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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, 2022

The Board of China Development Bank Financial Leasing Co., Ltd. hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries for the six months ended June 30, 2022, together with comparative figures for the same period of 2021, 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

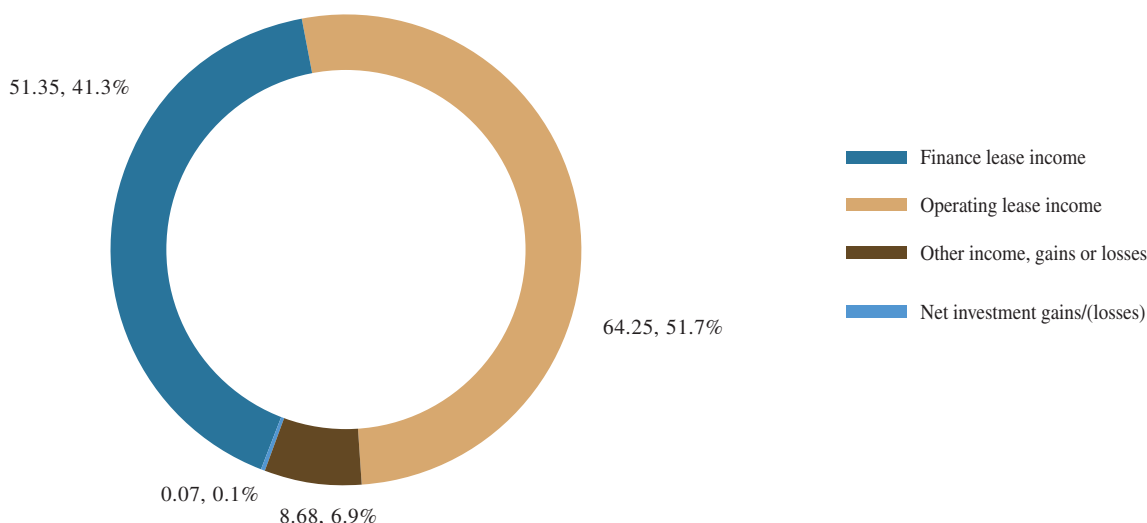
1. SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the six months ended June 30,		For the year ended December 31,
<i>(RMB in thousands)</i>	2022	2021	2021
Finance lease income	5,134,619	4,794,702	9,813,486
Operating lease income	6,425,283	4,921,163	11,550,309
Total revenue	11,559,902	9,715,865	21,363,795
Net investment gains	6,632	71,312	87,279
Other income, gains or losses	868,184	654,816	1,864,732
Total revenue and other income	12,434,718	10,441,993	23,315,806
Total expenses	(9,766,512)	(7,969,557)	(17,780,240)
Of which: Depreciation and amortisation	(2,541,914)	(2,085,551)	(4,348,822)
Interest expenses	(3,956,755)	(3,991,415)	(8,087,780)
Impairment losses	(2,312,100)	(1,160,388)	(3,510,289)
Profit before income tax	2,668,206	2,472,436	5,535,566
Profit for the Reporting Period	1,949,716	1,812,125	3,922,212
Basic and diluted earnings per share <i>(RMB Yuan)</i>	0.15	0.14	0.31

In the first half of 2022, finance lease income accounted for 41.3% of the operating income of the Group, representing a year-on-year decrease of 4.6 percentage points; operating lease income accounted for 51.7%, representing a year-on-year increase of 4.6 percentage points; other income, gains or losses accounted for 6.9%, representing a year-on-year increase of 0.6 percentage points; and net investment gains accounted for 0.1%, representing a year-on-year decrease of 0.6 percentage points.

BREAKDOWN OF OPERATING INCOME

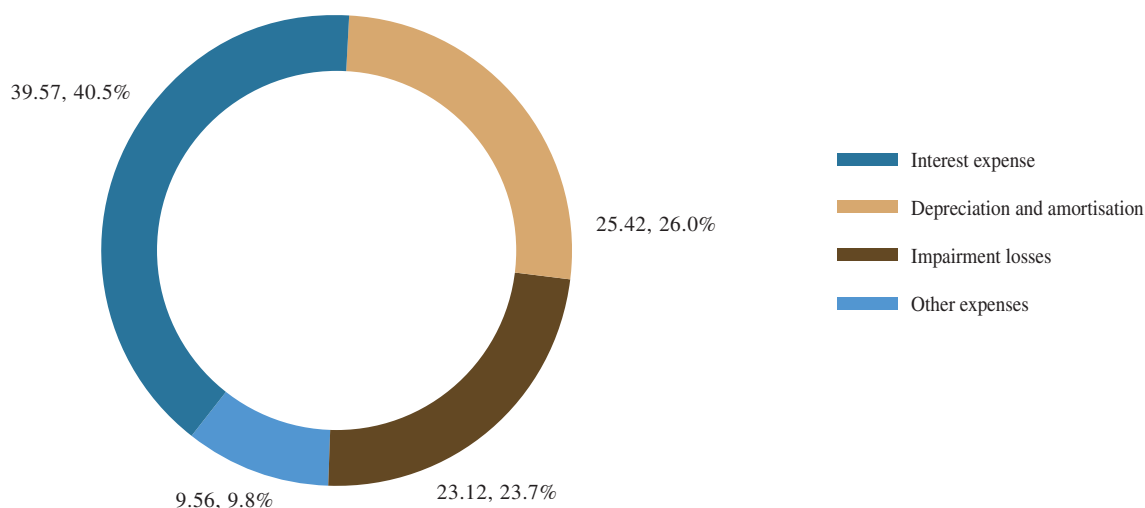
(UNIT: RMB'00 MILLION, PERCENTAGE)



In the first half of 2022, interest expense accounted for 40.5% of the operating expenses of the Group, representing a year-on-year decrease of 9.6 percentage points; depreciation and amortisation accounted for 26.0%, representing a year-on-year decrease of 0.2 percentage points; impairment losses accounted for 23.7%, representing a year-on-year increase of 9.1 percentage points; and other expenses accounted for 9.8%, representing a year-on-year increase of 0.7 percentage points.

BREAKDOWN OF OPERATING EXPENSES

(UNIT: RMB'00 MILLION, PERCENTAGE)



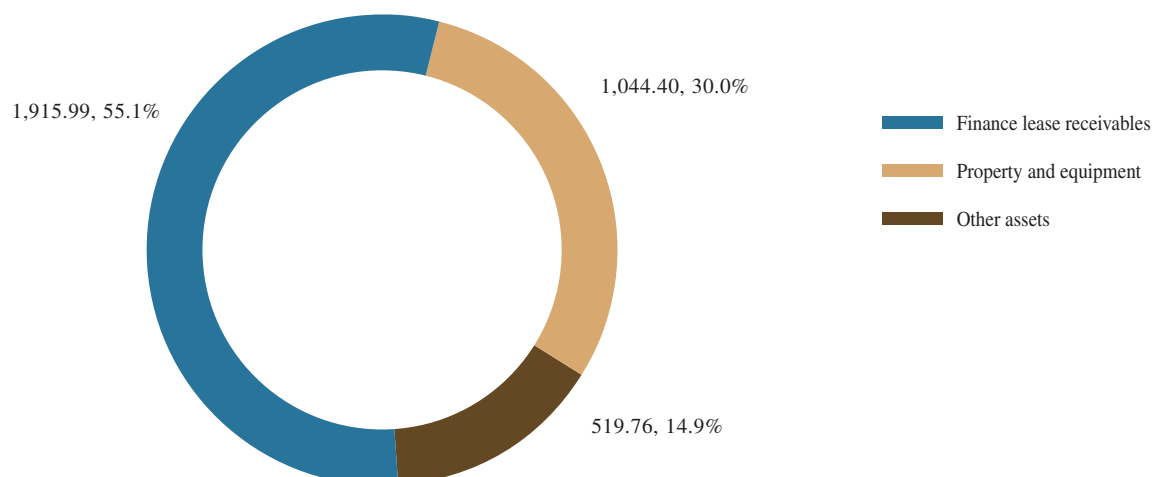
2. SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(RMB in thousands)</i>	June 30, 2022	December 31, 2021
Total assets	<u>348,015,262</u>	<u>341,837,629</u>
Of which: Cash and bank balances	30,508,299	36,833,077
Accounts receivable	1,386,970	1,245,057
Finance lease receivables	191,598,666	190,871,553
Prepayments	10,581,798	11,958,595
Property and equipment	<u>104,440,088</u>	<u>92,829,721</u>
Total liabilities	<u>315,700,830</u>	<u>311,730,875</u>
Of which: Borrowings	232,800,209	236,087,673
Bonds payable	<u>46,892,958</u>	<u>45,045,528</u>
Net assets	<u>32,314,432</u>	<u>30,106,754</u>
Net assets per share <i>(RMB Yuan)</i>	2.56	2.38

As at June 30, 2022, finance lease receivables accounted for 55.1% of the total assets of the Group, representing a decrease of 0.7 percentage points compared with that as at the end of 2021; property and equipment accounted for 30.0%, representing an increase of 2.8 percentage points compared with that as at December 31, 2021; and other assets accounted for 14.9%, representing a decrease of 2.1 percentage points compared with that as at the end of 2021.

BREAKDOWN OF NET BOOK VALUE OF THE TOTAL ASSETS

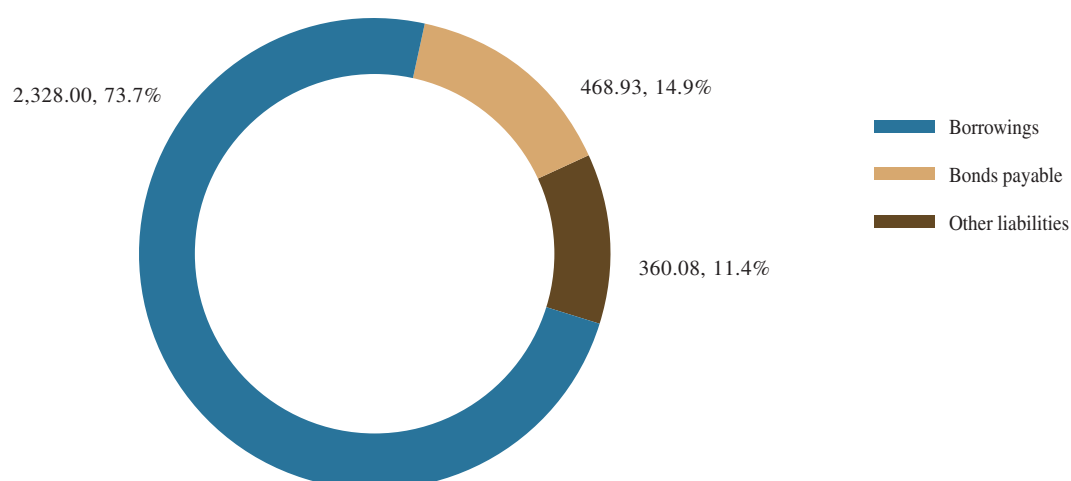
(UNIT: RMB'00 MILLION, PERCENTAGE)



As at June 30, 2022, borrowings accounted for 73.7% of the total liabilities of the Group, representing a decrease of 2.0 percentage points compared with that as at the end of 2021; bonds payable accounted for 14.9%, representing an increase of 0.4 percentage points compared with that as at the end of 2021; and other liabilities accounted for 11.4%, representing an increase of 1.6 percentage points compared with that as at the end of 2021.

BREAKDOWN OF NET BOOK VALUE OF THE TOTAL LIABILITIES

(UNIT: RMB'00 MILLION, PERCENTAGE)



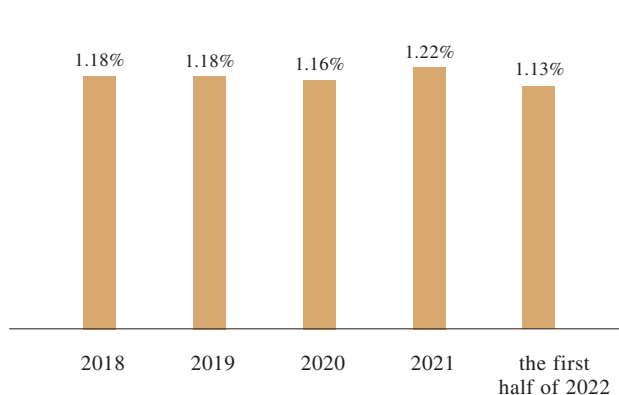
3. SELECTED FINANCIAL RATIOS

	For the six months ended June 30/As of June 30,		For the year ended December 31/ As of December 31,
	2022	2021	2021
Return on average total assets ⁽¹⁾	1.13%	1.18%	1.22%
Return on average equity ⁽²⁾	12.49%	13.33%	13.83%
Cost-to-income ratio ⁽³⁾	7.82%	7.13%	7.89%
Non-performing asset ratio ⁽⁴⁾	0.91%	0.78%	0.67%
Non-performing asset ratio of finance lease business ⁽⁵⁾	0.86%	0.48%	0.45%
Gearing ratio ⁽⁶⁾	8.14 times	8.61 times	8.47 times
Credit ratings			
Standard & Poor's	A	A	A
Moody's	A1	A1	A1
Fitch	A+	A+	A+

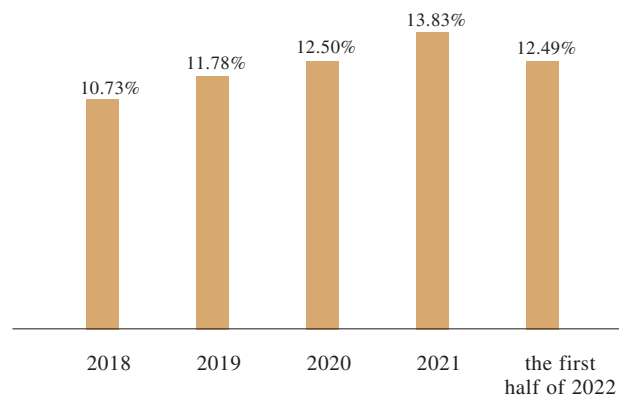
- (1) Calculated by dividing net profit for the period by average balance of total assets at the beginning and the end of the period on an annualised basis.
- (2) Calculated by dividing net profit for the period by average balance of total Shareholders' equity at the beginning and the end of the period 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 2022, the Group recorded return on average total assets of 1.13% and return on average equity of 12.49%, both decreased as compared with those for the same period of last year, mainly due to the year-on-year growth rate of assets and equity being higher than the growth rate of 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, 2022	December 31, 2021	December 31, 2020
Capital adequacy indicators⁽¹⁾				
Core tier-one capital adequacy ratio ⁽²⁾	≥7.5%	9.63%	9.40%	9.82%
Tier-one capital adequacy ratio ⁽³⁾	≥8.5%	9.63%	9.40%	9.82%
Capital adequacy ratio ⁽⁴⁾	≥10.5%	12.22%	11.93%	12.60%
Asset quality indicators				
Ratio of allowance to non-performing finance lease related assets ⁽⁵⁾	≥150%	523.24%	847.80%	625.95%

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1 BUSINESS ENVIRONMENT

1.1 Macro Economy

In the first half of 2022, the global economic situation was complex and severe with serious inflationary pressures. On the whole, although the European Central Bank and the U. S. Federal Reserve have started the process of raising interest rates, CPI growth remains high, the European and US economies were moving down faster than inflation, and the initial pattern of “stagflation” was coming to the fore. Under the triple pressure of weak supply and demand, financial risks and geopolitical crises, the International Monetary Fund (IMF) has lowered its forecast of real GDP growth for the world’s major countries and regions in 2022.

Domestically, the impact of local pandemic shocks and geopolitical and other unanticipated events continued to spread in the first half of 2022, and the Chinese economy faced greater challenges. Faced with a complex and challenging international situation and shouldering the daunting and onerous task of domestic reform, development and stability, the overall economic and social development remained stable. GDP in the first half of the year was RMB56.26 trillion, up 2.5% year-on-year, of which a 0.4% year-on-year increase in GDP in the second quarter to achieve positive growth in the first and second quarters under the pressure. In the first half of 2022, the financing to the real economy (AFRE) (flow) was accumulated at RMB21 trillion, an increase of RMB3.2 trillion over the same period last year, of which RMB loans increased by RMB13.68 trillion, an increase of RMB919.2 billion year-on-year. As at June 30, 2022, the outstanding AFRE reached RMB334.27 trillion, up 10.8% year-on-year. Specifically, the balance of RMB loans to the real economy grew by 11.1% year-on-year, and financial support to the real economy continued to increase.

1.2 Industry Environment

In the first half of 2022, the financial leasing industry focused on promoting high-quality transformation and development, with financial leasing companies continuing to focus on their main responsibilities and principal business, strengthening professional capacity, building and creating diversified product models, and the industry as a whole maintained a stable and progressive development trend. Under the guidance of national policies, financial leasing industry proactively fit into the new development pattern in the new era, actively supported green economic transformation based on the “carbon peak and neutrality” initiatives, and focused on core enterprises in the upstream and downstream of the industry chain to continuously improve the ability to serve the real economy. In response to the requirements of the State Council’s work on inclusive finance, the financial leasing industry has been vigorously promoting the innovative development of inclusive business and helping small and medium-sized enterprises to solve their financing problems. On the whole, the leasing industry as a whole was in good operating condition, with risks generally under control, and continued to play an important role in broadening the financing channels for enterprises and implementing financial supply side structural reform.

2 THE COMPANY'S RESPONSES

In the first half of 2022, in the face of the more complex and severe external market situation and challenges, the Group continued to maintain strategic determination, strengthen its responsibility, seek innovation, promote transformation, fill shortcomings and strengthen management, solidly promote high-quality development and continuously enhance the effectiveness of its services to the real economy.

Overall Sound Financial Indicators

Total assets reached RMB348.015 billion, representing a year-on-year increase of 11.7%;

Operating income reached RMB12.435 billion, representing a year-on-year increase of 19.1%;

Net profit was RMB1.950 billion, representing a year-on-year increase of 7.6%;

As at the end of the first half of the year, the non-performing asset ratio was 0.91%, which has been kept below 1% since its listing, showing that the asset quality has remained stable.

Optimizing Business Structure

Aircraft leasing: The segment consolidated and enhanced its professional ability to develop aircraft leasing and continuously optimised its fleet structure. It closely tracked the aviation market situation, actively made efforts to prevent risks and settle overdue rentals, and timely conducted reinsertion of aircraft affected by international geopolitics. As of June 30, 2022, the Group had a total portfolio of 384 aircraft, representing an increase of 16 aircraft compared with the end of 2021. The fleet consisted of 41 wide-body aircraft, 321 narrow-body aircraft, 20 regional aircraft and 2 freighters. The weighted average age of the Group's owned aircraft held for operating lease was 4.5 years. The fleet structure and aircraft age were continuously optimized.

Ship leasing: The segment developed the ship business with the business philosophy of "pursuing further business development based on long-term diligent work" and achieved a balanced development of operating leasing and financial leasing business. As of June 30, 2022, the Group had a total of 259 ships, among which 220 ships in operation and 39 new ships were under construction. Among the ships in operation, in terms of lease manner, there were 33 ships under finance lease and 187 ships under operating leasing; in terms of ship type, 160 bulk carriers, 33 product tankers, 20 container ships, 6 LNG ships and 1 cruise ship. The Group focused on high-quality customers in the industry and mainstream ship types, the segment steadily explored and built the ship business as the core business segment of the Company.

Infrastructure leasing: With a focus on the development of key strategic regions designated by the state, the segment achieved business deployment in seven key strategic regions, including the Yangtze River Economic Belt, Yangtze River Delta, Guangdong, Hong Kong and Macao. The segment accelerated business transformation and development, and took the initiative to increase business support in the manufacturing industry of "new infrastructure", "double carbon" and "specialized and innovative" enterprises, with new investments in IC, IDC and new energy power plants increased substantially year-on-year, achieving a more diversified business structure.

Inclusive finance: The segment steadily developed its construction machinery and commercial vehicles business, explored diversified inclusive financial leasing products and implemented agricultural machinery leasing business, benefiting over 1,300 farmers. Through deepening financial technology empowerment, the C-terminal business of passenger vehicles was launched in an orderly manner, effectively enhancing the Group's energy efficiency in serving the real economy. In response to the deployment of national policies, the segment actively served freight logistics to ensure smooth traffic flow and supported more than 2,100 freight logistics vehicles, effectively playing a role in financial leasing to help alleviate the hardship of enterprises.

Improving the Quality and Efficiency of Internal Management Continuously

Capital management: The Group deepened its capital forward-looking and refined management concepts. Based on the capital adequacy management plan and rolling capital monitoring, it carried out in-depth integrated management of capital replenishment and capital utilisation to enhance the efficiency of capital utilisation and the level of capital return. The Company enhanced its endogenous capital replenishment capacity, built a long-term mechanism for capital replenishment, continuously consolidated the Group's capital strength and strengthened its ability to serve the real economy. During the first half of 2022, all capital indicators of the Group were in line with regulatory requirements, and capital adequacy ratio maintained at a sound and reasonable level.

Asset and liability management (ALM): With the objective of "improving quality and increasing efficiency", the Group improved the overall management of assets and liabilities. The Group strengthened the analysis and judgment of the capital market, continued to optimize the maturity structure of financing, and continuously consolidated the foundation of the Group's business development.

Risk management: The Group continued to optimise its comprehensive risk management system to enhance its risk management capabilities. It improved asset quality classification management and further refined and standardised classification requirements in the areas, including rental recovery and leasehold management. The Group continued to improve risk warning and monitoring tools to enhance the ability to identify risks in a forward-looking manner. As of June 30, 2022, the non-performing assets of the Group amounted to RMB3.308 billion and the non-performing asset ratio was 0.91%, which has been kept below 1% since its listing, showing that the asset quality has remained stable.

Internal control and compliance management: With the objective of "improving the quality and efficiency of compliance and staying away from the red line of regulation", the Group continued to deepen the construction of compliance, and achieved significant results in the construction of compliance system, daily compliance management and promotion of compliance culture.

Data governance: The Group continued to strengthen the construction of the data governance system, consolidate the foundation of digital transformation, formulate data standards in accordance with regulatory requirements, further improve the quality of the Group's data and consolidate the foundation of data security management.

3 ANALYSIS OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

3.1 Overview of Condensed Consolidated Statement of Profit or Loss

In the first half of 2022, the Group recorded total revenue and other income of RMB12,434.7 million, an increase of RMB1,992.7 million or 19.1% compared with that for the same period of last year; and achieved net profit of RMB1,949.7 million, an increase of RMB137.6 million or 7.6% compared with that for the same period of last year, primarily due to (1) the stable growth in total leased assets; (2) the substantial year-on-year increase in revenue from ship operating lease business benefiting from the rise in Baltic Dry Index.

The following table sets forth the statement of profit or loss of the Group for the six months ended June 30, 2022 and comparative figures for the same period of last year:

<i>(RMB in millions, except percentages)</i>	For the six months ended June 30,		
	2022	2021	Change
Revenue			
Finance lease income	5,134.6	4,794.7	7.1%
Operating lease income	6,425.3	4,921.2	30.6%
Total revenue	11,559.9	9,715.9	19.0%
Net investment gains	6.6	71.3	(90.7%)
Other income, gains or losses	868.2	654.8	32.6%
Total revenue and other income	12,434.7	10,442.0	19.1%
Depreciation and amortisation	(2,541.9)	(2,085.6)	21.9%
Staff costs	(270.5)	(236.4)	14.4%
Fee and commission expenses	(26.8)	(31.2)	(14.1%)
Interest expenses	(3,956.8)	(3,991.4)	(0.9%)
Other operating expenses	(658.4)	(464.6)	41.7%
Impairment losses	(2,312.1)	(1,160.4)	99.3%
Total expenses	(9,766.5)	(7,969.6)	22.5%
Profit before income tax	2,668.2	2,472.4	7.9%
Income tax expense	(718.5)	(660.3)	8.8%
Net profit	1,949.7	1,812.1	7.6%

3.2 Total revenue

Revenue of the Group was primarily derived from finance lease income and operating lease income. For the first half of 2022, total revenue of the Group amounted to RMB11,559.9 million, representing an increase of 19.0% compared with the total revenue of RMB9,715.9 million for the same period of last year, primarily due to the year-on-year increase in total lease assets in the first half of 2022, and the significant year-on-year increase in ship leasing income on the back of a higher Baltic Dry Index.

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:

(RMB in millions, except percentages)	For the six months ended June 30,		Change
	2022	2021	
Finance lease income			
Aircraft leasing	2.1	0.5	320.0%
Infrastructure leasing	3,789.3	3,532.1	7.3%
Ship leasing	312.9	323.9	(3.4%)
Inclusive finance	737.7	688.3	7.2%
Others	292.6	249.9	17.1%
Total	5,134.6	4,794.7	7.1%

For the first half of 2022, finance lease income of the Group amounted to RMB5,134.6 million, accounting for 44.4% of the total revenue and representing an increase of 7.1% compared with the finance lease income of RMB4,794.7 million for the same period of last year, primarily due to a year-on-year increase in the scale of finance lease assets.

With respect to aircraft leasing, for the first half of 2022, finance lease income of the Group amounted to RMB2.1 million, representing an increase of 320.0% compared with the finance lease income of RMB0.5 million for the same period of last year, primarily due to the addition of two new aircrafts under finance leases in the first half of 2022.

With respect to infrastructure leasing, for the first half of 2022, finance lease income of the Group amounted to RMB3,789.3 million, representing an increase of 7.3% compared with the finance lease income of RMB3,532.1 million for the same period of last year, primarily due to the increase in the scale of infrastructure finance lease business in the first half of 2022 as compared with that of the same period of last year.

With respect to ship leasing, for the first half of 2022, finance lease income of the Group amounted to RMB312.9 million, representing a decrease of 3.4% compared with the finance lease income of RMB323.9 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 the first half of 2022.

With respect to inclusive finance, for the first half of 2022, finance lease income of the Group amounted to RMB737.7 million, representing an increase of 7.2% compared with the finance lease income of RMB688.3 million for the same period of last year, primarily due to the increase in the scale of inclusive finance lease business for the first half of 2022 as compared with that of the same period of last year.

With respect to other leasing businesses, for the first half of 2022, finance lease income of the Group amounted to RMB292.6 million, representing an increase of 17.1% compared with the finance lease income of RMB249.9 million for the same period of last year, primarily due to the increase in the scale of other leasing business in the first half of 2022 as compared with that of the same period of last year.

3.2.2 Operating Lease Income

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

<i>(RMB in millions, except percentages)</i>	For the six months ended June 30,		
	2022	2021	Change
Operating lease income			
Aircraft leasing	3,504.5	3,476.4	0.8%
Infrastructure leasing	2.4	16.6	(85.5%)
Ship leasing	2,853.9	1,360.9	109.7%
Inclusive finance	—	—	—
Others	64.5	67.3	(4.2%)
Total	<u>6,425.3</u>	<u>4,921.2</u>	<u>30.6%</u>

For the first half of 2022, the operating lease income of the Group amounted to RMB6,425.3 million, accounting for 55.6% of the total revenue and representing an increase of 30.6% compared with the operating lease income of RMB4,921.2 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 shipping operating lease assets and on the back of a higher Baltic Dry Index.

3.2.3 Net Investment Gains

For the first half of 2022, net investment gains of the Group amounted to RMB6.6 million, representing a decrease of 90.7% as compared with the investment gains of RMB71.3 million for the same period of last year, primarily due to the decrease in income from transfer resulting from the decrease in the scale of transfer of finance lease assets.

3.2.4 Other Income, Gains or Losses

For the first half of 2022, other income and gains of the Group amounted to RMB868.2 million, representing an increase of 32.6% compared with the other income and gains of RMB654.8 million for the same period of last year, primarily due to the significant year-on-year increase in management fees for leasing projects and gains on disposal of assets.

3.3 Cost and Expenses

For the first half of 2022, total cost and expenses of the Group amounted to RMB9,766.5 million, representing an increase of 22.5% compared with the total cost and expenses of RMB7,969.6 million for the same period of last year, primarily due to the year-on-year increase in impairment losses.

3.3.1 Depreciation and Amortisation

For the first half of 2022, depreciation and amortisation expenses of the Group amounted to RMB2,541.9 million, representing an increase of 21.9% compared with the depreciation and amortisation expenses of RMB2,085.6 million for the same period of last year, primarily due to the increase in depreciation expenses of leased assets resulting from the growth in the scale of operating lease assets.

3.3.2 Staff Costs

For the first half of 2022, staff costs of the Group amounted to RMB270.5 million, representing an increase of 14.4% compared with the staff costs of RMB236.4 million for the same period of last year, primarily due to the increase in staff costs resulting from the growth in business scale and profit.

3.3.3 Fee and Commission Expenses

For the first half of 2022, fee and commission expenses of the Group amounted to RMB26.8 million, representing a decrease of 14.1% compared with the fee and commission expenses of RMB31.2 million for the same period of last year, primarily due to the decrease in supervision fees for leasing projects.

3.3.4 Interest Expense

For the first half of 2022, interest expense of the Group amounted to RMB3,956.8 million, representing a decrease of 0.9% compared with the interest expense of RMB3,991.4 million for the same period of last year, primarily due to the year-on-year decrease in financing cost rate.

3.3.5 Other Operating Expenses

For the first half of 2022, other operating expenses of the Group amounted to RMB658.4 million, representing an increase of 41.7% compared with the other operating expenses of RMB464.6 million for the same period of last year, primarily due to the increase in service expenses related to the shipping operating leasing business as a result of the growth of the shipping operating leasing business.

3.3.6 Impairment Losses

For the first half of 2022, impairment losses of the Group amounted to RMB2,312.1 million, representing an increase of 99.3% compared with the impairment losses of RMB1,160.4 million for the same period of last year. Firstly, provision increased as a result of the expansion of the Group's business scale; secondly, in order to enhance the risk management and control, the Group increased the provision proportion for leased assets in individual industries and regions materially affected by increased liquidity pressure, so as to enhance the ability to resist risks; thirdly, the increased impairment is to prepare for the repossession risk of those aircraft still trapped in Russia.

3.4 Profit before Income Tax

For the first half of 2022, profit before income tax of the Group amounted to RMB2,668.2 million, representing an increase of 7.9% compared with the profit before income tax of RMB2,472.4 million for the same period of last year, primarily due to the year-on-year increase in net leasing income in the first half of 2022.

3.5 Income Tax Expense

For the first half of 2022, income tax expense of the Group amounted to RMB718.5 million, representing an increase of 8.8% compared with the income tax expense of RMB660.3 million for the same period of last year, primarily due to the increase in profit before income tax.

4 ANALYSIS ON THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table sets forth the condensed consolidated statement of financial position of the Group as of the dates indicated:

<i>(RMB in millions, except percentages)</i>	June 30, 2022	December 31, 2021	Change
Assets			
Cash and bank balances	30,508.3	36,833.1	(17.2%)
Financial assets at fair value through profit or loss	133.6	156.3	(14.5%)
Derivative financial assets	483.3	94.6	410.9%
Accounts receivable	1,387.0	1,245.1	11.4%
Finance lease receivables	191,598.7	190,871.6	0.4%
Prepayments	10,581.8	11,958.6	(11.5%)
Financial assets at fair value through other comprehensive income	977.4	970.7	0.7%
Assets held-for-sale	887.6	–	100.0%
Investment properties	881.7	904.3	(2.5%)
Property and equipment	104,440.1	92,829.7	12.5%
Deferred tax assets	1,884.8	1,674.8	12.5%
Right-of-use assets	148.5	154.5	(3.9%)
Other assets	4,102.5	4,144.3	(1.0%)
Total assets	348,015.3	341,837.6	1.8%
Liabilities			
Borrowings	232,800.2	236,087.7	(1.4%)
Due to banks and other financial institutions	13,037.3	10,657.5	22.3%
Financial assets sold under repurchase agreements	940.0	–	100.0%
Derivative financial liabilities	77.4	576.5	(86.6%)
Accrued staff costs	179.3	204.0	(12.1%)
Tax payable	426.4	372.5	14.5%
Bonds payable	46,893.0	45,045.5	4.1%
Deferred tax liabilities	1,343.2	1,822.2	(26.3%)
Lease liabilities	163.3	172.1	(5.1%)
Other liabilities	19,840.7	16,792.9	18.1%
Total liabilities	315,700.8	311,730.9	1.3%
Total equity	32,314.5	30,106.7	7.3%

4.1 Total Assets

The principal components of the Group's assets were cash and bank balances, accounts receivable, finance lease receivables, prepayments and property and equipment. As of June 30, 2022, these assets accounted for 97.3% of the total assets. As of June 30, 2022, total assets of the Group amounted to RMB348,015.3 million, representing an increase of RMB6,177.7 million, or 1.8% as compared with that as of the end of last year, primarily due to the continuous growth of the scale of leased assets of the Group.

4.1.1 Accounts Receivable

The Group's accounts receivable include operating lease receivables and other accounts receivable. Operating lease receivables refer to the operating lease rentals receivable provided as of June 30, 2022, and other accounts receivable refer to the accounts receivable incurred by the sale of leased assets and amounts due from leases.

As of June 30, 2022, accounts receivable of the Group amounted to RMB1,387.0 million, representing an increase of 11.4% as compared with accounts receivable of RMB1,245.1 million as at December 31, 2021, primarily due to the increase in amounts due from leases.

4.1.2 Finance Lease Receivables

<i>(RMB in millions, except percentages)</i>	June 30, 2022	December 31, 2021	Change
Finance lease receivables – gross	233,845.0	233,660.3	0.1%
Less: unearned finance income	(33,233.9)	(35,198.5)	(5.6%)
Finance lease receivables – net	200,611.1	198,461.8	1.1%
Less: allowance for impairment losses	(9,012.4)	(7,590.2)	18.7%
Finance lease receivables – carrying amount	<u>191,598.7</u>	<u>190,871.6</u>	<u>0.4%</u>

As of June 30, 2022, finance lease receivables of the Group amounted to RMB191,598.7 million, representing an increase of 0.4% as compared with finance lease receivables of RMB190,871.6 million as at December 31, 2021, primarily due to the continuous growth of the Group's finance lease business.

4.1.3 Prepayments

As of June 30, 2022, the prepayments of the Group amounted to RMB10,581.8 million, representing a decrease of 11.5% as compared with the prepayments of RMB11,958.6 million as at the end of last year, primarily due to the transfer of prepayments to operating lease assets as the ships under construction and aircrafts became ready for their intended use.

4.1.4 Property and Equipment

Property and equipment were composed of equipment held for operating lease businesses and property and equipment held for administrative purposes. As of June 30, 2022, equipment held for operating lease businesses of the Group amounted to RMB103,692.3 million, representing an increase of 12.6% as compared with equipment held for operating lease businesses of RMB92,070.3 million as at December 31, 2021, primarily due to the increase in the scale of operating leased assets for aircrafts and ships.

As of June 30, 2022, property and equipment held for administrative purposes of the Group amounted to RMB747.8 million, representing a decrease of 1.5% as compared with property and equipment held for administrative purposes of RMB759.4 million as of December 31, 2021, 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 the breakdown of the property and equipment as of the dates indicated:

<i>(RMB in millions, except percentages)</i>	June 30, 2022	December 31, 2021	Change
Property and equipment			
Equipment held for operating lease businesses	103,692.3	92,070.3	12.6%
Property and equipment held for administrative purposes	747.8	759.4	(1.5%)
Property and equipment – carrying amount	<u>104,440.1</u>	<u>92,829.7</u>	<u>12.5%</u>

4.1.5 Cash and Bank Balances

As of June 30, 2022, cash and bank balances of the Group amounted to RMB30,508.3 million, representing a decrease of 17.2% as compared with cash and bank balances of RMB36,833.1 million as at December 31, 2021, primarily due to enhanced capital efficiency resulting from strengthened cash position management.

4.1.6 Financial assets at fair value through profit or loss

As of June 30, 2022, the Group's financial assets at fair value through profit or loss amounted to RMB133.6 million, representing a decrease of 14.5% from financial assets at fair value through profit or loss of RMB156.3 million as of December 31, 2021, primarily due to the decrease in the appraised value of equity instruments held by the Group.

4.1.7 Other Assets

Other assets mainly included straightline lease asset, other receivables, maintenance right assets, long-term deferred expenses, intangible assets and notes receivable. As of June 30, 2022, other assets of the Group amounted to RMB4,102.5 million, representing a decrease of 1.0% as compared with other assets of RMB4,144.3 million as at the end of last year, primarily due to the decrease in maintenance right asset and other receivables.

4.2 Lease Assets

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

<i>(RMB in millions, except percentages)</i>	June 30, 2022	December 31, 2021	Change
Finance lease related assets			
Finance lease receivables	<u>191,598.7</u>	<u>190,871.6</u>	<u>0.4%</u>

The following table sets forth the breakdown of the operating lease assets of the Group as of the dates indicated and the movements therein:

<i>(RMB in millions, except percentages)</i>	June 30, 2022	December 31, 2021	Change
Operating lease assets			
Investment properties	881.7	904.3	(2.5%)
Property and equipment – equipment held for operating lease businesses	<u>103,692.3</u>	<u>92,070.3</u>	<u>12.6%</u>
Total	<u>104,574.0</u>	<u>92,974.6</u>	<u>12.5%</u>

Finance lease assets and operating lease assets of the Group represented an period-on-period increase of 0.4% and 12.5% as compared with that as at the end of the previous year, respectively. In the first half of 2022, the Group maintained a certain investment in leasing while increasing the recovery and transfer of assets, and the balance of leased assets maintained a steady growth trend as compared with that as at the end of the previous year.

4.3 Liabilities

As of June 30, 2022, total liabilities of the Group amounted to RMB315,700.8 million, representing an increase of 1.3% as compared with total liabilities of RMB311,730.9 million as of December 31, 2021, primarily due to growth in the scale of liabilities commensurate with that of assets.

4.3.1 Borrowings

As of June 30, 2022, the balance of borrowings of the Group amounted to RMB232,800.2 million, representing a decrease of 1.4% as compared with the balance of borrowings of RMB236,087.7 million as of December 31, 2021, which was mainly due to that the Company continues to strengthen its fundraising capabilities to diversify its financing channels to support the scale of its business.

4.3.2 Bonds Payable

As of June 30, 2022, the balance of bonds payable of the Group amounted to RMB46,893.0 million, representing an increase of 4.1% as compared with the balance of bonds payable of RMB45,045.5 million as of December 31, 2021. This was mainly to support the growth in asset size, the scale of bonds newly issued by the Company in the first half of the year was basically the same as the scale of bonds falling due, with the half-year-end balance of bonds payable rising slightly due to exchange rate translation.

4.3.3 Other Liabilities

As of June 30, 2022, the balance of other liabilities of the Group amounted to RMB19,840.7 million, representing an increase of 18.1% as compared with the balance of other liabilities of RMB16,792.9 million as of December 31, 2021, primarily due to the higher increase in dividend payable and other payables.

5 ANALYSIS ON THE STATEMENT OF CASH FLOWS

The following table sets forth the Group's statement of cash flows for the six months ended June 30, 2022 and the changes therein:

<i>(RMB in millions, except percentages)</i>	For the six months ended June 30,		
	2022	2021	Change
Net cash flows from operating activities	3,006.5	(6,002.2)	(150.1%)
Net cash flows from investing activities	(7,345.4)	(7,570.5)	(3.0)%
Net cash flows from financing activities	(1,695.0)	5,189.8	(132.7%)
Net increase/(decrease) in cash and cash equivalents	<u>(6,033.9)</u>	<u>(8,382.9)</u>	<u>(28.0%)</u>

In the first half of 2022, net cash inflow from the operating activities of the Group amounted to RMB3,006.5 million, primarily due to: Firstly, an increase in net cash inflows generated from an increase in lease income received by the Group; Secondly, the cash outflow arising from the new business investment in the period was less than the cash inflow arising from the collection of lease projects. In the same period, the net cash outflow from the investment activities of the Group amounted to RMB7,345.4 million, approximately at the same level as compared with the corresponding period of last year. In addition, in the first half of 2022, the net cash outflow from the financing activities of the Group amounted to RMB1,695.0 million, primarily due to the decrease in amounts received from the issuance of bonds and the increase in the repayment of bonds by the Group, resulting in cash outflow.

6 BUSINESS OPERATION

The business segments of the Group consist of four leasing segments of aircraft leasing, infrastructure leasing, ship leasing and inclusive finance, and others. In the first half of 2022, the Group actively promoted the transformation and development of infrastructure leasing business and orderly developed inclusive finance business to robustly develop aircraft leasing and ship leasing business, and prudently developed other leasing business, thereby further optimizing the business structure of the Company. In the first half of 2022, the total lease financing to lessees of the Group amounted to RMB49,094.2 million, among which the lease financing to lessees in aircraft leasing, infrastructure leasing, ship leasing, inclusive finance and others were RMB8,004.6 million, RMB24,090.9 million, RMB1,969.2 million, RMB9,453.6 million and RMB5,575.9 million, respectively.

The following table sets forth the assets of each business segment of the Group as of the dates indicated:

<i>(RMB in millions, except percentages)</i>	June 30, 2022		December 31, 2021	
	Amount	Percentage	Amount	Percentage
Segment assets				
Aircraft leasing	92,263.0	26.7%	84,344.4	24.8%
Infrastructure leasing	158,671.0	45.8%	162,928.0	47.9%
Ship leasing	47,642.6	13.8%	47,592.4	14.0%
Inclusive finance	31,570.3	9.1%	34,103.1	10.0%
Others	15,983.6	4.6%	11,194.9	3.3%
Total	<u>346,130.5</u>	<u>100.0%</u>	<u>340,162.8</u>	<u>100.0%</u>

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

<i>(RMB in millions, except percentages)</i>	For the six months ended June 30,			
	2022		2021	
Segment revenue and other income	Amount	Percentage	Amount	Percentage
Aircraft leasing	3,690.5	29.7%	3,656.8	35.0%
Infrastructure leasing	3,948.8	31.8%	3,748.2	35.9%
Ship leasing	3,670.3	29.5%	1,991.3	19.1%
Inclusive finance	770.0	6.2%	717.0	6.9%
Others	355.1	2.8%	328.7	3.1%
Total	<u>12,434.7</u>	<u>100.0%</u>	<u>10,442.0</u>	<u>100.0%</u>

6.1 Aircraft Leasing

The International Air Transport Association (IATA) indicated that the air travel recovery continued in the first half of 2022, with robust domestic air travel recovery across a number of regions, and international traffic gaining momentum as restrictions ease. Total traffic (measured in RPKs) in May 2022 increased 83.1% compared to the year-ago period, largely driven by the strong recovery in international traffic. Global traffic was now at 68.7% of 2019 levels. In May 2022, domestic traffic increased by 0.2% compared to the year-ago period and at 76.7% of May 2019 levels. Significant improvements in many markets (other than China) were seen against a 73.2% year-

on-year decline in the Chinese domestic market due to COVID-19 related restrictions. International traffic rose 325.8% versus the year-ago period. The easing of travel restrictions in most parts of Asia is accelerating the recovery of international travel, and in May 2022, international RPKs reached 64.1% of May 2019 levels. Impacts from the conflict between Russia and Ukraine on air travel demand continue to be limited, and even travel within Europe or between Asia and Europe remains robust. The air travel recovery is expected to accelerate during the traditionally stronger Q2 and Q3 travel periods.

IATA also expects a further reduction in industry losses in 2022 as the recovery continues. It has cut its loss forecast for 2022 from US\$11.6 billion to US\$9.7 billion. However, that higher jet fuel and labor costs, the impact of inflation on demand, travel restriction due to outbreaks of COVID-19 in China, and a broad-based slowdown in economic activity will put downward pressure on airline financials. Some airlines, though, are expected to turn a profit in 2022, particularly those with large domestic markets and open borders.

Aviation remains an integral part of transportation systems around the world. While the disruption to the world and the industry from COVID-19 pandemic has been massive, the long-term demand drivers remain fundamentally unchanged. The current pandemic, though unprecedented in its magnitude, is not changing fundamentals in the long-term market for air transportation. Both Boeing and Airbus forecasted that Air traffic will grow at around 4% per annum by 2040, reflecting the industry's confidence that the fundamental need for air transport in a modern, globalized world has not changed.

Although the challenges brought by COVID-19 pandemic, aircraft leasing is still one of the core business segments of the Group, which benefits from its scale in the industry and the strength of the China Development Bank group.

For the first half of 2022, the Group:

- Signed new lease transactions (including order placement, sale-lease-back, portfolio acquisition, remarketing and extension) for a total of 50 aircraft with 18 customers;
- Acquired 22 aircraft on operating lease, including 6 via direct OEM orders and 16 via sale-lease-back;
- Signed financing transactions for US\$2.3 billion;
- Added 3 new lessees.

As of June 30, 2022, total assets of the aircraft leasing segment of the Group amounted to RMB92,263.0 million, representing an increase of RMB7,918.6 million or 9.4% compared to December 31, 2021, and the total revenue and other income of the aircraft leasing segment amounted to RMB3,690.5 million, representing an increase of RMB33.7 million or 0.9% compared to the same period of last year. In the first half of 2022, the net lease yield of the operating leased aircraft was 7.2%¹, the lease yield of the finance leased aircraft was 1.1%², the annualised return before tax on average total aircraft leasing assets was -0.3%, a decrease of 0.4 percentage point compared to the same period of last year.

As of June 30, 2022, the Group had a total portfolio of 384 aircraft, representing an increase of 16 aircraft compared to December 31, 2021, consisting of 272 owned aircraft and 112 committed aircraft. Our aircraft leasing business covers 63 lessees in 37 countries and regions. As of June 30, 2022, 269 owned aircraft of the Group were held for operating lease and 3 owned aircraft of the Group were under finance lease. As of June 30, 2022, the weighted average age by aircraft value³ of the Group's owned aircraft held for operating lease was 4.5 years, and the weighted average remaining lease term by aircraft value of the Group's owned aircraft held for operating lease was 8.2 years.

The Group's owned and in-service fleet mainly includes narrowbody aircraft types comprising the Airbus A320ceo and A320neo family and Boeing 737NG and 737MAX family, and widebody types such as Airbus A330ceo, A330neo and A350, and Boeing 777-300ER and 787-9. As of June 30, 2022, the Group's aircraft fleet consists of 72% narrowbody aircraft, 24% wide-body aircraft and 4% freighters and regional aircraft by aircraft value. As of June 30, 2022, the net book value of the Group's owned aircraft was US\$11,200.4 million.

¹ The calculation is net lease income of aircraft operating lease business divided by average monthly balance of operating lease assets. Net lease income equals aircraft operating lease income plus maintenance income less interest expenses of the aircraft operating lease business.

² The calculation is lease income divided by average monthly balance of aircraft finance lease assets. As of June 30, 2022, only three finance leased aircraft remained, therefore the impact of finance lease on the overall revenue is immaterial.

³ Aircraft value equals the sum of aircraft net book value, aircraft intangible value and finance lease receivable (if applicable).

The Group's orderbook contains next-generation, liquid, narrowbody types. As of June 30, 2022, the Group has committed to purchasing 98 narrowbody aircraft under its direct OEM orders, including 35 aircraft from Boeing and 63 aircraft from Airbus. These aircraft are scheduled to be delivered between the second half of 2022 and 2026. The Group also has contractual commitments to acquire a further 12 aircraft under sale-lease-back transactions and 2 aircraft from portfolio acquisition. The aggregate future capital expenditure commitments are RMB30,544.0 million.

The following table sets forth the composition of the Group's fleet and committed aircraft as of June 30, 2022:

Aircraft Type	Owned aircraft	Committed aircraft	Total
A320-200	40	–	40
A321-200	6	2	8
A330-200	7	–	7
A330-300	23	–	23
A330-900	5	–	5
A350-900	3	–	3
A320neo	51	46	97
A321neo	26	27	53
Airbus Total	161	75	236
737-800	50	–	50
777-300ER	1	–	1
737 Max 8	36	37	73
787-9	2	–	2
Boeing Total	89	37	126
E190-100LR	20	–	20
Embraer Total	20	–	20
Freighters	2	–	2
Other	–	–	–
Total	272	112	384

During the first half of 2022, one Other aircraft under finance lease was expired and exited the fleet. As of June 30, 2022, the Group no longer had any Airbus A319, Boeing 737-700, Other aircraft and managed aircraft. Besides, five Airbus A330-200/300 aircraft will be converted to freighters, of which two are scheduled for delivery in the second half of 2022 and three in 2023.

In addition to the above committed aircraft, the Group has 100 non-binding entitlements with other OEMs, consisting of 20 ARJ21 aircraft and 50 C919 aircraft from The Commercial Aircraft Corporation of China, Ltd., and 30 MA700 aircraft from AVIC Aircraft Co., Ltd.

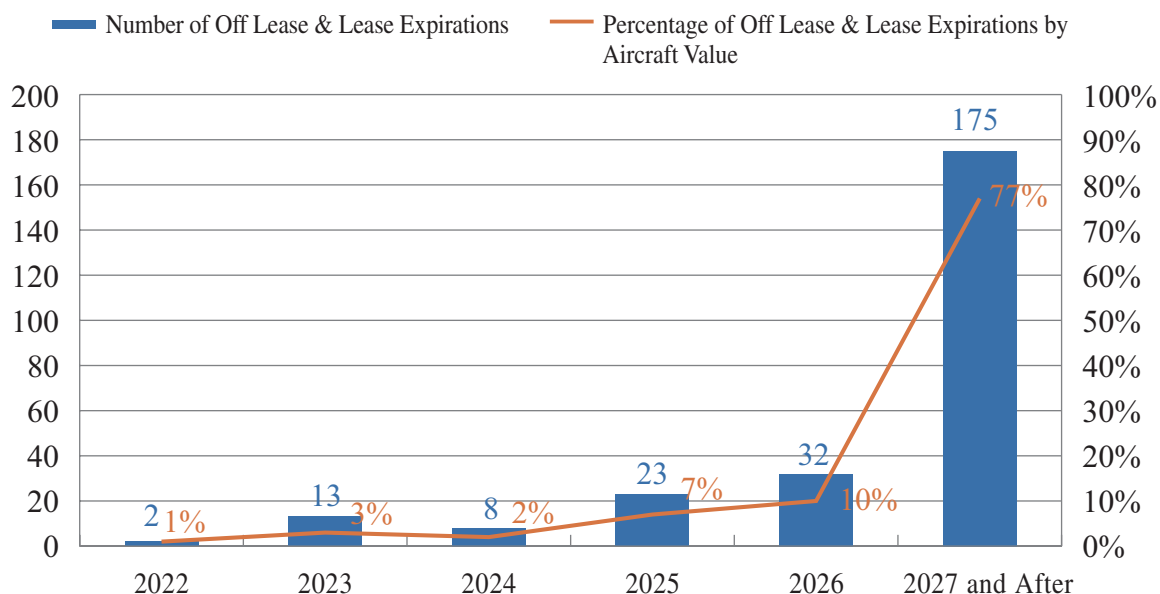
Among 112 committed aircraft as of June 30, 2022 (including aircraft under direct OEM orders, sale-lease-back and portfolio acquisition), 15 were scheduled for delivery in the second half of 2022, 18 in 2023, 36 in 2024 and 43 from 2025 onwards.

As of June 30, 2022, of the 98 aircraft committed to be purchased directly from OEMs, 14 were committed for lease, of which 5 were scheduled for delivery in the second half of 2022 and 9 in 2023.

As of June 30, 2022, the Group was committed to sale-lease-back transactions covering 12 aircraft and 2 aircraft via portfolio acquisition, of which 9 were scheduled for delivery in the second half of 2022 and 5 in 2024.

The following chart sets forth the breakdown of the number of aircraft and percentage of aircraft value balance as of June 30, 2022 of those off-lease aircraft and aircraft under operating lease with scheduled leases expiring in the future, excluding any aircraft for which the Group has a sale commitment or to be converted to finance lease or under teardown or freighter conversion.

Off Lease and Lease Expirations



During the first half of 2022, the Group signed lease extensions for 16 aircraft and new leases for 9 remarketed aircraft.

No aircraft was sold during the first half of 2022, while 10 aircraft have sale agreements or letters of intent signed already. In the first half of 2022, the Group's one aircraft under the finance lease expired. The Group's owned aircraft under operating lease was 96.8% fleet utilization due to the impact of the conflict between Russia and Ukraine.

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 2022:

Region	Percentage of lease revenue in the first half of 2022	Percentage of aircraft value as of June 30, 2022
The PRC	24.4%	22.8%
Asia Pacific (excluding the PRC)	22.9%	21.4%
Europe	26.7%	19.4%
Americas	19.7%	23.3%
Middle East	4.4%	7.8%
Africa	1.9%	1.2%
Off-lease/Under teardown	—	4.0%
Total	100.0%	100.0%

The following table sets forth a breakdown of the Group's owned aircraft by manufacturer as of June 30, 2022:

	Percentage by aircraft value as of June 30, 2022
Manufacturer	
Airbus	66.8%
Boeing	30.4%
Others	2.8%
	<hr/>
Total	100.0%
	<hr/> <hr/>

6.2 Infrastructure Leasing

In the first half of 2022, based on the new development stage, the Group carried out the new development concept, implemented the national strategic deployment, relied on China Development Bank's resource advantages in the field of "new infrastructure, new urbanization initiatives and major projects", focused on the key strategic areas of the country, proactively increased its business support in key sectors, and continuously enhanced the effectiveness of the Group in making up for the weakness in national service infrastructure. In the first half of the year, new investments in infrastructure leasing segment amounted to RMB24,090.9 million.

The Group vigorously expanded green lease business based on the "carbon peak and neutrality" initiatives. The Group continued to consolidate its business in the centralized power station sector, vigorously promoted the industrial and commercial distributed business sector, and enhanced the effectiveness of the development and implementation of green lease business. In the first half of the year, the Group's business investment in the field of clean energy increased year-on-year by 24.7% as it developed 30 new energy power station projects with a total installed capacity of over 1,437.2MW.

Focusing on key regions to continue to enhance support in the national coordinated regional development strategies. The Group concentrated on serving the development of key strategic regions designated by the state, and during the first half of the year, focused on its business development in key strategic regions, such as the Yangtze River Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area, Beijing-Tianjin-Hebei Area and Yangtze River Delta, with accumulated additional lease financing to lessees amounted to RMB21,764.0 million from the infrastructure leasing segment in key regions in the first half of the year.

Accelerating business innovation to serve the transformation and upgrading of manufacturing industry. The Group focused on its main responsibility and principal business, vigorously strengthened the adjustment of business structure and innovative transformation development, proactively increased business expansion in manufacturing areas such as “new infrastructure” and “specialized and new” enterprises, and stepped up investment in subdivisions such as integrated circuits, IDC and shield machine, representing a significantly year-on-year increase in business volume, thereby continuously enhancing the effectiveness of the Group’s services for the transformation and upgrading of key industries.

As of June 30, 2022, the Group primarily provided infrastructure leasing services in 30 provinces, autonomous regions and municipalities in the PRC.

As of June 30, 2022, the total assets of the infrastructure leasing segment of the Group amounted to RMB158,671.0 million, representing a decrease of RMB4,257.0 million or 2.6% from that as of December 31, 2021. In the first half of 2022, the revenue and other income of this segment amounted to RMB3,948.8 million, representing an increase of RMB200.6 million or 5.4% over that as at the corresponding period of the previous 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.

The following table sets forth the net carrying amount of assets in relation to the leasing business of each subsegment in infrastructure leasing of the Group and its percentage as at the dates indicated:

	Net carrying amount of assets related to leasing business as of June 30, 2022	Percentage of net carrying amount of assets related to leasing business as of June 30, 2022
<i>(RMB in millions, except percentages)</i>		
Transportation infrastructure leasing	45,964.8	29.0%
Urban infrastructure leasing	84,646.0	53.3%
Energy infrastructure leasing	28,060.2	17.7%
Total	158,671.0	100.0%

6.3 Ship Leasing

In the first half of 2022, dragged down by factors such as the conflict between Russia and Ukraine, COVID-19 pandemic and rising global inflation pressures, the global seaborne trade volume was under pressure, and the dry bulk seaborne trade volume fell as compared with the same period of last year, especially the seaborne trade volume of iron ore and grain. However, due to the further slowdown in the growth rate of shipping capacity in the same period, and the suppression of logistics efficiency by the pandemic prevention policies of certain countries, the fundamentals of supply and demand still continued to support the carrier shipping market, thereby making average Baltic Dry Index (BDI) in the first half of 2022 reach the highest point in the same period in nearly 10 years, and consolidating and lifting the bottom of the international carrier shipping market. In terms of the oil and gas market, with the relative easing of the pandemic, downstream demand has been gradually released; the conflict between Russia and Ukraine has led to a surge in global oil and gas prices, which has spurred the demand for oil and gas reserves in Europe. Meanwhile, it changed the oil and gas energy shipping sphere and lengthened the shipping distance, thus pushed up shipping prices of the international product tankers and LNG ships.

In the context of the above market, in the first half of 2022, the three main ship types of the Group, namely bulk carriers, product tankers and LNG ships, continued to improve in the shipping market. The profitability of the ship leasing segment continued to increase as compared with last year, making a significant financial contribution to the Group. As of June 30, 2022, the market value of the Group's ship assets rose by more than 10% from the beginning of the year and by more than 40% from the beginning of 2021. In the first half of 2022, additional lease financing to lessees of the Group in ship leasing segment amounted RMB1,969.2 million.

In terms of ship management, in the first half of 2022, the Group's managed 58 time-chartered ships were in good operating condition: the operating rate of the ships reached 99.3%, and the management costs were controlled within the budget; the RIGHTSHIP safety rating for all ships were higher than the requirements of the leases, which can better fulfill the voyages of the charterers; a total of 780 crew members of 44 time-chartered ships were safely and orderly shifted. Meanwhile, the Group overcame the impact of the pandemic lockdown and carried out remote monitoring of new shipbuilding projects through multi-dimensional and multi-modal means in special periods and 5 new ships were successfully delivered and put into use in the first half of year.

As of June 30, 2022, the total assets of the ship leasing business of the Group amounted to RMB47,642.6 million, representing an increase of RMB50.2 million, or 0.1%, from December 31, 2021. Of which the balance of the ship leasing related assets amounted to RMB42,177.7 million (the balance of finance lease related assets amounted to RMB10,030.4 million, the balance of operating lease related assets amounted to RMB29,903.7 million, and the balance of prepayments amounted to RMB2,243.6 million), and other related assets amounted to RMB5,464.9 million. In the first half of 2022, the segment achieved revenue and other income of RMB3,670.3 million, representing an increase of RMB1,679.0 million or 84.3% over the corresponding period of the previous year.

As of June 30, 2022, the Group had a total of 259 ships, among which 220 ships in operation and 39 new ships are under construction. By type of lease, a fleet for ships in operation managed by the Group, among which 33 ships were under finance lease and 187 ships were under operating leasing; by type of ship, for ships in operation managed by the Group, including 160 bulk carriers, 33 product tankers, 20 container ships, 6 LNG ships and 1 cruise ship.

Asset structure of the Company's ships (as of June 30, 2022)

Ship type	Operating lease (ships)	Finance lease (ships)	Total (ships)	Remark
Bulk carrier	152	8	160	Another 19 new ships are under construction
Product tanker	31	2	33	Another 18 new ships are under construction
Container ship	—	20	20	Another 2 new ships are under construction
LNG ships	3	3	6	
Luxury cruise ship	1		1	Under joint lease
Total	187	33	220	

6.4 *Inclusive Finance*

In the first half of 2022, the Group focused on the dual goals of innovation, transformation and development as well as improvement of management quality of inclusive finance business. On the one hand, we continued to strengthen research and judgment on the economic situation and industry situation under the continuous impact of the COVID-19 pandemic, proactively investigated new business fields and new business models, upgraded and adjusted the product structure, and improved various management processes and systems, effectively promoting the sustainable and steady development of inclusive finance business; on the other hand, focusing on the Company's digital innovation and development goals, we deepened the integration of financial technology and business development, and continued to promote the construction of a systematic and efficient interconnected digital leasing business development system. With the help of online and intelligent technologies, we constantly expanded the coverage of cooperation channels, built a stable customer acquisition system, and achieved a phased increase in the passenger car retail business, significantly improving the Group's ability and efficiency in serving the real economy. In the first half of 2022, additional lease financing to lessees of the Group in inclusive finance segment amounted to RMB9,453.6 million.

As of June 30, 2022, the total assets of the Group's inclusive finance business amounted to RMB31,570.3 million, representing a decrease of RMB2,532.8 million, or 7.4%, compared to December 31, 2021. Revenue and other income from the segment in the first half of 2022 was RMB770.0 million, representing an increase of RMB53.0 million, or 7.4% as compared with the same period last year.

6.4.1 *Vehicle Leasing*

In the first half of 2022, China's auto industry was under the triple pressure of supply shock, shrinking demand, and weakening expectations. Domestic vehicle manufacturers were generally under greater pressure. According to the statistics of China Association of Automobile Manufacturers, the commercial vehicle market suffered five consecutive declines from January to May, representing a year-on-year decrease of 41% due to the repeated COVID-19 pandemic and slower-than-expected infrastructure construction. However, despite the overall decline in the commercial vehicle market, production and sales of new energy vehicles were growing against the trend, while sales volume of new energy heavy trucks achieved a 491% increase in the first half of 2022 as compared with the same period of last year, and sales volume of new energy vehicles achieved a year-on-year increase of 1.2 times. The passenger car market recovered to the level before the pandemic, and the market size remained high, with a year-on-year increase of 3.4%. Since May 2022, the country and local governments have successively introduced a series of powerful policies to stimulate consumption. From the medium- and long-term perspective, residents' consumer demand for automobiles will still be strong, and the industry dividends brought about by industrial transformation and consumption upgrades will provide corresponding guarantees for the stable growth of the automobile market. However, considering that commercial vehicles are affected by multiple factors, the continuous downward trend has not been significantly improved, and there are still many uncertainties affecting demand. In this context, the Group will continue to pay attention to the development trend of the industry in the second half of the year.

Under the aforesaid market situation, the Group adhered to the principle of steady operation. In terms of commercial vehicle business, the Group focused on the sale and leaseback of vehicles. In the first half of 2022, under the trend of declining sales volume in the commercial vehicle market, the Group firstly strengthened communication and exchanges with platform companies of various manufacturers, dug deep into customer needs, and adjusted the credit facilities in a timely manner. Secondly, the Group investigated and visited leading vehicle manufacturers, and designed a cooperation model based on the needs of the manufacturers. Thirdly, the Group strived to explore new business directions and performance growth points, and gradually formed a strategic plan with “vehicle operating leasing as the direction”. In the first half of 2022, the Group achieved business breakthroughs in the fields of new energy logistics vehicles and long-term and short-term vehicle leasing. In the future, the Group will make further efforts on development and research of sub-segment scenarios of the cold chain logistics, online ride-hailing, special-purpose vehicles, and sanitation vehicles. In terms of passenger vehicles, the Group promoted business development synchronously with the dual models of vehicle sale and leaseback and terminal products, overcame the impact of the pandemic, increased business development efforts, took the initiative to benchmark the market to optimize product structure, and established a simultaneous business development pattern for cooperation channels of a number of passenger vehicle products manufacturers; the Group continued to build a retail business risk control system with big data analysis as the core and leased property management and control as the effective mean. Marked by the phased increase in the passenger car retail business, the Group effectively promoted the sustainable and steady development of the Company’s digital leasing business.

As of June 30, 2022, the Group’s assets related to the vehicle leasing business amounted to RMB11,810.4 million, representing a decrease of RMB1,852.0 million, or 13.6%, from December 31, 2021, and accounted for 37.4% of the assets under the inclusive finance segment.

6.4.2 Construction Machinery Leasing

In the first half of 2022, the construction machinery industry was under the overlapping impact of industrial cycles and repeated COVID-19 pandemic, and both production and sales fell sharply. According to the statistics of the Construction Machinery Association, the domestic sales volume of excavators, an iconic product in the industry, has been negative for 13 consecutive months since May 2021. Since the first half of this year, China has introduced a series of policies to stabilize growth, support employment, and stabilize the economy. After the policy of stabilizing growth has been continuously increased and refined, and the incremental policy has been gradually introduced, the decline in sales volume of major products has narrowed significantly. With the rapid growth of exports, the decline of the base in the same period, and the resumption and recovery of construction, it is expected that the industry growth rate in the second half of 2022 will achieve a “V-shaped” recovery.

The Group has always adhered to the development philosophy of “customer-oriented”. The Group firstly measured the existing assets and actively understood the overall asset quality of the existing business. Secondly, the Group continued to follow closely to the market demand and enrich the product system. Thirdly, in the context of the repeated outbreak of the COVID-19 pandemic in certain domestic places in the first half of this year, in order to alleviate the repayment pressure of inclusive customers and ensure that the distressed enterprises and natural person customers can smoothly tide over the difficulties, the Group issued and implemented relevant precise support policies, getting through tough times with small and micro customers. Meanwhile, in the first half of this year, the Group actively implemented the spirit of the central government’s instructions on “rural revitalization”, proactively carried out research on the agricultural machinery leasing industry, formed business cooperation relationship with leasing companies of leading manufacturers in the industry, launched the first agricultural machinery equipment leasing business, and further expanded business areas of the Group.

As of June 30, 2022, the Group’s assets related to the construction machinery leasing business amounted to RMB19,759.9 million, representing a decrease of RMB680.8 million, or 3.3%, from December 31, 2021, and accounted for 62.6% of the assets under the inclusive finance segment.

The following table sets forth the net carrying amount and percentage of assets in relation to the leasing business of each sub-segment in inclusive finance of the Group as of the dates indicated:

	Net carrying amount of assets related to leasing business as of June 30, 2022	Percentage of net carrying amount of assets related to leasing business as of June 30, 2022
<i>(RMB in millions, except for percentages)</i>		
Vehicle leasing	11,810.4	37.4%
Construction machinery leasing	19,759.9	62.6%
Total	31,570.3	100.0%

6.5 Others

In the first half of 2022, on the basis of focusing on its principal business, the Group actively explored business innovation, transformation and development to improve the effectiveness in serving the real economy. As of June 30, 2022, the total assets of other businesses amounted to RMB15,983.6 million, representing an increase of RMB4,788.7 million, or 42.8% as compared with that as of the end of last year, primarily due to the Company's increasing support for the industrial chain and supply chain, based on its focusing on its principal business, and the steady increase in the scale of assets in other segments.

6.6 Financing

Benefiting from high credit ratings ("A1" by Moody's, "A" by Standard & Poor's, and "A+" by Fitch, rating unchanged from 2021), the Group continuously enhanced its funding capability and diversified its financing channels. The Group continued to deepen its cooperation with domestic and overseas banks and other financial institutions to ensure that there would be sufficient funds available for business development. As of June 30, 2022, the Group had established business relationships with 179 banks and was granted credit facilities amounting to a total of approximately RMB716.19 billion and the amount of credit granted increased by RMB54.14 billion as compared with the end of last year, which including unused credit facilities of approximately RMB449.09 billion, and unused credit balance increased by RMB52.98 billion as compared with the end of last year, and the credit balance was sufficient. In 2022, in a complex and changeable macroeconomic and financial environment both domestically and internationally, the Group actively grasped the market trend based on the changes of macroeconomic situation, adjusted the financing strategy in time, promoted the linkage mechanism between assets and liabilities, and further optimized the debt structure and balanced the financing cost.

In terms of RMB financing, the Group continued to explore financing channels, proactively optimized the maturity structure, and effectively controlled financing costs. In terms of USD financing, due to the commencement of the USD interest rate hike cycle and geopolitical factors, the USD benchmark interest rate rose rapidly. The Group closely followed the changes in the macroeconomic situation, made arrangements in advance and took the initiative to effectively control financing costs, highlighting its increasingly stable USD financing ability and resilience against risks. In terms of bonds financing, the Group timely grasped the optimum issuing opportunity before the conflict between Russia and Ukraine and the Federal Reserve's rapid interest rate hike, and issued US\$700 million of 3-year senior bonds and US\$250 million of 5-year senior bonds through public offering in March 2022, successfully locking in the medium-term and long-term USD financing costs. As for interest rate structure, the Group continued to maintain the original strategy for the risk management on interest rate, and actively managed the matching of assets and liabilities in terms of interest structure. As for the structure of exchange rates, the Group continued to maintain its original strategy for the risk management on exchange rates and maintained the matching of currency between assets and liabilities, which greatly reduced the impact of market exchange rate fluctuations on the Company.

In the first half of 2022, the financing sources of the Group mainly included bank borrowings and issuance of bonds. As of June 30, 2022, the Group's bank borrowings and bonds payable were RMB232,800.2 million and RMB46,893.0 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 shall be equal in the face of risks, everyone shall be responsible for risk control", in which it forms an impeccable risk management framework and system with a detail-defined division among all business segments, risk management department and internal audit department to constantly identify, evaluate and monitor the risks in the ordinary course of the Group's operation, so as to achieve an appropriate balance between risks and benefits while reducing the potential negative impact as much as possible on the Group's financial performance. The Group has, with the help of relevant risk evaluation resources and credit experience of CDB, unleashed its potential in resources to improve the sense of activeness and forward-looking in risk management for safeguarding the business development.

The Group adopts the hierarchical management based on the “three layers of defence”: Business lines, as the first layer of defence of comprehensive risks prevention, in which Business Department 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 Information Technology 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 combining operation strategies, market environment and the features of leased assets. The Group identifies, evaluates, monitors, warns, controls, mitigates and reports various risks based on the characteristics of the leasing industry. The Group continues to deepen its understanding of the risks of industry in which it operates, and actively promotes the construction of risk measurement system. Meanwhile, it also strengthens the proactive monitoring, warning and response management of risks. The Group reduces the overall business risks through the asset portfolio management in different countries, regions and industries. The Group proactively adjusts the operation strategies of the industry, strengthens the customer admission criteria, improves the risk pricing system and strives for the maximization of risk return. By enhancing the Group’s business quality and efficiency of resource allocation, the value of risk management can be achieved.

In the first half of 2022, the Group continued to optimize its comprehensive risk management system. Risk management analysis was strengthened to objectively reveal the overall risk status of the Company, the progress and effectiveness of major risk control and the trend of risk changes. We improved the risk appetite, limit and early warning management system, promoted the interconnection of risk appetite with corporate strategies and business operations, as to ensure that the risk appetite transmission mechanism is more practical and clearer. We also organized risk identification and assessment, optimized risk governance structure, improved risk management system for key categories, and strengthened risk control in key industries. We improved the stress test management system, formed a “risk-profit-capital” transmission mechanism, identified major risk points through the analysis of exposure to various types of risks under stress scenarios, and realized advance judgment of potential risks. Besides, we deepened digital empowerment, continued to promote the digitalization of risk management, and further improved the Company’s risk management level.

In the first half of 2022, the Group established the “Corporate Environmental, Social and Governance Leadership Group” in line with the actual situation, formally clarifying the management structure of environmental, social and governance (ESG) work and the division of responsibilities among the component departments (and members) within the Group, bringing ESG work under regularised management for the first time and incorporating ESG risks into the scope of comprehensive risk management of the Company. No major ESG risk events of the Group had been found in the first half of 2022.

7.1 Credit Risk

The Group strictly adheres to the risk bottom line, strengthens risk analysis and control, coordinates the resolution of key non-performing and risky projects, conducts special risk checks on the stock business and improves the foresight, timeliness and prognosis of risk control.

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

<i>(RMB in millions, except percentages)</i>	June 30, 2022	December 31, 2021
Financial assets		
Cash and bank balances	30,508.3	36,833.1
Derivative financial assets	483.3	94.6
Accounts receivable	1,387.0	1,245.1
Finance lease receivables	191,598.7	190,871.6
Financial assets at fair value through other comprehensive income	977.4	970.7
Other financial assets	1,138.9	1,101.7
Total	226,093.6	231,116.8

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:

	June 30, 2022	December 31, 2021
<i>(RMB in millions, except percentages)</i>		
Five-category		
Normal	346,111.0	341,334.7
Special mention	13,586.6	10,505.8
Substandard	1,983.0	1,386.9
Doubtful	764.8	417.0
Loss	559.7	566.4
Total assets before allowance for impairment losses	363,005.1	354,210.8
Non-performing assets ⁽¹⁾	3,307.5	2,370.3
Non-performing asset ratio ⁽²⁾	0.91%	0.67%

(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 of 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 of the dates indicated:

	June 30, 2022	December 31, 2021
<i>(RMB in millions, except percentages)</i>		
Five-category		
Normal	189,626.0	188,006.5
Special mention	9,262.7	9,560.0
Substandard	833.9	359.0
Doubtful	361.0	—
Loss	527.5	536.3
Finance lease related assets before allowance for impairment losses	200,611.1	198,461.8
Non-performing finance lease related assets ⁽¹⁾	1,722.4	895.3
Non-performing asset ratio of finance lease business ⁽²⁾	0.86%	0.45%

(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 of June 30, 2022, the non-performing assets of the Group amounted to RMB3,307.5 million, representing an increase of RMB937.2 million compared with that as at the end of last year, while the non-performing asset ratio was 0.91%, representing an increase of 0.24 percentage point compared with that as at the end of last year. As of June 30, 2022, the non-performing finance lease related assets of the Group amounted to RMB1,722.4 million, representing an increase of RMB827.1 million compared with that as at the end of last year, while the non-performing asset ratio of finance lease business was 0.86%, representing an increase of 0.41 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 of June 30, 2022:

<i>(RMB in millions, except percentages)</i>	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Total
Five-category						
Normal	481.3	142,588.2	11,034.7	22,315.8	13,206.0	189,626.0
Special mention	–	2,503.0	–	6,759.7	–	9,262.7
Substandard	–	830.7	3.2	–	–	833.9
Doubtful	–	361.0	–	–	–	361.0
Loss	–	119.9	–	236.3	171.3	527.5
Finance lease related assets before allowance for impairment losses	481.3	146,402.8	11,037.9	29,311.8	13,377.3	200,611.1
Non-performing finance lease related assets	–	1,311.6	3.2	236.3	171.3	1,722.4
Non-performing asset ratio of finance lease business	–	0.90%	0.03%	0.81%	1.28%	0.86%

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 finance lease related assets and the balance of allowance for impairment losses as of December 31, 2021 are set forth below:

<i>(RMB in millions)</i>	Stage 1	Stage 2	Stage 3	Total
Net finance lease related assets	178,257.9	19,144.9	1,059.0	198,461.8
Allowance for impairment losses of finance lease related assets	(3,086.0)	(3,504.8)	(999.4)	(7,590.2)

With the ECL model and the above division of credit levels, the Group's net finance lease related assets and the balance of allowance for impairment losses as of June 30, 2022 are set forth below:

<i>(RMB in millions)</i>	Stage 1	Stage 2	Stage 3	Total
Net finance lease related assets	177,742.9	21,149.0	1,719.2	200,611.1
Allowance for impairment losses of finance lease related assets	(4,315.4)	(3,031.8)	(1,665.2)	(9,012.4)

7.1.2 Concentration of Credit Risks

The Group proactively implemented the requirements of the regulatory authorities and timely monitored the financing concentration of a single client through project inspection. Besides, the Group has established a client's ledger to carry out quarterly monitoring over the financing concentration of clients of the Group in order to prevent credit concentration risk. As of June 30, 2022, the balance of finance lease businesses for the largest single client of the Group accounted for 11.83% of the net capital while the balance of finance lease businesses for the largest single group client accounted for 15.58% of the net capital.

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

Concentration indicator	June 30, December 31,	
	2022	2021
Degree of concentration of single client financing ⁽¹⁾	11.83%	13.74%
Degree of concentration of single group client financing ⁽²⁾	15.58%	10.74%

(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 of June 30, 2022, in terms of finance lease related assets before allowance for impairment losses, the total financing raised by the top ten single clients amounted to RMB31,269.4 million, accounting for 15.59% of finance lease related assets.

The following table sets forth the financing amount raised by the top ten clients of the Group as of June 30, 2022:

<i>(RMB in millions, except percentages)</i>		Financing amount	Percentage of finance lease related assets before allowance for impairment losses
	Business segment		
Client A	Infrastructure	4,783.3	2.38%
Client B	Other	4,504.3	2.25%
Client C	Infrastructure	3,751.0	1.87%
Client D	Ship	3,491.3	1.74%
Client E	Ship	2,689.9	1.34%
Client F	Infrastructure	2,628.0	1.31%
Client G	Infrastructure	2,554.5	1.27%
Client H	Infrastructure	2,552.9	1.27%
Client I	Ship	2,316.6	1.15%
Client J	Infrastructure	1,997.6	1.01%
Total		31,269.4	15.59%

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

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

<i>(RMB in millions, except percentages)</i>	June 30, 2022		December 31, 2021	
	Amount	Percentage	Amount	Percentage
Aircraft leasing	481.3	0.2%	314.6	0.2%
Infrastructure leasing	146,402.8	73.0%	146,083.1	73.6%
Ship leasing	11,037.9	5.5%	12,349.3	6.2%
Inclusive finance	29,311.8	14.6%	30,870.6	15.6%
Vehicle	10,863.8	5.4%	12,265.1	6.2%
Construction machinery	18,448.0	9.2%	18,605.5	9.4%
Others	13,377.3	6.7%	8,844.2	4.4%
Commercial property	55.7	0.0%	76.5	0.0%
Other sectors	13,321.6	6.6%	8,767.7	4.4%
Total	200,611.1	100%	198,461.8	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 stabilize 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 risk of the Group is mainly the US dollar exposures arising from foreign currencies-denominated profits realised by subsidiaries, projects subsidiaries and SPVs.

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

As of June 30, 2022, the Group's foreign exchange risk exposure in US dollar-denominated against Renminbi-denominated that affected profit or loss amounted to US\$452.9 million, and the ending balance of notional amount for hedging transactions amounted to US\$381.0 million. The Group effectively managed the foreign exchange risk through exposure monitoring and financial derivative hedging and other means, and recorded an exchange gain of RMB45.7 million throughout the first half of 2022.

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's liquidity risk management strategy is to strike a balance between interest rate margin and liquidity risk. The measures adopted include: 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 used quasi-cash assets such as bank deposits and money market bonds, etc. as the first level liquidity reserve, bank-committed credit line of overdraft as the second level liquidity reserve and a portion of senior bonds held by the Group as the third level liquidity reserve.

As of June 30, 2022, 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 the online financing capacity, and in the first half of 2022, accumulated interbank borrowing (including bond collateral repo) amounted to RMB68,886.3 million. Meanwhile, the Group maintained a bank-committed overdraft line of RMB800.0 million and held a certain portion of senior bonds, thus ensuring that its liquidity asset reserve can fully mitigate liquidity risk.

During 2022, the liquidity of the Group remained strong. According to the market liquidity situation, the Group arranged financing plans in a reasonable and orderly manner, further optimized the liquidity management mechanism, and gradually optimized the three-level liquidity reserve system to further improve the liquidity risk management capability.

7.4 Other 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 2022, the Group attached great importance to operational risk management and continued to bring the effectiveness of its systems into play. Firstly, we strengthened the regular management of our systems by implementing the Group's "Management Enhancement Year" and continued to enhance the standardisation and long-term effectiveness of the Group's systems through the identification of system plans, continuous cross-checking, implementation of regulatory requirements and improvement of management methods. Secondly, the Group's system spectrum was completed and a four-tier system of basic systems, management measures, working rules and sub-area operating rules was formed in accordance with 15 major business categories, including corporate governance, business development, risk management and internal control and compliance. There will be 124 amendments to mechanism throughout the year, and 32 documents were issued and 15 meetings on systems were held in the first half of 2022. Thirdly, we conducted a comprehensive review and assessment of the work of various lines of business, identified gaps, loopholes and shortcomings in various lines of business, proactively followed up on regulatory requirements and continued to promote cross-checking. We also promoted the implementation of a number of specific tasks, and integrated and compiled the Leasing Business Review Collection, Post-Leasing Management Manual, Leasing Business Management System Collection and Business Process Management Manual, so as to implement operational risk management. No major operational risk events of the Group had been found in the first half of 2022.

7.4.2 Information Technology Risk

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

The CBIRC attaches great importance to the risk management of information technology in the banking industry, and requires financial leasing companies to establish effective mechanism to identify, measure, test and control their information technology risks 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 to constantly enhance the risk resistance capability.

In the first half of 2022, the Group further improved information technology risk management. Firstly, we constantly improved the IT governance system to achieve comprehensive management improvement of IT governance; optimized project and quality control and improved the project management office operation mechanism; improved the structure control mechanism and standardised the top-level design of the system; improved the IT system and strengthened its implementation; improved the expert database mechanism and deepened IT strategic cooperation. Secondly, we steadily promoted the construction of application systems, enhanced the renovation and functional optimization of existing systems, and accelerated the development and application of new systems to meet the digital transformation

of our business. Thirdly, we strengthened infrastructure and security construction, promoted the “cloud project (上雲工程)” and “separation of internal and external networks (內外網分離)” to ensure daily and important time security, and moderate and effective information security. No major information technology risk events of the Group had been found in the first half of 2022.

7.4.3 Reputational Risk

Reputational risk refers to the risk of negative evaluation of the Company by stakeholders, the public and the media as a result of the actions of the Company’s organisation, the behaviour of its employees or external events, which may damage the Company’s brand value, adversely affect the normal operation of the Company, or even affect market stability and social stability. Reputational risk is an important component of corporate governance and comprehensive risk management system.

In the first half of 2022, 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, we conducted regular self-inspection and investigation of reputational risks and reputational risk assessment in accordance with regulatory requirements and reputational risk management requirements of the Group. Secondly, we 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, corrected errors in a timely manner, and incorporated ESG risks into the scope of reputation risk monitoring. Thirdly, we 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, we 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 demonstrated the Group’s responsibility of volunteering against the “epidemic” and providing financial assistance to enterprises while delivering business results to the market, thus creating a sound reputation environment and establishing a good brand image. No major reputational risk events of the Group had been found in the first half of 2022.

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 2022, 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 capital 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 management plan report of capital adequacy ratio, and making arrangements to promote the construction of the second pillar; secondly, the Group deepened the prospective and refined capital management concept, commenced in-depth coordination and management of capital replenishment and capital use by regarding capital adequacy ratio management plan and supervision of the capital flow as the basis, so as to improve the capital efficiency and capital return level; thirdly, the Group enhanced endogenous 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 2022, all capital indicators of the Group 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 of June 30, 2022, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 9.63%, 9.63% and 12.22%, respectively, which were higher than the regulatory requirements.

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

<i>(RMB in millions, except percentages)</i>	Regulatory requirement	As of June 30, 2022	As of June 30, 2021
Net capital:			
Net core tier-one capital		31,857.3	28,527.6
Net tier-one capital		31,857.3	28,527.6
Net capital		40,434.6	36,461.1
Capital adequacy ratio:			
Core tier-one capital adequacy ratio	≥7.5%	9.63%	9.71%
Tier-one capital adequacy ratio	≥8.5%	9.63%	9.71%
Capital adequacy ratio	≥10.5%	12.22%	12.41%

9 CAPITAL EXPENDITURES

The capital expenditures of the Group principally comprise expenditures for the purchase of ship and aircraft leasing assets, and property and equipment etc. In the first half of 2022, the capital expenditures of the Group amounted to RMB10,648.6 million, which were mainly used for the purchase of ships and aircraft. The Group financed the capital expenditures through cash from operating activities, bank borrowings and net proceeds from the global bonds offering.

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

<i>(RMB in millions)</i>	For the six months ended June 30,	
	2022	2021
Capital Expenditures	<u>10,648.6</u>	<u>11,962.9</u>

10 PLEDGE OF ASSETS

As of June 30, 2022, equipment held for operating lease businesses (net), finance lease receivables (net) and deposits amounting to RMB28,513.2 million, RMB4,360.7 million and RMB4,390.4 million respectively, were pledged to banks for financing from banks and long-term payable. The total collateral assets as aforesaid accounted for 10.7% of total assets.

11 HUMAN RESOURCES

As of June 30, 2022, 544 full-time persons in total rendered relevant services to the Group. The Group has a team of highly educated and high-quality talents, and approximately 93% of its employees had bachelor's degrees or above, approximately 51% of which had master's degrees or above.

In the first half of 2022 and 2021, the Group incurred employees' staff costs of RMB270.5 million and RMB236.4 million, respectively, accounting for 2.2% and 2.3% of the total revenue and other income of the Group for the respective periods.

The Group attaches great importance to talents and adheres to the philosophy that "talent is the first capital". 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. In the first half of 2022, the Group insisted on the main line of deepening human resources reform, intensifying organisational reform to strengthen its services to the Group's strategy; carefully launching the introduction of talents to support the Group's high-quality business development; improving the existing incentive allocation mechanism and sounding the remuneration management system; carrying out staff education and training to help improve the Group's management; doing a good job in cadre management to improve the standard of cadre management supervision; and promoting the digital transformation of human resources to consolidate human resources protection.

12 INDUSTRIAL REGULATIONS

In 2022, the financial leasing industry will continue to be subject to stringent regulation. The economic recovery and financial stability will be further complicated by the ongoing impact of the COVID-19 pandemic and international geopolitical conflicts. To safeguard financial stability and security, the financial regulatory authorities focused on building a legal system for financial stability and strived to establish a long-term mechanism for safeguarding financial stability; financial institutions' connected transactions were further regulated and the risks of connected transactions were given priority attention; and guidelines for the supervision of listed companies were issued and the regulatory and statutory system for listed companies was gradually improved. In the first half of 2022, regulatory policies were strengthened in terms of strengthening support for small and micro finance, supporting road and transport, urban construction and governance, promoting the development of green finance and providing financial support to enterprises in difficulties affected by the epidemic.

The following table sets forth the main regulatory indicators of the Group under the supervision of the CBIRC as of the date indicated:

	Regulatory requirements	As of June 30, 2022
Capital adequacy ratio	Above 10.5%	12.22%
Tier-one capital adequacy ratio	Above 8.5%	9.63%
Core tier-one capital adequacy ratio	Above 7.5%	9.63%
Degree of concentration of single client financing	Not more than 30%	11.83%
Degree of concentration of single group client financing	Not more than 50%	15.58%
Ratio of a single related client ⁽¹⁾	Not more than 30%	1.30%
Ratio of all related parties ⁽²⁾	Not more than 50%	3.71%
Ratio of a single related Shareholder ⁽³⁾	Not more than 100%	34.77%
Ratio of interbank lending ⁽⁴⁾	Not more than 100%	32.24%
Ratio of allowance to non-performing finance lease related assets	Above 150%	523.24%
Ratio of allowance to total finance lease related assets ⁽⁵⁾	Above 2.5%	4.49%
Investment in fixed-income securities ⁽⁶⁾	Not more than 20%	2.47%

- (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, and 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 ahead to the second half of 2022, China will adhere to the main tone of making progress while maintaining stability; it will also implement the new development concept completely, accurately and comprehensively by accelerating the forming of a new development pattern, focus on promoting high-quality development, keep the economic operation within a reasonable range, and strive to achieve the best results. Monetary policy will also continue to focus on the main tone of making progress while maintaining stability, maintain a reasonable abundance of liquidity, increase credit support for enterprises, maintain the overall stability of the financial market, consolidate the stronger momentum, grasped the implementation of policy measures, focus on stabilizing employment and prices, play the key role of effective investment and keep the economic operation within a reasonable range. Consumption, investment, GDP and other major economic indicators are expected to show simultaneous improvement with the gradual ablation of the epidemic. In general, the fundamentals of China's long-term economic growth remain unchanged, but there are certain uncertainties. As the triple pressure of shrinking demand, supply shock and weakening expectations continuously exist, the economic recovery process may show structural differentiation. Except for the infrastructure investment area, where growth is more certain for intensive policy supporting, the recovery of manufacturing industry, consumption and real estate is still full of uncertainties.

With the in-depth promotion of national science and technology innovation and the "carbon peaking and carbon neutrality" deployment and the strong support for the transformation and upgrading of the manufacturing industry, the leasing integrates "capital financing" and "property financing" and is closely integrated with the real economy, which can fully exert the advantages of the combination of production and finance, serve the national strategy, and enhance its role in promoting social and economic development, thus has emerged new development opportunities in the financial leasing industry. However, as the economic instability increases, it will impact the actual financing demand in the market, and external policies also bring new guidelines and changes to the development of the industry. Looking ahead to the second half of the year, the financial leasing industry will have both opportunities and challenges, and leasing companies shall continue to strengthen the tracking, analysis, research and judgment of policies, markets, industries and regions to better respond to market changes.

In the second half of 2022, the Group will continue to balance the relationship between scale, quality and efficiency, continuously strengthen market analysis and research to meet its customer needs. It will continue to focus on regulatory requirements, continue to explore opportunities for business innovation and transformation and development on the basis of focusing on its main responsibilities and businesses, improve its internal control and compliance management, strictly hold fast to risk prevention and control, and continuously improve operational efficiency while serving major national strategies.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

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

During the Reporting Period, the Company has continuously complied with all the applicable 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 Members (《董事、監事和高級管理人員買賣本公司證券守則》) as the code of conduct of the securities transactions carried out by all 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 confirmed that they have been complying with the standard requirements set out in the Model Code during the Reporting Period. The Company has also made specific enquiries to relevant employees in respect of compliance with the guidelines on their trading of the Company's securities, and the Company is not aware of any non-compliance incidents.

INTERIM DIVIDEND

The Board does not recommend to declare any interim dividends for the six months ended June 30, 2022.

AUDIT COMMITTEE AND REVIEW OF THE INTERIM RESULTS

The audit committee of the Company (the “**Audit Committee**”) comprises four Directors, including three independent non-executive Directors, namely Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu, and one non-executive Director, namely Mr. Li Yingbao. Mr. Zheng Xueding serves as the chairman of the Audit Committee.

The Audit Committee has adopted the terms of reference which are in line with the Corporate Governance Code. The primary duties of the Audit Committee include reviewing and monitoring the financial control, risk management and internal control systems and procedures of the Group and reviewing the financial information of the Group and the relationship with the external auditor of the Company. The unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2022 have been reviewed by the Audit Committee and Ernst & Young, the auditor of the Group. The interim report of the Company has been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MATERIAL LEGAL, LITIGATION AND ARBITRATION MATTERS

As of June 30, 2022, the underlying amount in relation to the pending litigation against the Company as the defendant was RMB19.3 million in aggregate. The Company expected such pending litigation would not have material adverse effects on the business, financial condition or operating performance of the Company.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended June 30, 2022 will be published on the websites of the Company (www.cdb-leasing.com) and HKEXnews of the Hong Kong Stock Exchange (www.hkexnews.hk) in due course.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited For the six months ended 30 June	
	Notes	2022 RMB'000	2021 RMB'000
Revenue			
Finance lease income	4	5,134,619	4,794,702
Operating lease income	4	6,425,283	4,921,163
Total revenue		11,559,902	9,715,865
Net investment gains	5	6,632	71,312
Other income, gains or losses	6	868,184	654,816
Total revenue and other income		12,434,718	10,441,993
Depreciation and amortisation		(2,541,914)	(2,085,551)
Staff costs		(270,526)	(236,355)
Fee and commission expenses		(26,764)	(31,219)
Interest expense	7	(3,956,755)	(3,991,415)
Other operating expenses		(658,453)	(464,629)
Net impairment losses on financial assets	8	(1,487,255)	(767,770)
Net impairment losses on other assets	9	(824,845)	(392,618)
Total expenses		(9,766,512)	(7,969,557)
Profit before tax		2,668,206	2,472,436
Income tax expense	10	(718,490)	(660,311)
Profit for the period attributable to owners of the Company		1,949,716	1,812,125
Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share)			
– Basic	11	0.15	0.14
– Diluted	11	0.15	0.14

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	1,949,716	1,812,125
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Gains/(losses) on financial assets at fair value through other comprehensive income, net of tax	14,040	(639)
Gains on cash flow hedges, net of tax	877,746	333,580
Currency translation differences	542,802	(34,720)
Total other comprehensive income for the period, net of tax	1,434,588	298,221
Total comprehensive income for the period attributable to owners of the Company	3,384,304	2,110,346

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
	Notes		
Assets			
Cash and bank balances		30,508,299	36,833,077
Financial assets at fair value through profit or loss (FVTPL)		133,584	156,330
Derivative financial assets		483,312	94,627
Financial assets at fair value through other comprehensive income (FVOCI)		977,427	970,740
Accounts receivable	12	1,386,970	1,245,057
Finance lease receivables	13	191,598,666	190,871,553
Assets held-for-sale		887,633	—
Prepayments		10,581,798	11,958,595
Investment properties		881,696	904,310
Property and equipment	14	104,440,088	92,829,721
Right-of-use assets		148,477	154,492
Deferred tax assets		1,884,795	1,674,834
Other assets		4,102,517	4,144,293
Total assets		348,015,262	341,837,629
Liabilities			
Borrowings	15	232,800,209	236,087,673
Due to banks and other financial institutions		13,037,309	10,657,467
Financial assets sold under repurchase agreements		940,000	—
Derivative financial liabilities		77,363	576,497
Accrued staff costs		179,273	203,957
Tax payable		426,410	372,472
Bonds payable	16	46,892,958	45,045,528
Lease liabilities		163,338	172,141
Deferred tax liabilities		1,343,241	1,822,217
Other liabilities		19,840,729	16,792,923
Total liabilities		315,700,830	311,730,875

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

		Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
	<i>Notes</i>		
Equity			
Share capital	17	12,642,380	12,642,380
Capital reserve		2,418,689	2,418,689
Hedging and fair value reserve		431,877	(459,909)
Translation reserve		204,028	(338,774)
General reserve		6,235,767	6,235,767
Retained earnings		10,381,691	9,608,601
		<hr/>	<hr/>
Total equity		32,314,432	30,106,754
		<hr/>	<hr/>
Total liabilities and equity		348,015,262	341,837,629
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited Attributable to the equity holders of the Company						
	Notes	Share capital RMB'000	Capital reserve RMB'000	Hedging and fair value reserve RMB'000	Translation reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
As at 1 January 2022		12,642,380	2,418,689	(459,909)	(338,774)	6,235,767	9,608,601	30,106,754
Profit for the period		-	-	-	-	-	1,949,716	1,949,716
Other comprehensive income for the period		-	-	891,786	542,802	-	-	1,434,588
Total comprehensive income for the period		-	-	891,786	542,802	-	1,949,716	3,384,304
Dividends	18	-	-	-	-	-	(1,176,626)	(1,176,626)
As at 30 June 2022		<u>12,642,380</u>	<u>2,418,689</u>	<u>431,877</u>	<u>204,028</u>	<u>6,235,767</u>	<u>10,381,691</u>	<u>32,314,432</u>
As 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
Dividends	18	-	-	-	-	-	(980,543)	(980,543)
As at 30 June 2021		<u>12,642,380</u>	<u>2,418,689</u>	<u>(812,944)</u>	<u>(223,289)</u>	<u>5,474,730</u>	<u>8,259,552</u>	<u>27,759,118</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Unaudited For the six months ended 30 June	
	Notes	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES			
Profit before tax		2,668,206	2,472,436
Adjustments for:			
Bonds payable interest expense	7	645,484	741,874
Lease liabilities interest expense		3,683	4,077
Depreciation and amortisation		2,541,914	2,085,551
Net impairment losses on financial assets	8	1,487,255	767,770
Net impairment losses on other assets	9	824,845	392,618
Gains on disposal of equipment held for operating lease businesses	6	(183,145)	(101,285)
Loss on disposal of equipment held for administrative purposes		33	—
Gains on disposal of finance lease receivables	5	(16,891)	(70,926)
Realised losses from derivatives	5	—	5,609
Realised gains from FVOCI	5	(12,167)	(27,745)
Unrealised fair value changes in derivatives	5	(320)	(6,966)
Unrealised fair value changes in FVTPL	5	22,746	28,716
Foreign exchange losses/(gains) from derivatives		118,631	(32,855)
Operating cash flows before movements in working capital		8,100,274	6,258,874
(Increase)/decrease in mandatory reserve deposits with central bank		20,737	(10,038)
Decrease in accounts receivable		279,087	224,370
(Increase)/decrease in finance lease receivables		849,747	(12,780,236)
Increase in other assets		(1,016,854)	(91,716)
Decrease in borrowings		(5,835,583)	(13,723,858)
Increase in due to banks and other financial institutions		2,123,032	14,833,046
Increase in financial assets sold under repurchase agreements		940,000	1,830,708
Decrease in accrued staff costs		(24,684)	(5,489)
Decrease in other liabilities		(966,228)	(1,879,021)
Cash flows from/(used in) operating activities		4,469,528	(5,343,360)
Income taxes paid		(1,463,066)	(658,801)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		3,006,462	(6,002,161)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Unaudited For the six months ended 30 June	
Notes	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES		
Changes in pledged and restricted bank deposits	692,813	(280,360)
Proceeds from disposal/maturity of FVTPL	(11,306)	243,792
Proceeds from disposal/maturity of FVOCI and others	1,025,781	107,187
Proceeds from disposal of property and equipment	792,883	859,973
Purchase of FVOCI	(984,690)	(982,466)
Purchase of property and equipment	(8,860,874)	(7,518,634)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(7,345,393)	(7,570,508)
FINANCING ACTIVITIES		
Proceeds from issue of bonds	6,108,664	10,148,042
Repayments of bonds	(7,155,129)	(4,297,494)
Bonds interest paid	(628,709)	(650,150)
Decrease in lease liabilities	(19,837)	(10,617)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(1,695,011)	5,189,781
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,033,942)	(8,382,888)
Effect of foreign exchange changes	422,714	(176,843)
Cash and cash equivalents at beginning of the period	30,196,765	34,144,186
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	24,585,537	25,584,455
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	5,329,469	4,966,689
Interest paid, exclusive bonds payable interest expenses	(3,465,980)	(3,376,224)
Net interest received	1,863,489	1,590,465

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

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 aircraft leasing, ship leasing, infrastructure leasing, inclusive finance leasing, transfers of finance lease assets and lease-related financial business.

This interim condensed consolidated financial information for the six months ended 30 June 2022 (“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 2022 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 2021, 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 2021, except for the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date.

The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss.

The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

(d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

4 TOTAL REVENUE

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance lease income	5,134,619	4,794,702
Operating lease income	6,425,283	4,921,163
	11,559,902	9,715,865

5 NET INVESTMENT GAINS

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Realised gains from financial assets at fair value through other comprehensive income	12,167	27,745
Realised gains from disposal of finance lease receivables	16,891	70,926
Realised losses from derivatives	–	(5,609)
Unrealised fair value change of derivatives	320	6,966
Unrealised fair value change of financial assets at fair value through profit or loss	(22,746)	(28,716)
	6,632	71,312

6 OTHER INCOME, GAINS OR LOSSES

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income from deposits with financial institutions	197,948	180,703
Gains on disposal of assets held for operating lease businesses, net	183,145	101,285
Government grants and incentives	45,706	78,869
Management and commission fee income	360,380	247,074
Foreign exchange gains, net	45,722	13,848
Others	35,283	33,037
	<u>868,184</u>	<u>654,816</u>

7 INTEREST EXPENSE

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Borrowings	3,229,852	3,110,586
Bonds payable	645,484	741,874
Due to banks and other financial institutions	93,670	126,155
Financial assets sold under repurchase agreements	6,421	12,170
Deposits from lessees	288	441
Others	53,385	53,351
Less: Interest capitalised on qualifying assets ⁽¹⁾	(72,345)	(53,162)
	<u>3,956,755</u>	<u>3,991,415</u>

(1) Interest capitalised on qualifying assets in the six months ended 30 June 2022 included RMB72,345 thousand (2021: RMB53,162 thousand) on prepayment.

8 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance lease receivables	1,517,501	422,476
Accounts receivable	(217,553)	311,460
Straightline lease asset	187,307	32,512
Other receivables	–	1,322
	<u>1,487,255</u>	<u>767,770</u>

9 NET IMPAIRMENT LOSSES ON OTHER ASSETS

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Equipment held for operating lease businesses	822,580	350,976
Assets held-for-sale	–	41,642
Aircraft supplementary assets	2,265	–
	<u>824,845</u>	<u>392,618</u>

10 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	1,509,628	513,926
Income tax in other countries	3,422	10
Deferred income tax	(806,811)	125,845
Under provision in prior period	12,251	20,530
	<u>718,490</u>	<u>660,311</u>

The applicable enterprise income tax rate is 25% (2021: 25%) for the Company and all its subsidiaries established in mainland China, 16.5% (2021: 16.5%) for subsidiaries in Hong Kong, and 12.5% (2021:12.5%) 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit before tax	2,668,206	2,472,436
Tax at the statutory tax rate of 25%	667,052	618,109
Effect of different tax rates of group entities operating in jurisdictions other than PRC	37,620	(14,381)
Tax effect of expenses not deductible for tax purpose	3,798	399
Tax losses and deductible temporary difference not recognised	(2,231)	35,654
Under provision in prior period	12,251	20,530
Income tax expense for the period	<u>718,490</u>	<u>660,311</u>

11 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to owners of the Company (RMB'000)	1,949,716	1,812,125
Number of shares:		
Weighted average number of shares in issue ('000)	12,642,380	12,642,380
Basic earnings per share (RMB Yuan) ⁽¹⁾	0.15	0.14

- (1) Basic earnings per share amounts are 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 2022 and the six months ended 30 June 2021, respectively.

Diluted earnings per share amounts are the same as basic earnings per share amounts due to the absence of dilutive potential ordinary share during the six months ended 30 June 2022 and the six months ended 30 June 2021.

12 ACCOUNTS RECEIVABLE

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Operating lease receivables ⁽¹⁾	2,229,766	2,338,378
Other accounts receivable	97,094	13,902
	2,326,860	2,352,280
Less: Allowances for impairment losses		
– Allowances for operating lease receivables	(939,890)	(1,107,223)
	1,386,970	1,245,057

- (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.

An ageing analysis of the operating lease receivables as at the end of the reporting period, based on the receivables due date and net of loss allowance, is as follows:

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
On demand/Deferred	732,390	888,792
Overdue within 1 month	59,632	60,076
Overdue 1 to 2 months	67,898	28,417
Overdue 2 to 3 months	37,963	29,966
Overdue over 3 months	391,993	223,904
	1,289,876	1,231,155

12 ACCOUNTS RECEIVABLE (CONTINUED)

Movements of accounts receivable for the six months ended 30 June 2022 and the year ended 31 December 2021 are as follows:

	For the six months ended 30 June 2022 RMB'000 (Unaudited)	For the year ended 31 December 2021 RMB'000 (Audited)
Gross carrying amount		
At the beginning of the period/year	2,352,280	2,732,849
New assets originated/(repayment)	(136,284)	(324,134)
Effect of foreign currency exchange differences	110,864	(56,435)
At the end of the period/year	<u>2,326,860</u>	<u>2,352,280</u>

Movements of allowances for impairment losses during the six months ended 30 June 2022 and the year ended 31 December 2021 are as follows:

	For the six months ended 30 June 2022 RMB'000 (Unaudited)	For the year ended 31 December 2021 RMB'000 (Audited)
Allowance for impairment losses		
At the beginning of the period/year	1,107,223	772,199
Charge/(recovered) for the period/year	(217,553)	353,103
Effect of foreign currency exchange differences	50,220	(18,079)
At the end of the period/year	<u>939,890</u>	<u>1,107,223</u>

13 FINANCE LEASE RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Finance lease receivables		
Not later than one year	68,226,243	58,571,300
Later than one year and not later than five years	118,063,299	121,976,649
Later than five years	47,555,417	53,112,339
	<hr/>	<hr/>
Gross amount of finance lease receivables	233,844,959	233,660,288
Less: Unearned finance income	(33,233,906)	(35,198,445)
	<hr/>	<hr/>
Present value of minimum finance lease receivables	200,611,053	198,461,843
Less: Allowances for impairment losses	(9,012,387)	(7,590,290)
	<hr/>	<hr/>
Carrying amount of finance lease receivables	191,598,666	190,871,553
	<hr/>	<hr/>
Present value of minimum finance lease receivables		
Not later than one year	58,379,829	48,995,907
Later than one year and not later than five years	100,842,909	103,715,411
Later than five years	41,388,315	45,750,525
	<hr/>	<hr/>
	200,611,053	198,461,843
	<hr/> <hr/>	<hr/> <hr/>

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 is from 1 to 15 years.

The finance lease receivables with a carrying amount of approximately RMB4,360,673 thousand were pledged as collateral for the Group's bank borrowings as of 30 June 2022 (31 December 2021: RMB6,026,467 thousand) (Note 15).

The finance lease receivables with a carrying amount of approximately RMB5,186,879 thousand were transferred to banks under the factoring arrangements as of 30 June 2022 (31 December 2021: RMB1,209,614 thousand).

The finance lease receivables were mainly with floating interest rates base on the benchmark interest rate of 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 2022 and the year ended 31 December 2021 within finance lease receivables are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Present value of minimum finance lease receivables				
Amount as at 1 January 2022	178,257,871	19,144,924	1,059,048	198,461,843
Movement within stages:				
Move to stage 2	(2,948,719)	2,948,719	–	–
Move to stage 3	–	(633,095)	633,095	–
Net assets originated/(repayment)	1,826,459	205,870	26,328	2,058,657
Transfer/written-off	–	(531,675)	–	(531,675)
Effect of foreign currency exchange differences	607,215	14,274	739	622,228
	<hr/>	<hr/>	<hr/>	<hr/>
Amount as at 30 June 2022	177,742,826	21,149,017	1,719,210	200,611,053
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

13 FINANCE LEASE RECEIVABLES (CONTINUED)

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
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 1	3,044,568	(3,044,568)	–	–
Move to stage 2	(4,597,246)	4,597,246	–	–
Move to stage 3	–	(346,300)	346,300	–
Net assets originated/(repayment)	30,547,672	(3,289,684)	(278,383)	26,979,605
Transfer/written-off	–	–	(92,860)	(92,860)
Effect of foreign currency exchange differences	(273,370)	(12,615)	(409)	(286,394)
Amount as at 31 December 2021	<u>178,257,871</u>	<u>19,144,924</u>	<u>1,059,048</u>	<u>198,461,843</u>

Movements of allowances for impairment losses on finance lease receivables during the six months ended 30 June 2022 and the year ended 31 December 2021 are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Allowance for impairment losses				
Amount as at 1 January 2022	3,085,915	3,504,853	999,522	7,590,290
Movement within stages:				
Move to stage 2	(25,480)	25,480	–	–
Move to stage 3	–	(367,150)	367,150	–
Net increase/(decrease) ⁽¹⁾	(152,688)	(188,677)	17,131	(324,234)
Charge/(recovered) for the period ⁽²⁾	1,365,774	195,167	280,794	1,841,735
Transfer/written-off	–	(141,936)	–	(141,936)
Effect of foreign currency exchange differences	41,829	4,095	608	46,532
Amount as at 30 June 2022	<u>4,315,350</u>	<u>3,031,832</u>	<u>1,665,205</u>	<u>9,012,387</u>

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
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 1	335,903	(335,903)	–	–
Move to stage 2	(63,785)	63,785	–	–
Move to stage 3	–	(240,963)	240,963	–
Net increase/(decrease) ⁽¹⁾	574,353	(488,176)	(193,144)	(106,967)
Charged/(recovered) for the year ⁽²⁾	457,712	1,435,354	88,828	1,981,894
Transfer/written-off	–	–	(92,849)	(92,849)
Effect of foreign currency exchange differences	(8,265)	(4,104)	(359)	(12,728)
Amount as at 31 December 2021	<u>3,085,915</u>	<u>3,504,853</u>	<u>999,522</u>	<u>7,590,290</u>

(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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Equipment held for operating lease businesses	103,692,242	92,070,297
Property and equipment held for administrative purposes	747,846	759,424
	<u>104,440,088</u>	<u>92,829,721</u>

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 2022	82,403,395	28,270,238	264,035	110,937,668
Additions	7,441,051	3,206,496	–	10,647,547
Transferred from finance lease receivables	–	531,675	–	531,675
Disposals/written-off	(1,439,722)	(645,540)	(38)	(2,085,300)
Foreign currency translation	5,037,428	1,480,133	–	6,517,561
As at 30 June 2022	<u>93,442,152</u>	<u>32,843,002</u>	<u>263,997</u>	<u>126,549,151</u>
Accumulated depreciation				
As at 1 January 2022	(13,957,441)	(1,756,134)	(187,633)	(15,901,208)
Charge for the period	(1,717,847)	(730,663)	(11,499)	(2,460,009)
Disposals/written-off	435,188	36,915	–	472,103
Foreign currency translation	(782,471)	(68,022)	–	(850,493)
As at 30 June 2022	<u>(16,022,571)</u>	<u>(2,517,904)</u>	<u>(199,132)</u>	<u>(18,739,607)</u>
Accumulated impairment				
As at 1 January 2022	(2,641,731)	(324,432)	–	(2,966,163)
Charge for the period	(822,580)	–	–	(822,580)
Transferred from finance lease receivables	–	(141,936)	–	(141,936)
Disposals/written-off	–	–	–	–
Foreign currency translation	(169,602)	(17,021)	–	(186,623)
As at 30 June 2022	<u>(3,633,913)</u>	<u>(483,389)</u>	<u>–</u>	<u>(4,117,302)</u>
Net carrying amount				
As at 1 January 2022	<u>65,804,223</u>	<u>26,189,672</u>	<u>76,402</u>	<u>92,070,297</u>
As at 30 June 2022	<u>73,785,668</u>	<u>29,841,709</u>	<u>64,865</u>	<u>103,692,242</u>

14 PROPERTY AND EQUIPMENT (CONTINUED)

Equipment held for operating lease businesses (Continued)

Audited	Aircraft RMB'000	Ships RMB'000	Special equipment RMB'000	Total RMB'000
Cost				
As at 1 January 2021	77,304,436	14,747,602	671,727	92,723,765
Additions	14,358,776	14,001,475	–	28,360,251
Disposals/written-off	(7,492,398)	–	(407,692)	(7,900,090)
Foreign currency translation	<u>(1,767,419)</u>	<u>(478,839)</u>	<u>–</u>	<u>(2,246,258)</u>
As at 31 December 2021	<u>82,403,395</u>	<u>28,270,238</u>	<u>264,035</u>	<u>110,937,668</u>
Accumulated depreciation				
As at 1 January 2021	(12,550,199)	(882,540)	(247,743)	(13,680,482)
Charged for the year	(3,256,799)	(899,839)	(21,987)	(4,178,625)
Disposals/written-off	1,626,670	–	82,097	1,708,767
Foreign currency translation	<u>222,887</u>	<u>26,245</u>	<u>–</u>	<u>249,132</u>
As at 31 December 2021	<u>(13,957,441)</u>	<u>(1,756,134)</u>	<u>(187,633)</u>	<u>(15,901,208)</u>
Accumulated impairment				
As at 1 January 2021	(2,226,643)	(240,245)	(277,270)	(2,744,158)
Charged for the year	(787,885)	(88,446)	(2,566)	(878,897)
Disposals/written-off	316,129	–	279,836	595,965
Foreign currency translation	<u>56,668</u>	<u>4,259</u>	<u>–</u>	<u>60,927</u>
As at 31 December 2021	<u>(2,641,731)</u>	<u>(324,432)</u>	<u>–</u>	<u>(2,966,163)</u>
Net carrying amount				
As at 1 January 2021	<u>62,527,594</u>	<u>13,624,817</u>	<u>146,714</u>	<u>76,299,125</u>
As at 31 December 2021	<u>65,804,223</u>	<u>26,189,672</u>	<u>76,402</u>	<u>92,070,297</u>

As at 30 June 2022, the aircraft and ships with net book value of approximately RMB27,428,550 thousand (31 December 2021: RMB29,016,282 thousand) and RMB1,084,617 thousand (31 December 2021: RMB1,060,935 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 <i>RMB'000</i>	Computers and electronic equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
Cost						
As at 1 January 2022	786,158	33,921	5,472	19,066	71,627	916,244
Additions	123	837	–	103	–	1,063
Transferred from other assets	2,781	–	–	–	–	2,781
Foreign currency translation	541	–	–	358	2,649	3,548
As at 30 June 2022	789,603	34,758	5,472	19,527	74,276	923,636
Accumulated depreciation						
As at 1 January 2022	(89,466)	(17,675)	(3,865)	(14,192)	(31,622)	(156,820)
Charge for the period	(11,052)	(3,858)	(328)	(1,200)	(1,463)	(17,901)
Transferred from other assets	332	–	–	–	–	332
Foreign currency translation	(480)	–	–	(243)	(678)	(1,401)
As at 30 June 2022	(100,666)	(21,533)	(4,193)	(15,635)	(33,763)	(175,790)
Net carrying amount						
As at 1 January 2022	696,692	16,246	1,607	4,874	40,005	759,424
As at 30 June 2022	688,937	13,225	1,279	3,892	40,513	747,846
Audited	Buildings <i>RMB'000</i>	Computers and electronic equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
Cost						
As at 1 January 2021	800,870	17,072	5,472	17,482	72,805	913,701
Additions	678	16,849	–	1,738	–	19,265
Transfer to other assets	(15,159)	–	–	–	–	(15,159)
Foreign currency translation	(231)	–	–	(154)	(1,178)	(1,563)
As at 31 December 2021	786,158	33,921	5,472	19,066	71,627	916,244
Accumulated depreciation						
As at 1 January 2021	(70,016)	(10,886)	(3,101)	(11,103)	(28,953)	(124,059)
Charged for the year	(20,681)	(6,789)	(764)	(3,172)	(2,926)	(34,332)
Transfer to other assets	1,040	–	–	–	–	1,040
Foreign currency translation	191	–	–	83	257	531
As at 31 December 2021	(89,466)	(17,675)	(3,865)	(14,192)	(31,622)	(156,820)
Net carrying amount						
As at 1 January 2021	730,854	6,186	2,371	6,379	43,852	789,642
As at 31 December 2021	696,692	16,246	1,607	4,874	40,005	759,424

14 PROPERTY AND EQUIPMENT (CONTINUED)

As at 30 June 2022, the carrying value of property and equipment of the Group for which registration was not completed amounted to approximately RMB7,717 thousand (31 December 2021: RMB7,987 thousand). 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 2022 was 4.80% (31 December 2021: 4.80%).

As at 30 June 2022, there are 9 aircraft remaining in Russia after the termination of leases with Russian airlines in compliance with the sanctions imposed by European Union. The Group has recognised impairment losses of RMB747 million on these assets during the period ended 30 June 2022 and the net book value of these aircraft is RMB1,752 million after recognition of the impairment. The key assumptions and parameters used in the measurement of the impairment of such assets included:

- 1) The management of the Group believes that there is a high probability of repossessing these aircraft from Russia in the foreseeable future based on the current situation and the Group is still actively communicating with Russian airlines to find effective ways to repossess these aircraft; and
- 2) Based on the utilisation status, the Group estimates that the maintenance status of these aircraft will be between 20% and 87% when they are repossessed.

The Group will follow the progress of these aircraft's situation continually and reassess the impairment provision accordingly. In the worst scenario, if the Group can't repossess these aircraft in the future, the Group may need to fully write down these aircraft.

15 BORROWINGS

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Secured bank borrowings ⁽¹⁾	25,647,514	28,099,086
Factoring financing ⁽²⁾	4,516,320	1,175,830
Unsecured bank borrowings	202,636,375	206,812,757
	232,800,209	236,087,673
	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Carrying amount repayable:		
Within one year	189,341,676	212,544,215
More than one year, but not exceeding two years	18,820,950	15,250,460
More than two years, but not exceeding five years	18,184,565	6,655,225
More than five years	6,453,018	1,637,773
	232,800,209	236,087,673

15 BORROWINGS (CONTINUED)

(1) Secured bank borrowings

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Equipment held for operating lease businesses	27,428,550	29,016,282
Finance lease receivables	4,360,673	6,026,467
Bank deposits	4,390,430	4,170,823
	<u>36,179,653</u>	<u>39,213,572</u>

- (2) The Group entered into finance lease receivables factoring arrangements and has recognised the cash received for the transfer as factoring financing, which was approximately RMB4,516,320 thousand as at 30 June 2022 (31 December 2021: RMB1,175,830 thousand).

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Fixed-rate borrowings:		
Within one year	161,157,096	173,337,893
More than one year, but not exceeding five years	6,433,069	494,282
More than five years	531,940	186,316
	<u>168,122,105</u>	<u>174,018,491</u>

In addition, the Group has floating-rate borrowings which carry interest based on LPR, LIBOR, Secured Overnight Financing Rate ("SOFR") or Term SOFR.

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

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Effective interest rate:		
Fixed-rate borrowings	0.12%-4.45%	0.12%-4.45%
Floating-rate borrowings	1M LIBOR+0.37% to 6M LIBOR+2.80%	3M LIBOR+0.30% to 3M LIBOR+3.00%

16 BONDS PAYABLE

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Guaranteed unsecured bonds ⁽¹⁾	42,242,971	40,630,522
Unguaranteed unsecured bonds	4,649,987	4,415,006
	46,892,958	45,045,528

The following table summarised the basic information of the Group's bonds:

Issuer ⁽²⁾	Currency	Fixed Coupon Rate	Maturity (Year)	As at 30 June 2022		
				Face value RMB'000	Guaranteed unsecured bonds ⁽¹⁾ RMB'000	Unguaranteed unsecured bonds RMB'000
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,697,980	–	4,697,980
CDBL Funding 2	HKD	1.20% to 1.40%	2023 to 2024	1,111,747	1,111,747	–
	USD	0.80% to 3.125%	2022 to 2027	20,107,354	20,107,354	–
CDBL Funding 1	USD	1.05% to 4.25%	2022 to 2027	13,758,370	13,758,370	–
Amber Circle Funding Limited	USD	3.25%	2022	6,711,400	6,711,400	–
				46,386,851	41,688,871	4,697,980
				47,057,991	42,360,011	4,697,980
				47,057,991	42,360,011	4,697,980
Issuer ⁽²⁾	Currency	Floating Rate	Maturity (Year)	As at 31 December 2021		
				Face value RMB'000	Guaranteed unsecured bonds ⁽¹⁾ RMB'000	Unguaranteed unsecured bonds RMB'000
CDBL Funding 2	USD	SOFR+0.85%	2023	671,140	671,140	–
				47,057,991	42,360,011	4,697,980
				47,057,991	42,360,011	4,697,980
Issuer ⁽²⁾	Currency	Fixed coupon rate	Maturity (Year)	As at 31 December 2021		
				Face value RMB'000	Guaranteed unsecured bonds ⁽¹⁾ RMB'000	Unguaranteed unsecured bonds RMB'000
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,462,990	–	4,462,990
CDBL Funding 2	RMB	3.60%	2022	270,000	270,000	–
	HKD	1.00% to 3.30%	2022 to 2024	1,929,536	1,929,536	–
	USD	0.80% to 3.75%	2022 to 2026	19,094,903	19,094,903	–
CDBL Funding 1	USD	1.05% to 4.25%	2022 to 2027	13,070,185	13,070,185	–
Amber Circle Funding Limited	USD	3.25%	2022	6,375,700	6,375,700	–
				45,203,314	40,740,324	4,462,990
				45,203,314	40,740,324	4,462,990

16 BONDS PAYABLE (CONTINUED)

- (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.
- (2) Amber Circle Funding Limited, CDBL Funding 1 and CDBL Funding 2 are subsidiaries of the Group.

17 SHARE CAPITAL

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Registered, issued and fully paid: par value RMB1.00 per share	<u>12,642,380</u>	<u>12,642,380</u>

18 DIVIDENDS

On 29 March 2022, the board of directors has decided to distribute a final dividend of RMB0.9307 per 10 shares for the year ended 31 December 2021. The total share capital of the Group amounted to 12,642,380,000, and the total amount of profit distribution amounted to RMB1,176,626,307. The proposed final dividend for the year has been approved by the shareholders at the annual general meeting on 28 June 2022.

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

19 SEGMENT REPORTING (CONTINUED)

Expenses 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). Assets and liabilities of the headquarters are allocated according to the proportion of each segment's assets related to leasing business.

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 2022 and 2021.

The operating and reportable segment information provided to the CODM during the six months ended 30 June 2022 and 2021 is as follows:

	Aircraft leasing RMB'000	Infrastructure leasing RMB'000	Ship leasing RMB'000	Inclusive finance RMB'000	Others RMB'000	Total RMB'000
Unaudited						
For the six months ended 30 June 2022						
Segment revenue and results						
Finance lease income	2,127	3,789,318	312,861	737,709	292,604	5,134,619
Operating lease income	<u>3,504,488</u>	<u>2,377</u>	<u>2,853,941</u>	<u>–</u>	<u>64,477</u>	<u>6,425,283</u>
Segment revenue	3,506,615	3,791,695	3,166,802	737,709	357,081	11,559,902
Segment other income, gains and losses	<u>183,881</u>	<u>157,055</u>	<u>503,500</u>	<u>32,335</u>	<u>(1,955)</u>	<u>874,816</u>
Segment revenue and other income	3,690,496	3,948,750	3,670,302	770,044	355,126	12,434,718
Segment expenses	<u>(3,814,686)</u>	<u>(3,123,405)</u>	<u>(2,091,673)</u>	<u>(439,169)</u>	<u>(297,579)</u>	<u>(9,766,512)</u>
Profit before income tax	<u>(124,190)</u>	<u>825,345</u>	<u>1,578,629</u>	<u>330,875</u>	<u>57,547</u>	<u>2,668,206</u>
Profit before impairment losses and income tax	<u>668,212</u>	<u>1,794,967</u>	<u>2,024,974</u>	<u>332,926</u>	<u>159,227</u>	<u>4,980,306</u>
Unaudited						
As at 30 June 2022						
Segment assets and liabilities						
Segment assets	92,262,959	158,670,993	47,642,591	31,570,290	15,983,634	346,130,467
Deferred tax assets						<u>1,884,795</u>
Group's total assets						<u>348,015,262</u>
Segment liabilities	86,651,382	142,616,155	42,370,634	28,540,974	14,178,444	314,357,589
Deferred tax liabilities						<u>1,343,241</u>
Group's total liabilities						<u>315,700,830</u>
For the six months ended 30 June 2022						
Other segment information						
Depreciation of investment properties	–	–	–	–	(19,539)	(19,539)
Depreciation of property and equipment	(1,720,201)	(19,479)	(736,095)	(1,451)	(684)	(2,477,910)
Depreciation of right-of-use assets	(8,091)	(2,707)	(1,843)	(492)	(233)	(13,366)
Amortisation	(22,005)	(3,513)	(2,392)	(638)	(2,551)	(31,099)
Impairment losses	<u>(792,402)</u>	<u>(969,622)</u>	<u>(446,345)</u>	<u>(2,051)</u>	<u>(101,680)</u>	<u>(2,312,100)</u>

19 SEGMENT REPORTING (CONTINUED)

The operating and reportable segment information provided to the CODM during the six months ended 30 June 2022 and 2021 is as follows (continued):

	Aircraft leasing RMB'000	Infrastructure leasing RMB'000	Ship leasing RMB'000	Inclusive finance RMB'000	Others RMB'000	Total RMB'000
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
Audited						
As at 31 December 2021						
Segment assets and liabilities						
Segment assets	84,344,439	162,928,034	47,592,357	34,103,137	11,194,828	340,162,795
Deferred tax assets						1,674,834
Group's total assets						341,837,629
Segment liabilities	78,580,151	147,494,800	42,563,018	31,152,687	10,118,002	309,908,658
Deferred tax liabilities						1,822,217
Group's total liabilities						311,730,875
Unaudited						
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)

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 the 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.
“Board” or “Board of Directors”	the board of directors of the Company
“Boeing”	The Boeing Company, a company incorporated in Delaware, the United States
“Capital Administrative Measures”	Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), issued by CBIRC on June 7, 2012 and being effective from January 1, 2013
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) and its predecessor, China Banking Regulatory Commission (中國銀行業監督管理委員會)
“China” or the “PRC”	the People’s Republic of China
“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 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 PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“PBOC”	the Central Bank of the People’s Republic of China
“Reporting Period”	from January 1, 2022 to June 30, 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“State Council”	State Council of the People’s Republic of China
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“US\$”, “USD” or “US dollar(s)”	United States dollar(s), the lawful currency of the United States

GLOSSARY OF TECHNICAL TERMS

“China Development Bank”	China Development Bank Co., Ltd.
“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 leases, consisting of finance lease receivable and accounts receivable (advances for finance lease projects)
“Fitch”	Fitch Ratings Ltd.
“Moody’s”	Moody’s Investors Service, Inc.
“MW”	megawatt, or one million watts.
“narrow-body aircraft”	single-aisle aircraft, such as Airbus A320 family and Boeing 737 family

“operating lease”	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risks and returns of the leased assets remain with the lessors
“SPV(s)”	special purpose vehicle(s)
“Standard & Poor’s”	S&P Global Ratings
“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 2022

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