2021						
Segment revenue and results						
Finance lease income	484	3,532,079	323,908	688,346	249,885	4,794,702
Operating lease income	3,476,367	16,627	1,360,864	–	67,305	4,921,163
Segment revenue	3,476,851	3,548,706	1,684,772	688,346	317,190	9,715,865
Segment other income, gains and losses	179,931	199,489	306,527	28,665	11,516	726,128
Segment revenue and other income	3,656,782	3,748,195	1,991,299	717,011	328,706	10,441,993
Segment expenses	(3,620,861)	(2,485,441)	(1,281,990)	(410,352)	(170,913)	(7,969,557)
Profit before income tax	35,921	1,262,754	709,309	306,659	157,793	2,472,436
Profit before impairment losses and income tax	770,871	1,557,116	841,380	332,972	130,485	3,632,824
Unaudited						
As at 30 June 2021						
Segment assets and liabilities						
Segment assets	81,648,269	152,638,502	37,433,755	29,997,640	8,420,069	310,138,235
Deferred tax assets						1,381,082
Group's total assets						311,519,317
Segment liabilities	76,515,812	137,817,038	33,466,514	26,722,418	8,261,383	282,783,165
Deferred tax liabilities						977,034
Group's total liabilities						283,760,199
For the six months ended 30 June 2021						
Other segment information						
Depreciation of investment properties	–	–	–	–	(17,958)	(17,958)
Depreciation of property and equipment	(1,606,487)	(21,105)	(386,549)	(1,793)	(3,684)	(2,019,618)
Depreciation of right-of-use assets	(8,096)	(3,212)	(1,143)	(600)	(272)	(13,323)
Amortisation	(20,331)	(6,104)	(2,172)	(1,139)	(4,906)	(34,652)
Impairment losses	(734,950)	(294,362)	(132,071)	(26,313)	27,308	(1,160,388)

19 SEGMENT REPORTING (CONTINUED)

The operating and reportable segment information provided to the CODM during the six months ended 30 June 2021 and 2020 is as follows (continued):

	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
Audited						
As at 31 December 2020						
Segment assets and liabilities						
Segment assets	94,673,457	136,052,402	34,183,248	25,131,325	11,958,393	301,998,825
Deferred tax assets						1,330,842
Group's total assets						303,329,667
Segment liabilities	86,412,890	120,942,185	32,009,294	22,932,413	13,645,806	275,942,588
Deferred tax liabilities						757,764
Group's total liabilities						276,700,352
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)

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.

20 EVENTS AFTER THE REPORTING PERIOD

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

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.
"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)
"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
"Directors"	directors of the Company
"Group" or "we"	the Company and its subsidiaries or SPVs, or the Company and any one or more of its subsidiaries or SPVs, as the context may require
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"OEM (s)"	collectively or individually, Boeing, Airbus and other aircraft manufacturers
"Reporting Period"	from January 1, 2021 to June 30, 2021
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Shares"	shares in the share capital of the Company with a nominal value of RMB1.00 each
"Shareholders"	holders of the Shares
"State Council"	State Council of the People's Republic of China
"subsidiary/subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Supervisors"	supervisors of the Company
"US\$", "USD" or "US dollars"	United States dollars, 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 assets"	leased assets under finance lease, consisting of finance lease 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
"SPVs"	special purpose vehicles
"wide-body aircraft"	twin-aisle aircraft, such as Airbus A330 family and Boeing 777 family

By order of the Board
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.
LIU Yi
Joint Company Secretary

Shenzhen, the PRC
30 August 2021

As at the date of this announcement, the executive Directors of the Company are, Mr. PENG Zhong and Mr. HUANG Min; the non-executive Directors are Mr. LI Yingbao and Mr. WANG Bangyi; and the independent non-executive Directors are Mr. ZHENG Xueding, Mr. XU Jin and Mr. ZHANG Xianchu.