国银金租
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, 2023

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, 2023, together with comparative figures for the same period of 2022, which shall be read in conjunction with the management discussion and analysis below.

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

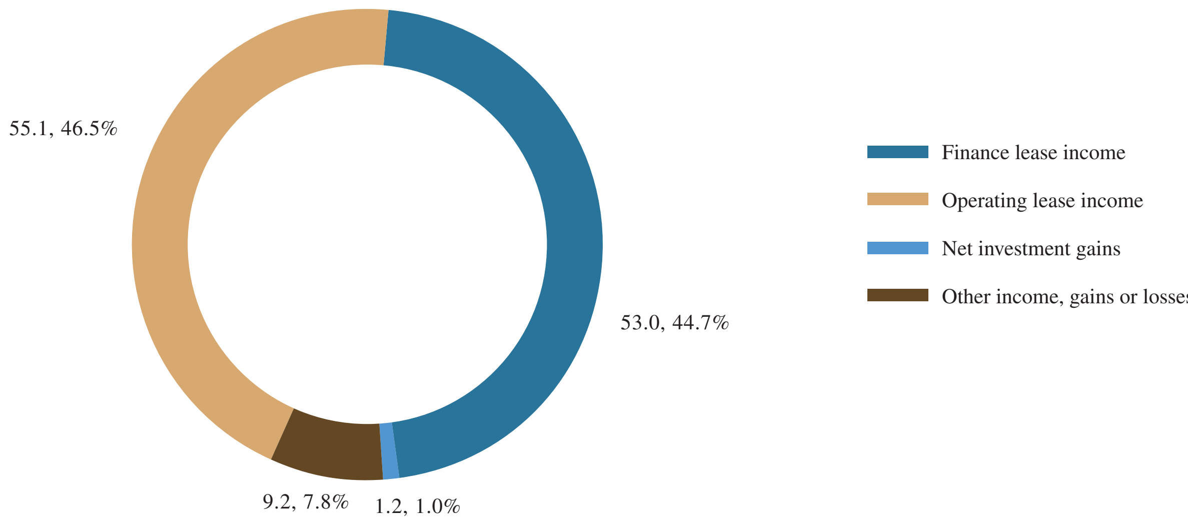
FINANCIAL HIGHLIGHTS

1. SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(RMB in thousands)	**For the six months ended June 30, 2023**	For the six months ended June 30, 2022	For the year ended December 31, 2022
Finance lease income	**5,296,753**	5,134,619	10,288,623
Operating lease income	**5,510,197**	6,425,283	12,475,713
Total revenue	**10,806,950**	11,559,902	22,764,336
Net investment gains	**118,031**	6,632	32,489
Other income, gains or losses	**922,117**	868,184	2,256,632
Total revenue and other income	**11,847,098**	12,434,718	25,053,457
Total expenses	**(9,213,892)**	(9,766,512)	(20,095,503)
Of which: Depreciation and amortisation	**(2,896,375)**	(2,541,914)	(5,380,735)
Interest expenses	**(4,834,889)**	(3,956,755)	(8,206,689)
Impairment losses	**(465,034)**	(2,312,100)	(4,256,803)
Profit before income tax	**2,633,206**	2,668,206	4,957,954
Profit for the Reporting Period	**1,960,248**	1,949,716	3,351,073
Basic and diluted earnings per Share *(RMB)*	**0.16**	0.15	0.27

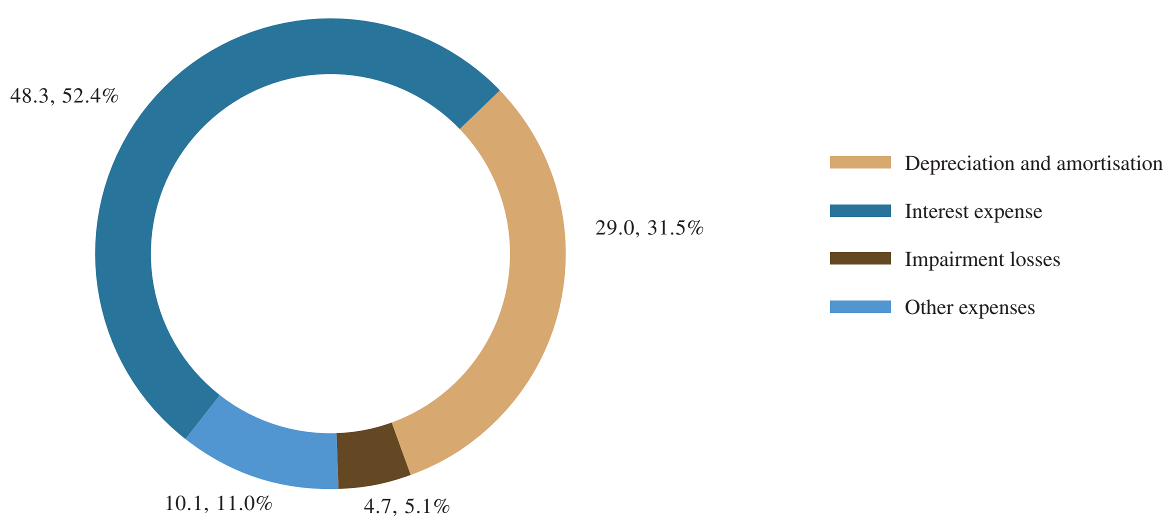
In the first half of 2023, finance lease income accounted for 44.7% of the operating income of the Group, representing a year-on-year increase of 3.4 percentage points; operating lease income accounted for 46.5%, representing a year-on-year decrease of 5.2 percentage points; net investment gains accounted for 1.0%, representing a year-on-year increase of 0.9 percentage point; and other income, gains or losses accounted for 7.8%, representing a year-on-year increase of 0.9 percentage point.

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



In the first half of 2023, interest expense accounted for 52.4% of the operating expenses of the Group, representing a year-on-year increase of 11.9 percentage points; depreciation and amortisation accounted for 31.5%, representing a year-on-year increase of 5.5 percentage points; impairment losses accounted for 5.1%, representing a year-on-year decrease of 18.6 percentage points; and other expenses accounted for 11.0%, representing a year-on-year increase of 1.2 percentage points.

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

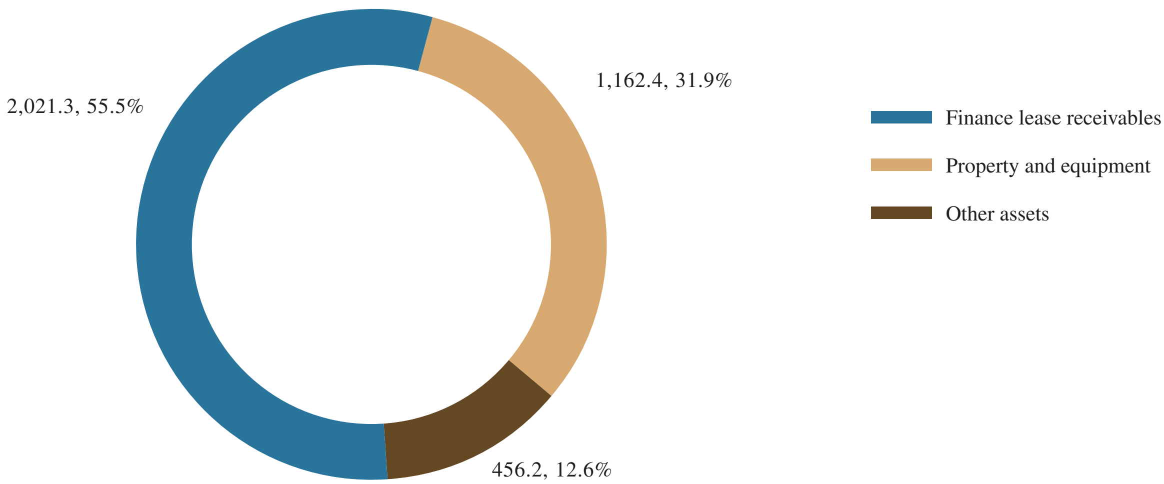


2. SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(RMB in thousands)	**June 30, 2023**	December 31, 2022
Total assets	**363,986,061**	354,717,247
Of which: Cash and bank balances	**21,248,114**	29,760,725
Accounts receivable	**2,168,183**	3,487,733
Finance lease receivables	**202,132,437**	193,494,283
Prepayments	**12,289,396**	11,551,036
Property and equipment	**116,244,987**	106,524,461
Total liabilities	**328,382,352**	320,433,802
Of which: Borrowings	**247,342,470**	246,882,657
Bonds payable	**35,884,204**	36,872,054
Net assets	**35,603,709**	34,283,445
Net assets per Share *(RMB)*	**2.82**	2.71

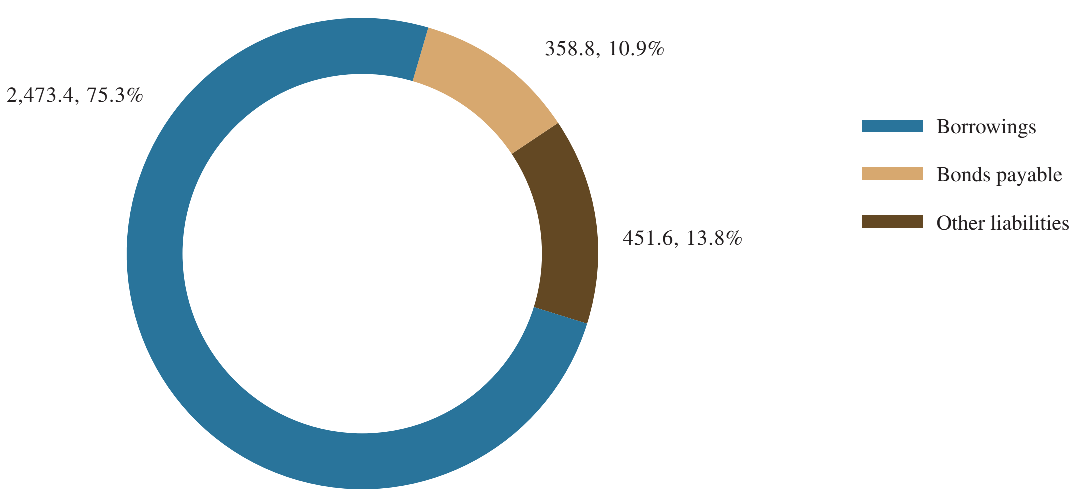
As at June 30, 2023, finance lease receivables accounted for 55.5% of the total assets of the Group, representing an increase of 1.0 percentage point compared with that as at the end of 2022; property and equipment accounted for 31.9%, representing an increase of 1.9 percentage points compared with that as at the end of 2022; and other assets accounted for 12.6%, representing a decrease of 2.9 percentage points compared with that as at the end of 2022.

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



As at June 30, 2023, borrowings accounted for 75.3% of the total liabilities of the Group, representing a decrease of 1.7 percentage points compared with that as at the end of 2022; bonds payable accounted for 10.9%, representing a decrease of 0.6 percentage point compared with that as at the end of 2022; and other liabilities accounted for 13.8%, representing an increase of 2.3 percentage points compared with that as at the end of 2022.

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, 2023	2022	For the year ended December 31/ As of December 31, 2022
Return on average total assets[(1)]	**1.09%**	1.13%	0.96%
Return on average equity[(2)]	**11.22%**	12.49%	10.41%
Cost-to-income ratio[(3)]	**8.63%**	7.82%	9.14%
Non-performing asset ratio[(4)]	**0.78%**	0.91%	0.63%
Non-performing asset ratio of finance lease business[(5)]	**0.86%**	0.86%	0.73%
Gearing ratio[(6)]	**7.69 times**	8.14 times	7.75 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.

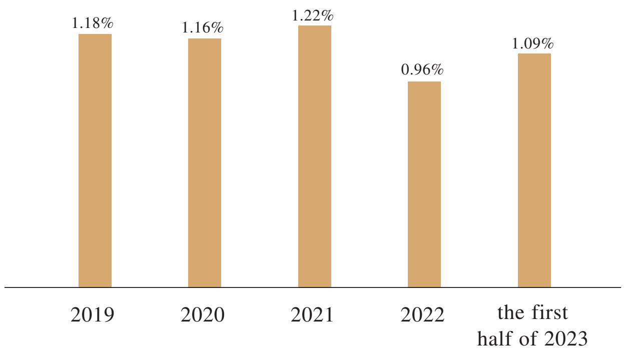
(4) Non-performing asset ratio refers to the percentage of non-performing assets over total assets before allowance for impairment losses as at the applicable date.

(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.

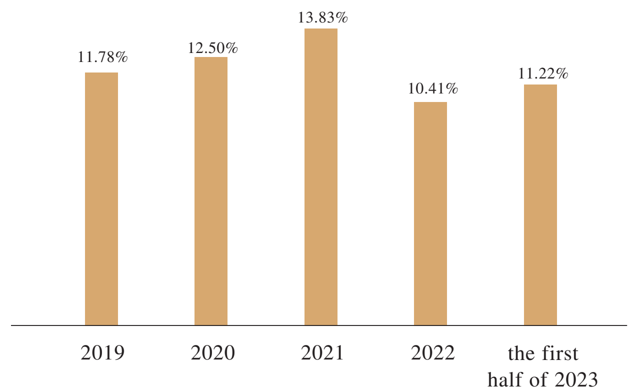
(6) Calculated by dividing net debt by total equity. Net debt is defined as total liabilities less cash and cash equivalents. Total liabilities comprise borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements and bonds payable.

In the first half of 2023, the annualized return on average total assets of the Group was 1.09%, representing an increase of 0.13 percentage points compared to the same period of last year, The annualized return on average equity of the Group was 11.22%, representing an increase of 0.81 percentage points compared to the same period of last year, mainly due to the sustained growth 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 NAFR and applicable accounting standards.

	Regulatory requirement	**June 30, 2023**	December 31, 2022	December 31, 2021
Capital adequacy indicators(1)				
Core tier-one capital adequacy ratio(2)	≥7.5%	**9.75%**	9.86%	9.40%
Tier-one capital adequacy ratio(3)	≥8.5%	**9.75%**	9.86%	9.40%
Capital adequacy ratio(4)	≥10.5%	**12.33%**	12.46%	11.93%
Asset quality indicators				
Ratio of allowance to non-performing finance lease related assets(5)	≥150%	**491.85%**	573.07%	847.80%

(1) Calculated based on the Capital Administrative Measures (《資本管理辦法》) published by the NAFR 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 2023, the global economic development has presented a complex and changeable situation with slowdown in overall economic growth, high inflation rate, emerging trade protectionism, intensifying geopolitical risks, deteriorating environmental problems and widening wealth disparity. Meanwhile, the global economy has also shown strong resilience, continuing to gradually recover from the COVID-19 epidemic and the conflict between Russia and Ukraine, and the overall inflation rate of major overseas economies continued to fall. In June 2023, the Organization for Economic Co-operation and Development (OECD) and the World Bank raised their forecasts for world economic growth in 2023 from 2.2% and 1.7% at the beginning of the year to 2.7% and 2.1%, respectively.

In the first half of 2023, China's national economy continued to recover with overall improving trend. However, the economic operation still faces new difficulties and challenges, including insufficient domestic demand, difficulties in the operation of certain enterprises, various risks and hidden dangers in key areas, and a complex and severe external environment. According to data released by the National Bureau of Statistics, the preliminary gross domestic product (GDP) calculated at constant prices in the first half of 2023 amounted to RMB59.30 trillion, representing a year-on-year increase of 5.5%, of which a year-on-year increase of 6.3% and a month-on-month increase of 0.8% were recorded for the second quarter. According to the data released by the PBOC, the balance of social financing scale as at the end of June 2023 amounted to RMB365.45 trillion. In the first half of 2023, the incremental size of social financing accumulated to RMB21.55 trillion, representing an increase of RMB475.4 billion over the same period of the previous year, of which RMB loans to the real economy increased by RMB15.6 trillion, representing a year-on-year increase of RMB1.99 trillion, indicating that financial support for the real economy continued to increase.

1.2 Industry Environment

According to the "Report on the Development of the World Leasing Industry in the First Half of 2023" compiled by the Organizing Committee of the International Leasing Federation, China Leasing Federation and other organizations, it described that as of the end of June 2023, the total volume of leasing business in the world, i.e., the balance of the leasing contracts was about USD3.69 trillion, representing an increase of about USD30 billion, or 0.8%, as compared with USD3.66 trillion as at the end of the previous year. North America, Asia and Europe remained as the major concentration areas of the world's leasing industry, with the total business volume of the three regions accounting for approximately 85% of the world's total volume. China's leasing industry accounted for 22.7% of the world's total leasing business, decreased by 0.5 percentage point from 23.2% as at the end of the previous year. In the first half of 2023, it showed a stable in terms of the number of finance leasing enterprises and the total business volume, the number of domestic leasing enterprises and the total business volume increased, and the number of foreign leasing enterprises and the total business volume declined, but the decline rate was less than that of the previous year. As at the end of June 2023, the balance of financial leasing contracts nationwide amounted to approximately RMB5.77 trillion, representing a decrease of approximately RMB84 billion, or 1.4%, as compared with RMB5.85 trillion as at the end of 2022.

In the first half of 2023, the finance leasing company continued to steadily promote transformation and innovation, expanded the layout of operating leasing and direct leasing business; focused on the origin of leasing business, increased the support to the green economy, advanced manufacturing industry, strategic emerging industries and other fields of the real economy; implemented the inclusive finance to help the growth of small and micro enterprises. The finance leasing industry has continued to transform and develop in a high-quality manner, and on the basis of continuing to focus on its main responsibilities and main businesses, it has continued to strengthen its professional ability building and explore ways to serve the real economy in a diversified manner.

2 The Company's Responses

In the first half of 2023, in the face of the complex and severe internal and external market situations and challenges, the Group continued to adhere to the overall tone of "prioritizing stability and seeking progress in stability", grasped the general trend, followed the overall situation and continuously enhanced the effectiveness of serving to the national strategy and the real economy. In the first half of 2023, the Group realized lease business investment of RMB54,569.9 million.

Overall Sound Financial Indicators

Total assets reached RMB363.986 billion, representing an increase of 2.6% as compared with that as at the end of the previous year;

Operating income reached RMB11.847 billion, representing a year-on-year decrease of 4.7%;

Net profit reached RMB1.960 billion, representing a year-on-year increase of 0.5%; and

As at the end of the first half of 2023, the non-performing asset ratio was 0.78%, 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, signed intention letters of order placement for 19 aircraft and completed the sale of 5 old aircraft. The segment actively made efforts to settle overdue rentals and prevent risks.

Ship leasing: The segment achieved a balanced development of operating leasing and financial leasing business, enhanced the stability of its operation, continued to optimize the structure of the operating lease fleet, improved the ship management service and strengthened the international first-class management level of the operating lease fleet.

Regional development leasing: With a focus on the development of key strategic regions designated by the state, the segment achieved business deployment in key strategic regions, including the Yangtze River Economic Belt, Yangtze River Delta, Beijing-Tianjin-Hebei and Guangdong-Hong Kong-Macao Greater Bay Area. The leasing support for key industries in national key cities has been enhanced to serve regional economic and social development.

Inclusive finance: On the basis of consolidating its market share in construction machinery, the Company continued to explore innovative business areas in vehicles. Focusing on segments such as passenger car retail business, passenger car operating leasing and city distribution logistics, the Group continued to increase its business investment to deepen the role of leasing as a financial service in the upstream and downstream of the vehicle industry chain.

Green energy and high-end equipment leasing: Leveraging on the unique advantage of integrating leasing with production and financing, the Group has proactively increased leasing support in "double carbon" and "specialized and new" enterprises and other advanced manufacturing sectors, and increased business investment in integrated circuits, technological innovation and clean energy power plants.

Improving the Quality and Efficiency of Internal Management Continuously

Capital management: The Group continued to consolidate the foundation of capital management, actively promoted the operation transformation of capital intensification and initiated the capital increase of the subsidiaries of CDB Aviation. As at the end of June 2023, the Group's capital adequacy ratio was 12.33% and the core tier-one capital adequacy ratio was 9.75%. The Group's sound capital management ensures effective its business development and enhances the Group's ability to continue as a going concern.

Asset and liability management (ALM): The Group continued to optimize the operational system of asset and liability management, strengthened the coordination and collaboration of assets and liabilities, and formulated the annual objectives for optimisation of the capital and liability structure, financing strategies for foreign currencies, liquidity risk management strategy, interest rate risk management strategy and exchange rate risk management strategy for safeguarding the stability of the Group's operation.

Risk management: The Group has been doing a solid job in risk prevention and control, and has continued to improve its comprehensive risk management system. The Group formulated a full-year asset quality control program in compliance with internal and external management requirements, and further improved the Group's consolidated management system and mechanism in accordance with the principle of "strictly controlling new risk and making every effort to fully defuse it" to strictly adhere to the bottom line of risks. As of the end of June 2023, the Group's non-performing asset ratio was 0.78%, which has been kept below 1% since listing, and asset quality remained stable. The provision coverage ratio for finance lease related non-performing assets was 491.85%, with the provision remaining at a high level and a strong risk offsetting capacity.

Internal control and compliance: The Group formulated an annual management enhancement plan, clarified work tasks, optimized issues rectification measures and further consolidated the effectiveness of the management enhancement work conducted in the previous year. The Group continued to improve its management system, operation rules and business operation regulations, strengthened supervision and inspection, and enhanced the quality and efficiency of its work. Through the effective linkage of systems, mechanisms and measures, it has created a management atmosphere of "compliance for all, compliance for everything, and compliance everywhere", and solidified the cultural concept of compliance for development.

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 2023, the Group recorded total revenue and other income of RMB11,847.1 million, representing a decrease of RMB587.6 million or 4.7% compared with that for the same period of last year; and achieved net profit of RMB1,960.2 million, representing an increase of RMB10.5 million or 0.5% compared with that for the same period of last year, mainly due to the increase in the size of the leased assets, the year-on-year decrease in impairment losses, and improvement in net profit as a result of the decrease in income tax expense; however, such increase in profit was largely offset by the year-on-year decrease in operating lease income and the year-on-year increase in interest expense.

The following table sets forth the condensed consolidated statement of profit or loss of the Group for the periods indicated:

(RMB in millions, except for percentages)	**For the six months ended June 30, 2023**	2022	Change
Revenue			
Finance lease income	**5,296.8**	5,134.6	3.2%
Operating lease income	**5,510.2**	6,425.3	(14.2%)
Total revenue	**10,807.0**	11,559.9	(6.5%)
Net investment gains	**118.0**	6.6	1,687.9%
Other income, gains or losses	**922.1**	868.2	6.2%
Total revenue and other income	**11,847.1**	12,434.7	(4.7%)
Depreciation and amortisation	**(2,896.4)**	(2,541.9)	13.9%
Staff costs	**(221.3)**	(270.5)	(18.2%)
Fee and commission expenses	**(41.1)**	(26.8)	53.4%
Interest expenses	**(4,834.9)**	(3,956.8)	22.2%
Other operating expenses	**(755.2)**	(658.4)	14.7%
Impairment losses	**(465.0)**	(2,312.1)	(79.9%)
Total expenses	**(9,213.9)**	(9,766.5)	(5.7%)
Profit before income tax	**2,633.2**	2,668.2	(1.3%)
Income tax expense	**(673.0)**	(718.5)	(6.3%)
Net profit	**1,960.2**	1,949.7	0.5%

3.2 Total revenue

Revenue of the Group was primarily derived from finance lease income and operating lease income. For the first half of 2023, total revenue of the Group amounted to RMB10,807.0 million, representing a decrease of 6.5% compared with the total revenue of RMB11,559.9 million for the same period of last year, primarily due to the significant year-on-year decrease in ship operating lease income on the back of a significant year-on-year decline of Baltic Index in the first half of 2023.

3.2.1 Finance lease income

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

	For the six months ended June 30,		
(RMB in millions, except percentages)	**2023**	2022	Change
Finance lease income			
Aircraft leasing	**2.9**	2.1	38.1%
Regional development leasing	**3,019.1**	3,342.2	(9.7%)
Ship leasing	**420.8**	312.9	34.5%
Inclusive finance	**893.1**	737.7	21.1%
Green energy and high-end equipment leasing	**960.9**	739.7	29.9%
Total	**5,296.8**	5,134.6	3.2%

For the first half of 2023, finance lease income of the Group amounted to RMB5,296.8 million, accounting for 49.0% of the total revenue, representing an increase of RMB162.2 million, or 3.2% as compared with that of 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 2023, finance lease income from this segment of the Group amounted to RMB2.9 million, representing an increase of RMB0.8 million, or 38.1% as compared with that of the same period of last year, primarily due to the increase in the US dollar exchange rate.

With respect to regional development leasing, for the first half of 2023, finance lease income from this segment of the Group amounted to RMB3,019.1 million, representing a decrease of RMB323.1 million, or 9.7% as compared with that of the same period of last year, primarily due to a year-on-year decrease in the scale of finance lease assets of regional development leasing business in the first half of 2023.

With respect to ship leasing, for the first half of 2023, finance lease income from this segment of the Group amounted to RMB420.8 million, representing an increase of RMB107.9 million, or 34.5% as compared with that of the same period of last year, primarily due to the increase in the scale of ship financial leasing in the first half of 2023.

With respect to inclusive finance, for the first half of 2023, finance lease income from this segment of the Group amounted to RMB893.1 million, representing an increase of RMB155.4 million, or 21.1% as compared with that of the same period of last year, primarily due to a year-on-year increase in the scale of inclusive finance lease for the first half of 2023.

Green energy and high-end equipment leasing, for the first half of 2023, finance lease income from this segment of the Group amounted to RMB960.9 million, representing an increase of RMB221.2 million, or 29.9% as compared with that of the same period of last year, primarily due to a year-on-year increase in the scale of finance lease assets as a result of the increase in investment in new energy power plants and emerging industries in the first half of 2023.

3.2.2 Operating Lease Income

The following table sets forth the segment operating lease income of the Group's five business segments for the periods indicated:

(RMB in millions, except percentages)	**For the six months ended June 30, 2023**	2022	Change
Operating lease income			
Aircraft leasing	**3,658.3**	3,504.5	4.4%
Regional development leasing	**61.4**	66.9	(8.2%)
Ship leasing	**1,776.8**	2,853.9	(37.7%)
Inclusive finance	**7.6**	–	–
Green energy and high-end equipment leasing	**6.1**	–	–
Total	**5,510.2**	6,425.3	(14.2%)

For the first half of 2023, operating lease income of the Group amounted to RMB5,510.2 million, accounting for 51.0% of the total revenue, representing a decrease of 14.2% as compared with RMB6,425.3 million for the same period of last year, primarily due to the significant year-on-year decrease in operating lease income from ship leasing on the back of the year-on-year decline of Baltic Index in the first half of 2023.

With respect to aircraft leasing, for the first half of 2023, operating lease income from this segment of the Group amounted to RMB3,658.3 million, representing an increase of RMB153.8 million, or 4.4% as compared with that of the same period of last year, primarily due to the increase in the scale of aircraft operating lease in the first half of 2023.

With respect to regional development leasing, for the first half of 2023, operating lease income from this segment of the Group amounted to RMB61.4 million, representing a decrease of RMB5.5 million, or 8.2% as compared with that of the same period of last year, primarily due to the decrease in the scale of operating lease assets of regional development leasing and rental level in the first half of 2023 as compared with that of the same period of last year.

With respect to ship leasing, for the first half of 2023, operating lease income from this segment of the Group amounted to RMB1,776.8 million, representing a decrease of RMB1,077.1 million, or 37.7% as compared with that of the same period of last year, primarily due to the year-on-year decline of Baltic Index as compared with that of the same period of last year.

With respect to inclusive finance, for the first half of 2023, the Group developed the operating lease business of the inclusive finance segment, achieved a revenue of RMB7.6 million.

With respect to green energy and high-end equipment leasing, for the first half of 2023, the Group developed the operating leasing business of the green energy and high-end equipment leasing segment, achieved a revenue of RMB6.1 million.

3.2.3 Net Investment Gains

For the first half of 2023, net investment gains of the Group amounted to RMB118.0 million, representing an increase of 1,687.9% as compared with the net investment gains of RMB6.6 million for the same period of last year, primarily due to the increase in valuation of derivative financial instruments and the increase in investment income from the delivery of derivative financial instruments.

3.2.4 Other Income, Gains or Losses

For the first half of 2023, other income, gains or losses of the Group amounted to RMB922.1 million, representing an increase of 6.2% compared with the other income, gains or loss of RMB868.2 million for the same period of last year, primarily due to the year-on-year increase in interest income on financial institution deposits.

3.3 Cost and Expenses

For the first half of 2023, total cost and expenses of the Group amounted to RMB9,213.9 million, representing a decrease of 5.7% compared with the total cost and expenses of RMB9,766.5 million for the same period of last year, primarily due to the year-on-year decrease in impairment losses provided in the first half of 2023.

3.3.1 Depreciation and Amortisation

For the first half of 2023, depreciation and amortisation expenses of the Group amounted to RMB2,896.4 million, representing an increase of 13.9% compared with the depreciation and amortisation expenses of RMB2,541.9 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 2023, staff costs of the Group amounted to RMB221.3 million, representing a decrease of 18.2% compared with the staff costs of RMB270.5 million for the same period of last year, primarily due to the optimization of payroll management and the adjustment of the pace of performance payouts in the first half of 2023.

3.3.3 Fee and Commission Expenses

For the first half of 2023, fee and commission expenses of the Group amounted to RMB41.1 million, representing an increase of 53.4% compared with the fee and commission expenses of RMB26.8 million for the same period of last year, primarily due to the increase in custodian fee for leasing projects.

3.3.4 Interest Expense

For the first half of 2023, interest expense of the Group amounted to RMB4,834.9 million, representing an increase of 22.2% compared with the interest expense of RMB3,956.8 million for the same period of last year, primarily due to the year-on-year increase in USD financing cost rate.

3.3.5 Other Operating Expenses

For the first half of 2023, other operating expenses of the Group amounted to RMB755.2 million, representing an increase of 14.7% as compared with the other operating expenses of RMB658.4 million for the same period of last year, primarily due to the increase in project management related costs as a result of the growth in the scale of the vehicle leasing related business.

3.3.6 Impairment Losses

For the first half of 2023, impairment losses of the Group amounted to RMB465.0 million, representing a decrease of 79.9% compared with the impairment losses of RMB2,312.1 million for the same period of last year, primarily due to the fact that the Group recorded a large impairment loss in the same period of the previous year in respect of aircraft stranded in Russia and the conversion of non-performing items under finance leases, and that no large impairment loss was recorded in the first half of 2023 due to the improvement in the risk situation of the lessees and the quality of the leased assets.

3.4 Profit before Income Tax

For the first half of 2023, profit before income tax of the Group amounted to RMB2,633.2 million, representing a decrease of 1.3% compared with the profit before income tax of RMB2,668.2 million for the same period of last year, primarily due to the year-on-year decrease in operating lease income in the first half of 2023.

3.5 Income Tax Expense

For the first half of 2023, income tax expense of the Group amounted to RMB673.0 million, representing a decrease of 6.3% compared with the income tax expense of RMB718.5 million for the same period of last year, primarily due to the decrease in profit from the ship business segment with a higher tax rate.

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:

(RMB in millions, except percentages)	**June 30, 2023**	December 31, 2022	Change
Assets			
Cash and bank balances	**21,248.1**	29,760.7	(28.6%)
Financial assets at fair value through profit or loss	**168.4**	131.9	27.7%
Derivative financial assets	**809.7**	840.8	(3.7%)
Financial assets at fair value through other comprehensive income	**1,375.1**	1,465.0	(6.1%)
Accounts receivable	**2,168.2**	3,487.7	(37.8%)
Finance lease receivables	**202,132.4**	193,494.3	4.5%
Assets held-for-sale	**–**	364.6	(100.0%)
Prepayments	**12,289.4**	11,551.0	6.4%
Investment properties	**1,107.0**	1,041.9	6.2%
Property and equipment	**116,245.0**	106,524.5	9.1%
Right-of-use assets	**133.3**	141.2	(5.6%)
Deferred tax assets	**2,019.8**	1,831.0	10.3%
Other assets	**4,289.7**	4,082.6	5.1%
Total assets	**363,986.1**	354,717.2	2.6%
Liabilities			
Borrowings	**247,342.5**	246,882.7	0.2%
Due to banks and other financial institutions	**10,566.1**	11,230.7	(5.9%)
Financial assets sold under repurchase agreements	**1,307.5**	429.9	204.1%
Derivative financial liabilities	**451.8**	28.3	1,496.5%
Accrued staff costs	**209.0**	263.8	(20.8%)
Bonds payable	**35,884.2**	36,872.1	(2.7%)
Tax payable	**426.0**	769.1	(44.6%)
Lease liabilities	**144.9**	147.2	(1.6%)
Deferred tax liabilities	**941.1**	1,541.1	(38.9%)
Other liabilities	**31,109.3**	22,268.9	39.7%
Total liabilities	**328,382.4**	320,433.8	2.5%
Total equity	**35,603.7**	34,283.4	3.9%

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, 2023, these assets accounted for 97.3% of the total assets. As of June 30, 2023, total assets of the Group amounted to RMB363,986.1 million, representing an increase of RMB9,268.9 million, or 2.6% as compared with that as of the end of last year, primarily due to the growth of the scale of lease assets of the Group and the increase in balance resulting from the US dollar-denominated assets impacted by the increase in exchange rates.

4.1.1 Accounts Receivable

The Group's accounts receivable include operating lease receivables, prepayments for finance lease projects and other accounts receivable. Operating lease receivables refer to outstanding operating lease rentals receivable as of June 30, 2023, prepayments for finance lease projects represent prepayments under finance leases for which payments have been made but the leased assets are under construction and the ownership of the leased assets has not yet been acquired.

As of June 30, 2023, accounts receivable of the Group amounted to RMB2,168.2 million, representing a decrease of 37.8% as compared with the accounts receivable of RMB3,487.7 million as of December 31, 2022, primarily due to the decrease in prepayments for finance lease projects which were converted to finance lease receivables upon fulfillment of the commencement conditions of the leases.

4.1.2 Finance Lease Receivables

(RMB in millions, except percentages)	**June 30, 2023**	December 31, 2022	Change
Finance lease receivables – gross	**248,041.6**	235,776.7	5.2%
Less: unearned finance income	**(36,919.6)**	(33,743.8)	9.4%
Finance lease receivables – net	**211,122.0**	202,032.9	4.5%
Less: allowance for impairment losses	**(8,989.6)**	(8,538.6)	5.3%
Finance lease receivables – carrying amount	**202,132.4**	193,494.3	4.5%

As of June 30, 2023, finance lease receivables of the Group amounted to RMB202,132.4 million, representing an increase of 4.5% as compared with the finance lease receivables of RMB193,494.3 million as at the end of last year, primarily due to the continuous growth of the Group's finance lease business scale.

4.1.3 Prepayments

As of June 30, 2023, the prepayments of the Group amounted to RMB12,289.4 million, representing an increase of 6.4% as compared with the prepayments of RMB11,551.0 million as at the end of last year, primarily due to the increase in vehicle orders and the increase in prepayments for purchasing vehicles for operating lease.

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, 2023, equipment held for operating lease businesses of the Group amounted to RMB115,625.1 million, representing an increase of 9.3% as compared with equipment held for operating lease businesses of RMB105,799.1 million as of December 31, 2022, primarily due to the increase in the scale of operating lease assets for aircraft and ships.

As of June 30, 2023, property and equipment held for administrative purposes of the Group amounted to RMB619.9 million, representing a decrease of 14.5% as compared with property and equipment held for administrative purposes of RMB725.4 million as at the end of last year, primarily due to the transfer of some property and equipment held for administrative purposes to investment properties and the decrease in 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:

(RMB in millions, except percentages)	**June 30, 2023**	December 31, 2022	Change
Property and equipment			
Equipment held for operating lease businesses	**115,625.1**	105,799.1	9.3%
Property and equipment held for administrative purposes	**619.9**	725.4	(14.5%)
Property and equipment – carrying amount	**116,245.0**	106,524.5	9.1%

4.1.5 Cash and Bank Balances

As of June 30, 2023, cash and bank balances of the Group amounted to RMB21,248.1 million, representing a decrease of 28.6% as compared with cash and bank balances of RMB29,760.7 million as of December 31, 2022, primarily due to the Group's enhanced capital utilization efficiency resulting from strengthened cash position management.

4.1.6 Financial Assets at Fair Value through Profit or Loss

As of June 30, 2023, the Group's financial assets at fair value through profit or loss amounted to RMB168.4 million, representing an increase of 27.7% from financial assets at fair value through profit or loss of RMB131.9 million as of December 31, 2022, primarily due to the increase in the scale of the Group's debt instrument investment and equity instrument investment businesses.

4.1.7 Other Assets

Other assets mainly included straightline lease asset, other receivables, maintenance right assets, prepaid expenses, intangible assets and refundable deposits. As of June 30, 2023, other assets of the Group amounted to RMB4,289.7 million, representing an increase of 5.1% as compared with other assets of RMB4,082.6 million as at the end of last year, primarily due to the increase in prepaid expenses.

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:

(RMB in millions, except percentages)	**June 30, 2023**	December 31, 2022	Change
Finance lease related assets			
Finance lease receivables	**202,132.4**	193,494.3	4.5%
Accounts receivable – advances for finance lease projects	**757.6**	2,460.9	(69.2%)
Total	**202,890.0**	195,955.2	3.5%

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

(RMB in millions, except percentages)	**June 30, 2023**	December 31, 2022	Change
Operating lease assets			
Investment properties	**1,107.0**	1,041.9	6.2%
Property and equipment – equipment held for operating lease businesses	**115,625.1**	105,799.1	9.3%
Total	**116,732.1**	106,841.0	9.3%

Finance lease related assets and operating lease assets of the Group represented an increase of 3.5% and 9.3% as compared with that as at the end of the previous year, respectively. In the first half of 2023, the balance of leased assets maintained a steady growth trend as compared with that as at the end of the previous year due to the combined effect of a stable investment in leasing maintained by the Group and the rise in the exchange rate of US dollar.

4.3 Liabilities

As of June 30, 2023, total liabilities of the Group amounted to RMB328,382.4 million, representing an increase of 2.5% as compared with the total liabilities of RMB320,433.8 million as of December 31, 2022, primarily due to the growth in the scale of liabilities commensurate with that of assets.

4.3.1 Borrowings

As of June 30, 2023, the balance of borrowings of the Group amounted to RMB247,342.5 million, representing an increase of 0.2% as compared with the balance of borrowings of RMB246,882.7 million as of December 31, 2022.

4.3.2 Bonds Payable

As of June 30, 2023, the balance of bonds payable of the Group amounted to RMB35,884.2 million, representing a decrease of 2.7% as compared with the balance of bonds payable of RMB36,872.1 million as of December 31, 2022. This was primarily due to larger scale of bonds falling due than the scale of bonds newly issued in the first half of 2023.

4.3.3 Other Liabilities

As of June 30, 2023, the balance of other liabilities of the Group amounted to RMB31,109.3 million, representing an increase of 39.7% as compared with the balance of other liabilities of RMB22,268.9 million as of December 31, 2022, primarily due to the increase in balances of accounts payable and dividend payables.

5 ANALYSIS ON THE STATEMENT OF CASH FLOWS

The following table sets forth the Group's statement of cash flows and the changes therein for the periods indicated:

(RMB in millions, except percentages)	**For the six months ended June 30, 2023**	2022	Change
Net cash flows from operating activities	**2,336.5**	3,006.5	(22.3%)
Net cash flows used in investing activities	**(7,889.5)**	(7,345.4)	7.4%
Net cash flows used in financing activities	**(2,856.5)**	(1,695.0)	68.5%
Net decrease in cash and cash equivalents	**(8,409.5)**	(6,033.9)	39.4%

In the first half of 2023, net cash inflow from the operating activities of the Group amounted to RMB2,336.5 million, representing a year-on-year decrease of 22.3%, primarily due to an increase in cash outflows generated from an interest expense related to the operating activities resulting from an increase in financing cost rate in the Reporting Period. During the Reporting Period, the net cash outflow used in the investing activities of the Group amounted to RMB7,889.5 million, representing a year-on-year increase of 7.4%, primarily due to the increase in cash paid for purchasing operating lease assets. In addition, in the first half of 2023, the net cash outflow used in the financing activities of the Group amounted to RMB2,856.5 million, representing a year-on-year increase of 68.5%, primarily due to the increase in the repayment of bonds by the Group.

6 BUSINESS OPERATION

In order to further respond to national strategic calls and regulatory policy directions, to more accurately and timely convey to investors the Group's business status and development planning, and to enhance the quality and efficiency of information disclosure, the Group adjusted its original business segments. Before the adjustment, the Group's business segments included four leasing segments, i.e. aircraft leasing, infrastructure leasing, ship leasing and inclusive finance and others. The adjusted business segments of the Group include aircraft leasing, regional development leasing, ship leasing, inclusive finance, green energy and high-end equipment leasing. In the first half of 2023, the Group actively promoted the transformation and development of traditional leasing business, steadily developed aircraft and ship leasing business, continued to deepen its regional development leasing and inclusive finance business and actively expanded its green energy and high-end equipment leasing business, further optimizing the business structure.

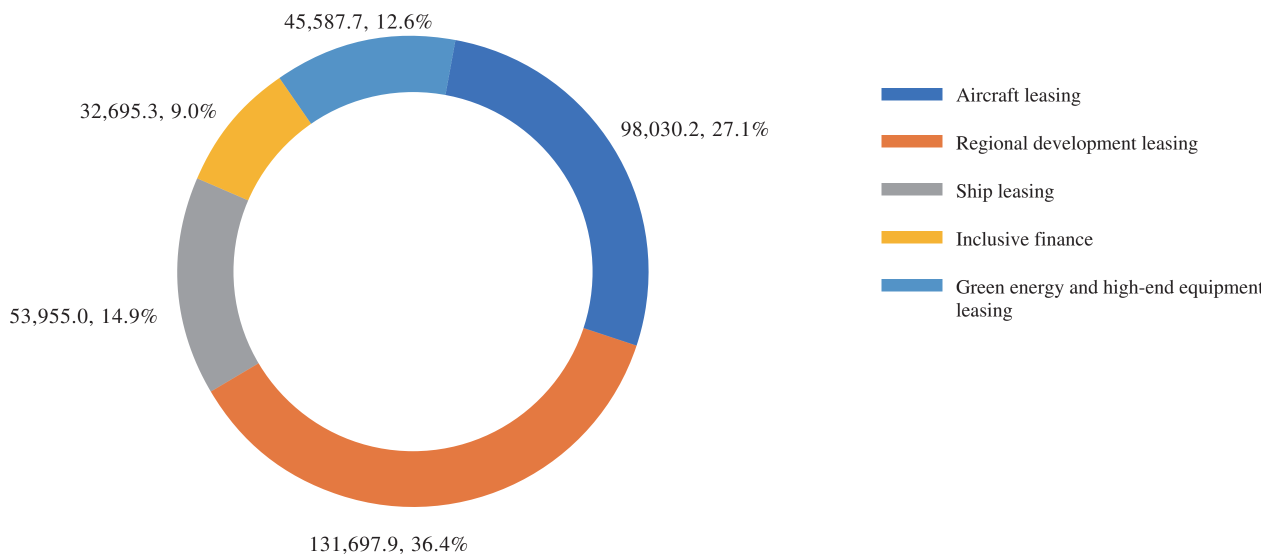
In the first half of 2023, the total investment in leasing business of the Group amounted to RMB54,569.9 million, among which the investment in aircraft leasing, regional development leasing, ship leasing, inclusive finance and green energy and high-end equipment leasing were RMB5,496.8 million, RMB22,263.7 million, RMB5,064.2 million, RMB11,457.0 million and RMB10,288.2 million, respectively.

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

(RMB in millions, except percentages)	**June 30, 2023**		December 31, 2022	
Segment assets	**Amount**	**Percentage**	Amount	Percentage
Aircraft leasing	**98,030.2**	**27.1%**	93,375.0	26.5%
Regional development leasing	**131,697.9**	**36.4%**	131,065.4	37.1%
Ship leasing	**53,955.0**	**14.9%**	49,684.6	14.1%
Inclusive finance	**32,695.3**	**9.0%**	35,638.7	10.1%
Green energy and high-end equipment leasing	**45,587.7**	**12.6%**	43,122.5	12.2%
Total	**361,966.1**	**100.0%**	352,886.2	100.0%

Breakdown of Assets of Each Business Segment of the Group

(Unit : RMB million, percentages)

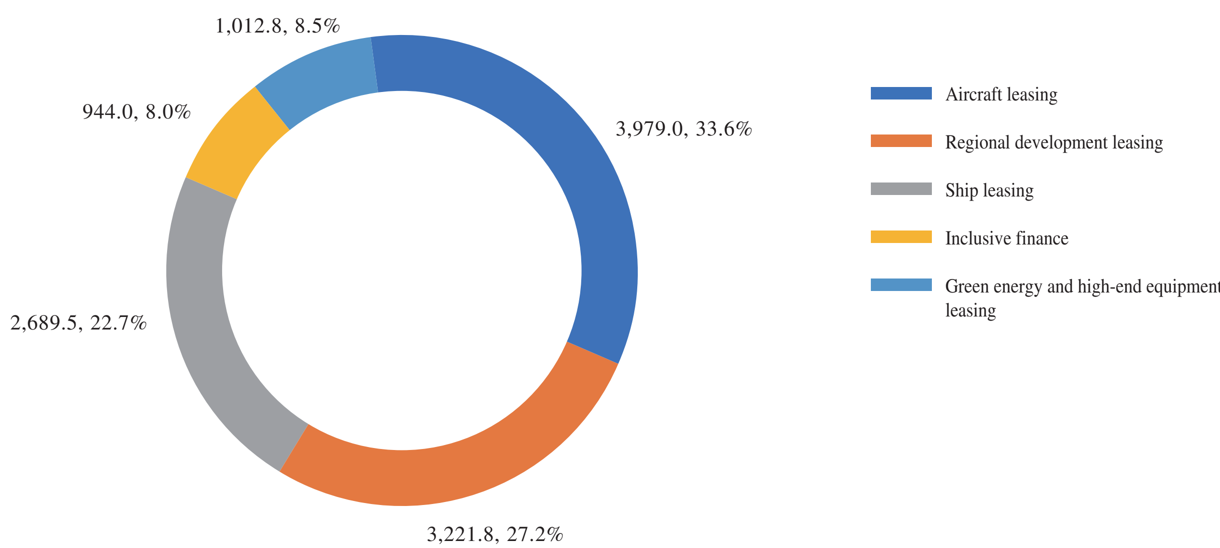


The following table sets forth the revenue and other income of each business segment for the periods indicated:

(RMB in millions, except percentages)	For the six months ended June 30,			
	2023		2022	
Segment revenue and other income	**Amount**	**Percentage**	Amount	Percentage
Aircraft leasing	**3,979.0**	**33.6%**	3,690.5	29.7%
Regional development leasing	**3,221.8**	**27.2%**	3,537.6	28.4%
Ship leasing	**2,689.5**	**22.7%**	3,670.3	29.5%
Inclusive finance	**944.0**	**8.0%**	770.0	6.2%
Green energy and high-end equipment leasing	**1,012.8**	**8.5%**	766.3	6.2%
Total	**11,847.1**	**100.0%**	12,434.7	100.0%

Breakdown of the Revenue and Other Income of Each Business Segment of the Group

(Unit: RMB million, Percentage)



6.1 Aircraft Leasing

The International Air Transport Association (IATA) indicated that industry-wide revenue passenger kilometers (RPKs) had reached 68.5% of 2019's level in 2022. The post-COVID recovery momentum continued in the first half of 2023. The global air traffic is now at 94.2% of pre-COVID levels. For the first half of 2023, total traffic was up 47.2% compared to the same period of last year, with domestic traffic up 33.3% and international traffic up 58.6% over the first half of 2022. IATA indicated that 4.35 billion people are expected to travel in 2023, which is closed to 4.54 billion in 2019. IATA predicted that net profits of airline industry are expected to reach US$9.8 billion in 2023 (net profit margin of 1.2%), which is more than double the previous forecast of US$4.7 billion in December 2022. Operating profits of global airline industry are expected to reach US$22.4 billion in 2023, industry-wide revenues are expected to grow by 9.7% year over year to US$803 billion. This is the first time that industry revenues will top the US$800 billion mark since 2019 (US$838 billion).

Although the economic and geopolitical environment brings several challenges to the global airline industry's performance according to IATA, global air traffic demand will continue to grow for the long term outlook. Both Boeing and Airbus still forecasted that the demand for passenger traffic will grow annually by 4.0% and 3.6% respectively for the next twenty years.

In 2023, with an international leasing business platform and professional team, good relationships with aircraft manufactures, and a well-diversified customer network, the Group will endeavor to seize opportunities during the industry's post-pandemic recovery, continue to build a fleet comprising next-generation, mainstream narrow body aircraft and increase the Group's competitiveness in the industry.

During the first half of 2023, the Group:

- Signed new lease transactions (including order placement, sale-lease-back, portfolio acquisition, remarketing and extension) for a total of 21 aircraft with 9 customers;

- Acquired 12 aircraft on operating lease, including 6 via direct OEM orders, 5 via sale-lease-back and 1 via portfolio acquisition;

- Signed financing transactions for US$1.4 billion; and

- Added 1 new lessee.

As of June 30, 2023, total assets of the aircraft leasing segment of the Group amounted to RMB98,030.2 million, representing an increase of RMB4,665.2 million or 5.0% compared to December 31, 2022, and the total revenue and other income of the aircraft leasing segment amounted to RMB3,979.0 million, representing an increase of RMB288.5 million or 7.8% compared to the same period of last year.

In the first half of 2023, the net lease yield of the operating leased aircraft was 5.2%[1], the lease yield of the finance leased aircraft was 1.3%[2], the annualized return before tax on average total aircraft leasing assets was 0.1%, an increase of 0.4 percentage point compared to the same period of last year.

As of June 30, 2023, the Group had a total portfolio of 385 aircraft, consisting of 283 owned aircraft and 102 committed aircraft. Our aircraft leasing business covers 64 lessees in 37 countries and regions. As of June 30, 2023, 280 owned aircraft of the Group were held for operating lease and 3 owned aircraft were under finance lease. As of June 30, 2023, the weighted average age by aircraft value[3] of the Group's owned aircraft held for operating lease was 5.0 years, and the weighted average remaining lease term by aircraft value of the Group's owned aircraft held for operating lease was 7.5 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, 2023, the Group's aircraft fleet consists of 75% narrowbody aircraft, 21% widebody aircraft and 4% freighters and regional aircraft by aircraft value. As of June 30, 2023, the total net book value of the Group's owned aircraft was US$11,222.1 million.

The Group's orderbook contains next-generation, liquid, narrowbody types. As of June 30, 2023, the Group has committed to purchasing 90 narrowbody aircraft under its direct OEM orders, including 35 aircraft from Boeing and 55 aircraft from Airbus. These aircraft are scheduled to be delivered between the second half of 2023 and 2026. The Group also has contractual commitments to acquire a further 5 aircraft under sale-lease-back transactions and 7 aircraft from portfolio acquisition. The aggregated future capital expenditure commitments are RMB28,707.5 million.

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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 operating lease business.

2 The calculation is lease income divided by average monthly balance of aircraft finance lease assets. As of June 30, 2023, only three finance leased aircraft remained, therefore the impact of finance lease on revenue is immaterial.

3 For operating lease, aircraft value equals the sum of net book value and aircraft intangible value; for finance lease, aircraft value equals finance lease receivable.

The following table sets forth the composition of the Group's fleet and committed aircraft as of June 30, 2023:

Aircraft Type	Owned aircraft	Committed aircraft	Total
A320-200	40	2	42
A321-200	8	–	8
A330-200	7	–	7
A330-300	21	–	21
A330-900	5	–	5
A350-900	3	–	3
A320neo	59	43	102
A321neo	34	19	53
Airbus Total	**177**	**64**	**241**
737-800	46	3	49
777-300ER	1	–	1
737 Max 8	34	35	69
787-9	2	–	2
Boeing Total	**83**	**38**	**121**
E190-100LR	19	–	19
Embraer Total	**19**	**–**	**19**
Freighters	**4**	**–**	**4**
Total	**283**	**102**	**385**

One of the four freighters is under conversion and scheduled for delivery in the second half of 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.

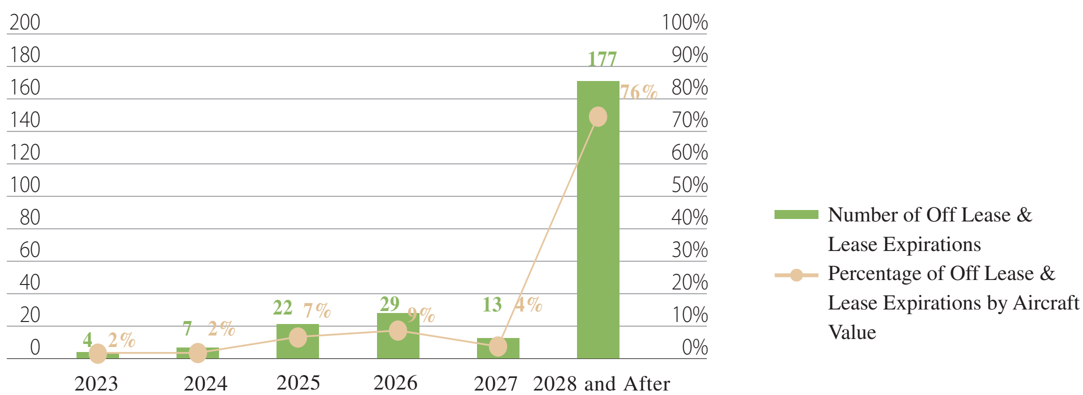
Among the 102 committed aircraft as of June 30, 2023 (including aircraft under direct OEM orders, sale-lease-back and portfolio acquisition), 18 were scheduled for delivery in the second half of 2023, 24 in 2024, 38 in 2025 and 22 in 2026.

As of June 30, 2023, among the 90 aircraft committed to be purchased directly from OEMs, 27 were committed for lease, of which 11 were scheduled for delivery in the second half of 2023, 14 in 2024 and 2 in 2025.

As of June 30, 2023, the Group was committed to sale-lease-back transactions covering 5 aircraft and 7 aircraft via portfolio acquisition, of which 7 were scheduled for delivery in the second half of 2023, 2 in 2024 and 3 in 2025.

The following chart sets forth the breakdown of the number of aircraft and percentage of aircraft value balance as of June 30, 2023 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, to be converted to finance lease, under teardown or freighter conversion.

Off Lease and Lease Expirations



During the first half of 2023, the Group signed lease extensions for 2 aircraft and new leases for 3 remarketed aircraft.

In the first half of 2023, the Group sold 5 aircraft and other assets with a total net book value on disposal of assets of US$74.2 million and realized a gain on disposal of US$13.0 million. The fleet utilization of the Group's owned aircraft under operating lease was 95.2% 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 2023:

Region	Percentage of lease revenue in the first half of 2023	Percentage of aircraft value as of June 30, 2023
The PRC	24.4%	22.0%
Asia Pacific (excluding the PRC)	22.3%	18.5%
Europe	18.4%	20.5%
Americas	20.3%	23.1%
Middle East	6.5%	9.7%
Africa	8.1%	1.0%
Off-lease/Under teardown	–	5.2%
Total	**100.0%**	**100.0%**

The following table sets forth a breakdown of the Group's owned aircraft by manufacturer as of June 30, 2023:

	Percentage by aircraft value as of June 30, 2023
Manufacturer	
Airbus	70.2%
Boeing	27.5%
Others	2.3%
Total	**100.0%**

6.2 Regional Development Leasing

In the first half of 2023, China insisted on the implementation of major regional strategies and strategies for coordinated regional development, steadily pushed forward urban-rural integration and coordinated regional development, structured a new development pattern and built a modernized economic system around the goal of high-quality economic development. The key regions have become important growth poles for China's economic growth. In the first half of 2023, the Group realized an additional investment of RMB22,263.7 million under the regional development leasing segment.

In the first half of 2023, the Group continued to enhance its ability to serve regional development in China, providing regional development leasing services to 28 provinces, autonomous regions and municipalities. The Group focused on major regional strategies such as the regional coordinated development of the Beijing-Tianjin-Hebei Area, the regional development of the Yangtze River Economic Belt and Guangdong-Hong Kong-Macao Greater Bay Area, and stepped up resource tilting and capital investment. Among the Group's regional development leasing segments, the Beijing-Tianjin-Hebei Area realized an investment in business of RMB1,180.0 million in the first half of 2023, with the asset balance of RMB9,735.8 million as of the end of June 2023; the Yangtze River Economic Belt realized an investment in business of RMB11,953.7 million in the first half of 2023, with the asset balance of RMB55,632.7 million as of the end of June 2023; and Guangdong-Hong Kong-Macao Greater Bay Area realized an investment in business of RMB1,717.0 million in the first half of 2023, with the asset balance of RMB6,424.8 million as of the end of June 2023. The Group's investments in the above three major areas accounted for approximately 66% of the segment's investments in the first half of 2023, and the balance of assets accounted for approximately 55% of the segment's assets as of the end of June 2023.

As of June 30, 2023, the total assets of the Group's regional development leasing segment amounted to RMB131,697.9 million, representing an increase of RMB632.5 million or 0.5% from that as of December 31, 2022. In the first half of 2023, the Group realized revenue and other income of RMB3,221.8 million in this segment, representing a decrease of RMB315.8 million or 8.9% compared with that of the same period of the previous year.

6.3 Ship Leasing

In the first half of 2023, the performance of various ship types in the shipping market varied. In terms of dry bulk carriers, due to the continued inflation of major economies in Europe and the United States, the slowdown in global economic growth, the lack of domestic investment demand, and the elimination of port congestion after the COVID-19 epidemic receding, the effective supply of ships has increased, and the performance of the international dry bulk shipping market has dropped from a high level. The average value of the Baltic Dry Index (BDI) in the first half of 2023 was 1,157 points, representing 50.7% of that in the same period last year. In terms of product tankers, as the impact of the epidemic was eliminated, the downstream demand has been effectively improved, which has led to a sound rental performance in the transportation market; in terms of LNG vessels, the fundamentals of supply and demand in the transportation market were relatively balanced, and freight rates remained generally stable. In the first half of 2023, additional investment of the Group in ship leasing segment amounted to RMB5,064.2 million.

The ship management capability of the Group has been improved continuously. In the first half of 2023, the 51 vessels on time charter managed by the Group were operating in sound condition. The operating rate of the ships exceeded 99%, and the management costs were all controlled within the budget; the RIGHTSHIP safety scores of all ships were higher than the requirements of the charter, which can better perform the voyage tasks of the charterers; in the first half of 2023, the Group completed the delivery of 7 new ships.

The scale of the Group's fleet continued to expand. As of June 30, 2023, the Group had a total of 262 ships, of which 228 ships were in operation and 34 new ships were under construction. In terms of lease method, among the ships in operation managed by the Group, 199 ships were under operating lease and 29 ships under finance lease; in terms of ship type, among the ships in operation managed by the Group, there were 165 bulk carriers, 36 product tankers, 18 container ships, 8 LNG vessels and 1 passenger cruise ship.

Asset structure of the Group's operating vessels as of June 30, 2023

Type	**Operating lease (ships)**	**Finance lease (ships)**	**Total (ships)**	**Note**
Bulk carrier	157	8	165	Another 18 new ships were under construction
Product tanker	36	–	36	Another 13 new ships were under construction
Container ship	–	18	18	
LNG ship	5	3	8	Another 3 new ships were under construction
Passenger cruise ship	1	–	1	Joint leasing program
Total	**199**	**29**	**228**	

As of June 30, 2023, the total assets of the Group's ship leasing business amounted to RMB53,955.0 million, representing an increase of RMB4,270.4 million or 8.6% from that as of December 31, 2022. In the first half of 2023, the Group realized revenue and other income of RMB2,689.5 million in this segment, representing a decrease of RMB980.8 million or 26.7% compared with that for the same period of the previous year.

6.4 Inclusive Finance

In the first half of 2023, the Group carried out work on the innovation, transformation and development of inclusive finance business, enabling more people to obtain financial services more conveniently, economically and effectively. On the one hand, by strengthening industry analysis, the Group optimized existing small and micro business products and enhanced the competitiveness of products in the market, effectively promoting the sustained and steady development of inclusive finance business; on the other hand, under the Group's digital transformation and innovation development goals, we continued to deepen the integration of financial technology and business development, continuously optimized the digital leasing business development system, and vigorously developed digital inclusive finance through comprehensively using the Internet, big data, cloud computing and other financial technology methods to extend the service radius, expand service coverage and reduce service thresholds and service costs, greatly improving the Group's service quality and service efficiency in serving the real economy. In the first half of 2023, the Group realized a new investment of RMB11,457.0 million in the inclusive finance segment.

As of June 30, 2023, the total assets of the Group's inclusive finance business amounted to RMB32,695.3 million, representing a decrease of RMB2,943.4 million or 8.3% from that as of December 31, 2022. In the first half of 2023, the Group realized revenue and other income of RMB944.0 million in this segment, representing an increase of RMB174.0 million or 22.6% over the same period of the previous year.

6.4.1 Vehicle Leasing

In the first half of 2023, China issued frequent policies and guidelines for the automobile industry. Driven by the central and local policies to promote consumption, the announcement of the implementation of the China VI emission standard for light-duty vehicles, automobile marketing activities in various places, and the launch of a large number of new automobile models by the enterprises, the market demand gradually recovered. According to the statistics of China Association of Automobile Manufacturers and China Passenger Car Association, the cumulative retail sales of the passenger vehicle market in the first half of 2023 reached 9.524 million units, representing a year-on-year increase of 2.7%; the cumulative sales volume of the commercial vehicle market in the first half of 2023 was 1.971 million units, representing a year-on-year increase of 15.8%. The new energy market continued to grow rapidly, and its market share has steadily increased. The market share of new energy vehicles in China reached 30.7% as of the end of June 2023. In the second half of 2023, with the gradual recovery of the macro economy and the continuous emergence of policy effects, the industry is expected to achieve stable growth.

In the first half of 2023, the Group's vehicle business continued to increase, benefiting more medium, small and micro customers. In the first half of 2023, the Group placed more than 60,000 vehicles in service and directly or indirectly benefiting more than 40,000 end customers, passenger car customers services business achieved rapid growth. The Group was closed to the market demand, constantly innovated the business models, and has achieved a breakthrough in the operating leases of vehicles for mobility, logistics and transportation.

As of June 30, 2023, the assets related to the Group's vehicle leasing business amounted to RMB14,841.1 million, representing an increase of RMB51.5 million or 0.3% compared with that as of December 31, 2022, accounting for 45.4% of the assets of the inclusive finance segment.

6.4.2 Construction Machinery Leasing

According to the statistics of the China Construction Machinery Industry Association, in the first half of 2023, the overall sales of the 12 major categories of products included in the statistics of the association increased slightly, but there were obvious differences in the situation among various products in the domestic market. With the further recovery of domestic investment in various fields, the positive factors to promote economic development will further increase, the industrial structure of the construction machinery industry will be further optimized and the quality of supply will be further improved, and the competitive position in overseas markets will be further consolidated and enhanced. It was expected that the development quality of the construction machinery industry will be further improved in the second half of 2023, and the industry situation is expected to be steadily optimized.

The Group has always adhered to the development philosophy of "customer-oriented". In the first half of 2023, the Group's construction machinery business invested over RMB3 billion and placed more than 6,000 units of equipment, directly or indirectly benefiting more than 400 end customers. The Group continued to enhance its digital management measures and capabilities to provide effective protection for business model innovation and product piloting.

As of June 30, 2023, the Group's assets related to construction machinery leasing business amounted to RMB17,854.2 million, representing a decrease of RMB2,994.9 million or 14.4% from that as of December 31, 2022, accounting for 54.6% of the assets of the inclusive finance segment.

The following table sets forth the net book value and proportion of the assets related to leasing business of the Group's inclusive finance sub-segments as of the dates indicated:

(RMB in millions, except percentages)	**Net book value of assets related to leasing business as of June 30, 2023**	**Percentage of net book value of assets related to leasing business as of June 30, 2023**
Vehicle leasing	14,841.1	45.4%
Construction machinery leasing	17,854.2	54.6%
Total	**32,695.3**	**100.0%**

6.5 Green Energy and High-end Equipment Leasing

The National Energy Administration stated at a regular press conference in the third quarter of 2023 that in the first half of the year, domestic energy supply and security capacity were steadily improved, the green and low-carbon transformation of energy was accelerated, and the overall energy supply and demand in China was stable and in order. According to the data released by the Ministry of Industry and Information Technology of China, in the first half of 2023, China's photovoltaic industry in general maintained a stable and positive development trend, with year-on-year growth in the output of main segments of the photovoltaic industry chain exceeding 65%, accounting for more than 70% of the global share. The added value of China's equipment manufacturing industry grew by 6.5% year-on-year, accounting for 32.3% of the added value of industries above designated size, representing an increase of 1.4 percentage points over the same period of the previous year, and becoming the main driving force of the heavy industry economy. The Group's green energy and high-end equipment leasing segment achieved new business investment of RMB10,288.2 million in the first half of 2023.

The Group has been actively implementing the "double carbon" initiatives and vigorously expanding its green energy business. The Group has insisted on supporting green industries such as energy conservation and environmental protection and new energy as its important focus to facilitate the implementation of the "double carbon" strategy of the State. On the basis of consolidating the new energy centralized power station business, the Group continued to promote green energy leasing businesses such as distributed photovoltaic, energy storage, and small and medium-sized hydropower in the first half of 2023. As of the end of June 2023, the Group's total installed capacity of new energy power stations amounted to 5.91GW, including 2.74GW of wind power, 3.07GW of photovoltaic, 0.1GW of solar thermal. The installed capacity of new energy storage amounted to 20MW.h.

The Group focused on key areas and supported industrial transformation and upgrading. The Group grasped the advantages of the integration of leasing, industry and finance, implemented the requirements of deepening the structural reform of the supply side of finance, and increased the medium- and long-term capital support for advanced manufacturing sectors and strategic emerging industries. In the first half 2023, the Group made new investments of more than RMB3 billion in the fields of integrated circuit industry chain, automobile manufacturing, battery production and shield machine, etc., and continuously enhanced the effectiveness of serving the development of the real economy.

As of June 30, 2023, the total assets of the green energy and high-end equipment leasing business amounted to RMB45,587.7 million, representing an increase of RMB2,465.2 million, or 5.7%, as compared with that as of the end of the previous year. In the first half of 2023, the segment achieved revenue and other income of RMB1,012.8 million, representing an increase of RMB246.5 million or 32.2% over the corresponding period of the previous year.

The following table sets forth the net carrying amount and proportion of the assets related to leasing business of the Group's green energy and high-end equipment leasing as of the dates indicated:

(RMB in millions, except percentages)	**Net carrying amount of assets related to leasing business as of June 30, 2023**	**Percentage of net carrying amount of assets related to leasing business as of June 30, 2023**
Green energy leasing	30,443.1	66.8%
High-end equipment leasing	15,144.6	33.2%
Total	**45,587.7**	**100.0%**

6.6 *Financing*

Benefiting from high credit ratings ("A1" by Moody's, "A" by Standard & Poor's, and "A+" by Fitch, rating unchanged from the end of 2022), 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, 2023, the Group had established business relationships with 175 banks and was granted credit facilities amounting to a total of approximately RMB785.87 billion and the amount of credit granted increased by RMB53.97 billion as compared with that of the end of last year, which including unused credit facilities of approximately RMB507.87 billion, and unused credit balance increased by RMB52.82 billion as compared with that of the end of last year, and the credit balance was sufficient. In 2023, 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, continued to expand 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, as the Federal Reserve's interest rate hike process continued and the USD benchmark interest rate remained high, the Group closely followed the changes in the macroeconomic situation and actively innovated financing methods and tools to balance the pressure of rising 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 2023, the financing sources of the Group mainly included bank borrowings and issuance of bonds. As of June 30, 2023, the Group's bank borrowings and bonds payable were RMB247,342.5 million and RMB35,884.2 million, respectively.

7 RISK MANAGEMENT

The Group is exposed to various risks in its ordinary course of business, including credit risk, market risk, liquidity risk, operational risk, information technology risk and 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", and 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", so as to achieve an appropriate balance between risks and benefits.

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, assume 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 moderate 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.

In the first half of 2023, 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 adhered to a bottom-line mentality in order to effectively carry out risk prevention and control work, and improved the risk indicators, limits and early warning management system, strengthened the monitoring capacity building, and enhanced the foresight, domain-wide and proactive nature of risk prevention and control. We also organized risk identification and assessment, established a consolidated management evaluation mechanism, and fully measured and evaluated the overall risk situation of the Group. 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 continued to promote the digitalization of risk management, improved the expected credit loss model, strengthened the identification and measurement of credit risks, and further improved the Company's risk management level.

In the first half of 2023, the Group resolutely implemented the national major strategic plan on carbon peaking and carbon neutrality, and regarded the implementation of the green and low-carbon financial strategy as an important part of the practice of the "14th Five-Year Plan" medium- and long-term development plan for the business of the Group, and has prepared and released the Environmental, Social, and Governance Report (ESG Report) 2022 and the Environmental Disclosure Report of CDB Leasing. No major ESG risk events of the Group had been found in the first half of 2023.

7.1 Credit Risk

Credit risk, which is the risk that a lessee or counterparty may fail to fulfill its obligations and cause the Group to suffer losses, is the substantial risk currently faced by the Group and mainly arises from the finance lease business. In 2023, the Group has a "prudent" risk appetite for credit risk in principle.

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:

(RMB in millions, except percentages)	**June 30, 2023**	December 31, 2022
Financial assets		
Cash and bank balances	**21,248.1**	29,760.7
Financial assets at fair value through profit or loss	**168.4**	131.9
Derivative financial assets	**809.7**	840.8
Financial assets at fair value through other comprehensive income	**1,375.1**	1,465.0
Accounts receivable	**2,168.2**	3,487.7
Finance lease receivables	**202,132.4**	193,494.3
Other financial assets	**1,491.4**	1,469.8
Total	**229,393.3**	230,650.2

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 established based on the Guidelines on the Risk-based Classification of Loan (《貸款風險分類指引》) issued by the NAFR. 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 standards as of the dates indicated:

(RMB in millions, except percentages)	**June 30, 2023**	December 31, 2022
Five-category		
Normal	**362,741.0**	351,372.9
Special mention	**15,812.7**	17,856.3
Substandard	**2,135.4**	1,436.0
Doubtful	**42.1**	56.3
Loss	**814.7**	835.9
Total assets before allowance for impairment losses	**381,545.9**	371,557.4
Non-performing assets(1)	**2,992.2**	2,328.2
Non-performing asset ratio(2)	**0.78%**	0.63%

(1) Non-performing assets are defined as the last three categories of assets recognised under the five-category asset quality classification standards, 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 standards as of the dates indicated:

(RMB in millions, except percentages)	**June 30, 2023**	December 31, 2022
Five-category		
Normal	**198,164.0**	189,463.1
Special mention	**11,894.9**	13,564.5
Substandard	**1,023.2**	665.4
Doubtful	**–**	–
Loss	**806.3**	829.6
Finance lease related assets before allowance for impairment losses	**211,888.4**	204,522.6
Non-performing finance lease related assets(1)	**1,829.5**	1,495.0
Non-performing asset ratio of finance lease business(2)	**0.86%**	0.73%

(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 standards, including "substandard", "doubtful" and "loss".

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

As of June 30, 2023, the non-performing assets of the Group amounted to RMB2,992.2 million, representing an increase of RMB664.0 million compared with that as at the end of last year, while the non-performing asset ratio was 0.78%, representing an increase of 0.15 percentage points compared with that as at the end of last year. As of June 30, 2023, the non-performing finance lease related assets amounted to RMB1,829.5 million, representing an increase of RMB334.5 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 0.13 percentage points 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 standards as of June 30, 2023:

(RMB in millions, except percentages)	Aircraft leasing	Regional development leasing	Ship leasing	Inclusive finance	Green energy and high-end equipment leasing	Total
Five-category						
Normal	471.9	119,675.3	13,764.0	22,282.8	41,970.0	198,164.0
Special mention	–	3,713.1	–	8,181.8	–	11,894.9
Substandard	–	1,023.2	–	–	–	1,023.2
Doubtful	–	–	–	–	–	–
Loss	–	693.7	21.1	13.0	78.5	806.3
Finance lease related assets before allowance for impairment losses	471.9	125,105.3	13,785.1	30,477.6	42,048.5	211,888.4
Non-performing finance lease related assets	–	1,716.9	21.1	13.0	78.5	1,829.5
Non-performing asset ratio of finance lease business	–	1.37%	0.15%	0.04%	0.19%	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 on the Group's finance lease related assets as at June 30, 2023 are set forth below:

(RMB in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Net finance lease related assets	182,417.9	27,641.0	1,829.5	211,888.4
Allowance for impairment losses of finance lease related assets	3,612.2	3,989.1	1,397.1	8,998.4

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 on the Group's finance lease related assets as at December 31, 2022 are set forth below:

(RMB in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Net finance lease related assets	176,134.4	26,893.2	1,495.0	204,522.6
Allowance for impairment losses of finance lease related assets	3,656.5	3,429.9	1,481.0	8,567.4

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, and has established a client's ledger to carry out quarterly monitoring over the financing concentration of clients of the Group in order to prevent concentration risk. As of June 30, 2023, the balance of finance lease businesses for the largest single client of the Group accounted for 12.96% of the net capital while the balance of finance lease businesses for the largest single group client accounted for 13.34% 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, 2023**	December 31, 2022
Degree of concentration of single client financing[(1)]	**12.96%**	10.69%
Degree of concentration of single group client financing[(2)]	**13.34%**	14.38%

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

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

As of June 30, 2023, in terms of finance lease related assets before allowance for impairment losses, the total balance of finance lease related assets raised by the top ten single clients amounted to RMB29,752.9 million, accounting for 14.05% 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, 2023:

(RMB in millions, except percentages)	**Business segment**	**Balance of finance lease related assets**	**Percentage of finance lease related assets before allowance for impairment losses**
Client A	Ship leasing	5,720.6	2.70%
Client B	Regional development leasing	4,768.5	2.25%
Client C	Green energy and high-end equipment leasing	4,500.7	2.12%
Client D	Regional development leasing	2,347.6	1.11%
Client E	Ship leasing	2,312.1	1.09%
Client F	Regional development leasing	2,236.7	1.06%
Client G	Regional development leasing	2,181.1	1.03%
Client H	Regional development leasing	2,026.3	0.96%
Client I	Regional development leasing	1,838.9	0.87%
Client J	Ship leasing	1,820.4	0.86%
Total		**29,752.9**	**14.05%**

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

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

	June 30, 2023		December 31, 2022	
(RMB in millions, except percentages)	**Amount**	**Percentage**	Amount	Percentage
Aircraft leasing	**471.9**	**0.2%**	472.6	0.2%
Regional development leasing	**125,105.3**	**59.3%**	121,045.6	59.9%
Ship leasing	**13,018.7**	**6.2%**	11,011.8	5.5%
Inclusive finance	**30,477.6**	**14.4%**	32,829.9	16.2%
Green energy and high-end equipment leasing	**42,048.5**	**19.9%**	36,673.0	18.2%
Total	**211,122.0**	**100.0%**	202,032.9	100.0%

7.2 *Market Risk*

Market risk refers to the risk of loss to the Group due to unfavorable changes in market prices, and the main market risks to which the Group is exposed include interest rate risk and foreign exchange rate risk. In 2023, the Group will have a "moderate" risk appetite for market risk in principle.

7.2.1 Interest Rate Risk

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

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

The Group mainly receives fixed rental income under operating leases in foreign currencies while the bank borrowings bear floating rate interests. The Group reduced its liability exposure of overall floating interest rate denominated in US 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 majority of rental income from RMB-denominated leasing business of the Group floats with the Loan Prime Rate ("LPR") published by the PBOC, while liabilities mainly bear a fixed interest rate. For this particular situation, the Group proactively matches the duration of RMB-denominated 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 realized 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 the Group's 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 hedging financial derivative instruments. Most of the aircraft and ships under the operating lease and finance lease business of the Group are purchased in US dollars and the corresponding operating lease assets and finance lease receivables are denominated in US dollars, while the major funding sources of which are onshore and offshore US dollar-denominated bank borrowings and US dollar-denominated bonds. Apart from aircraft leasing and ship leasing businesses, other leasing businesses of the Group are substantially denominated in Renminbi. Hence, there is no significant foreign exchange risk exposure.

As of the end of June 2023, the Group had no foreign exchange risk exposure in USD-denominated against RMB-denominated that would significantly affect future profit or loss. The Group effectively managed the foreign exchange risk through exposure monitoring and financial derivative instruments hedging and other means, and recorded an exchange loss of RMB67.3 million throughout the first half of 2023.

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 assets 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. In 2023, the Group will have a "moderate" risk appetite for market risk in principle.

The Group managed liquidity risk and struck a balance between interest rate spread and liquidity risk through the following measures: the Group proactively managed the maturity portfolio of assets and liabilities and controlled cash flow mismatch gap to reduce structural liquidity risk. The Group established a diversified source of funds through the reserve of sufficient credit, continued to improve the money market transaction capability, and improved the Group's financing and daily liquidity management capabilities to obtain sufficient funds to meet debt repayment and business development needs. The Group used quasi-highly liquid assets including bank deposits as its main liquidity reserves, and held a certain proportion of interest rate bonds to ensure that liquidity reserves can fully mitigate liquidity risks.

As of June 30, 2023, 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 accumulated interbank borrowing (including bond collateral repo) amounted to RMB141,717.0 million in the first half of 2023. 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 liquidity reserve system to achieve sound liquidity situation and further improved 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 2023, the Group has a "prudent" risk appetite for operational risk in principle.

In the first half of 2023, 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. Thirdly, the Group highlighted the risk control of cases in key areas and continuously strengthened the monitoring of integrity risk positions. The Group carried out special investigation of business risks in key areas and sorting to find out the integrity risk points of key positions, and formulated appropriate monitoring measures. Fourthly, the Group continued to strengthen the management of employees' daily behavior and effectively enhanced the awareness and ability of cadres and employees in preventing integrity risks. We arrange our staff to fill in the "Employee Behavior Checklist" on a quarterly basis, so that we can detect and effectively deal with abnormal behaviors of employee in a timely manner, and resolve and eliminate risks and potential dangers in advance. No major operational risk events of the Group had been found in the first half of 2023.

7.4.2 Information Technology Risk

Information technology risk refers to the risks of operation, law and reputation arising from natural and human factors, technical loopholes and management flaws in the working of information technology. Information technology risk of the Group is mainly from the development and construction of the information system, the operation of information technology, the management of information security and the outsourcing of information technology. In 2023, the Group has a "moderate" risk appetite for the information technology risk in principle.

In the first half of 2023, the Group further strengthened information technology risk management. Firstly, we perfected IT management mechanisms and processes and established a digital operation system. Secondly, we continued to promote the construction of application systems to serve the business development. We promoted the data verification of the core leasing system, the on-site development of the integrated group ledger project, the optimization and upgrading of the passenger car system, the iterative development of the inclusive finance business system, and the optimization of the functions of the integrated business system.

Thirdly, we improved the big data risk control platform and enhanced the digital management ability of leased assets. We launched the project of digital management of leased assets and carried out data connection and application of vehicle operating leasing business to help enrich the product line of the inclusive finance. Fourthly, we promoted the construction of information security, strengthened infrastructure protection capability, ensured the safety and stability of production and operation and carried out the construction of a unified intelligent operation and maintenance platform for some remote office areas. No major information technology risk events of the Group had been found in the first half of 2023.

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 organisation, the behaviour of its employees or external events, which may damage the Group's brand value, adversely affect the normal operation of the Group, or even affect market stability and social stability. Reputational risk is an important component of corporate governance and comprehensive risk management system. In 2023, the Group has a "prudent" risk appetite for the reputational risk in principle.

In the first half of 2023, the Group continued to strengthen its reputational risk management, and actively carried out its reputational risk prevention and control and brand image building in "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 dynamic manner as required, strengthened early warning, and took precautionary measures in advance, and corrected errors in a timely manner. Thirdly, we carried out specific response and deployment for important junctures and important issues by conducting special monitoring for sensitive public opinions concerned by the Group, and formulated response plans in advance. Fourthly, we vigorously promoted the brand image building of the Group in the market, strengthened the communication with domestic and foreign mainstream media and actively voiced. In spreading the operating situation to the market, the Group proactively demonstrated its beneficial acts such as focusing on main commitment and principal businesses, providing financial assistance to enterprises, green leasing, green financing, shared mobility and ESG practices, thereby demonstrating the Group's good brand image. No major reputational risk events of the Group had been found in the first half of 2023.

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 NAFR, 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 2023, 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 which is in compliance with the core regulatory requirements and with features of the Group, completing the management plan report of capital adequacy ratio and the internal capital adequacy assessment report, 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 capital 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 researching external capital replenishment channels, constantly solidifying the capital strength of the Group, and strengthening the capability of serving the real economy. Fourthly, the Group actively studied the "Administrative Measures for Capital of Commercial Banks (Draft for Public Comments)" jointly issued the NAFR and PBOC in February 2023 to prepare for the Group's implementation of the relevant requirements of the Measures.

In June 2023, the Board approved a capital injection in USD equivalent to RMB900 million into CDB Aviation, its wholly-owned subsidiary, which would be financed by the own funds of the Company. The capital injection was in line with the business positioning and strategic development plan of the Group, which would help CDB Aviation to strengthen its development foundation, effectively resist risks, enhance its market competitiveness and achieve sustainable development. The completion of such capital injection was still subject to the approval of relevant regulatory agencies.

In the first half of 2023, 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 systems and management measures was further implemented. As of June 30, 2023, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 9.75%, 9.75% and 12.33%, respectively.

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

(RMB in millions, except percentages)	**Regulatory requirement**	**June 30, 2023**	December 31, 2022
Net capital:			
Net core tier-one capital		**34,935.6**	33,548.5
Net tier-one capital		**34,935.6**	33,548.5
Net capital		**44,180.6**	42,386.0
Capital adequacy ratio:			
Core tier-one capital adequacy ratio	≥7.5%	**9.75%**	9.86%
Tier-one capital adequacy ratio	≥8.5%	**9.75%**	9.86%
Capital adequacy ratio	≥10.5%	**12.33%**	12.46%

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 2023, the capital expenditures of the Group amounted to RMB8,820.7 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:

	For the six months ended June 30,	
(RMB in millions)	**2023**	2022
Capital expenditures	**8,820.7**	10,648.6

10 PLEDGE OF ASSETS

As of June 30, 2023, the Group's equipment held for operating lease businesses (net), finance lease receivables (net), accounts receivable (net) and deposits amounting to RMB40,535.3 million, RMB1,314.1 million, RMB757.6 million and RMB2,347.5 million respectively, were pledged for financing from banks and long-term payable. The total collateral assets accounted for 12.4% of total assets in aggregate.

11 HUMAN RESOURCES

The Group has always been committed to providing a wide range of development space for talents and creating "a platform for working and starting a business, a stage for self-realization".

As of June 30, 2023, there was a total of 547 full-time employees providing related services to the Group, of which 318 were male and 229 were female, with a gender ratio of 58.1% and 41.9% respectively (including senior management comprising 85.7% male and 14.3% female). The Group has a team of high-quality talents, and approximately 94% of the employees had university bachelor's degrees and above.

In the first half of 2023 and 2022, the Group incurred employees' staff costs of RMB221.3 million and RMB270.5 million, respectively, accounting for 1.9% and 2.2% of the total revenue and other income of the Group for the respective periods.

The Group adheres to people-oriented that people are the first resource for the development of the Group, and human resource management is the core competitiveness of the Group. We adhere to the market orientation, deepen the reform of the Group's efficient organizational structure and improve the effective incentive and discipline mechanism for its employees. We adhere to the principle of integrity and innovation, explore the state-owned enterprise human resource management of scientific, professional, precise and digital path, and promote the implementation of the human resource management reform and innovation measures. The Group has formulated its employee training program year by year, covering all aspects of corporate governance, business development, product innovation, risk control, internal control and compliance with the aim of continuously improving the professional competence and comprehensive quality of employees.

12 INDUSTRIAL REGULATIONS

In May 2023, the NAFR was formally established, which is an important step in China's financial reform and signifies the further improvement of China's financial supervision system. The establishment of the NAFR will standardize regulatory standards, improve regulatory effectiveness, further enhance the risk management level and service quality of financial institutions, and promote the healthy development of the financial market.

In the first half of 2023, regulators strengthened policy guidance mainly in supporting the overall improvement of economic operation, actively promoting the transformation and development of non-banking institutions focusing on their main business, effectively responding to the rebound of concentration of credit risks, strengthening the construction of the governance system of financial institutions, and enhancing the protection and management of consumers' rights and interests. 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. Under the policy support of the State and the guidance of the regulatory authorities, financial leasing companies have further accelerated their transformation and development and returned to their leasing roots.

The Group actively implements regulatory policies and requirements, improves corporate governance, accelerates the transformation and development, strictly adheres to the compliance line, emphasizes on risk management and control, and helps to enhance the quality and efficiency of services to the real economy.

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

	Regulatory requirement	As of June 30, 2023
Capital adequacy ratio	Above 10.5%	**12.33%**
Tier-one capital adequacy ratio	Above 8.5%	**9.75%**
Core tier-one capital adequacy ratio	Above 7.5%	**9.75%**
Degree of concentration of single client financing	Not more than 30%	**12.96%**
Degree of concentration of single group client financing	Not more than 50%	**13.34%**
Ratio of a single related client(1)	Not more than 30%	**1.01%**
Ratio of all related parties(2)	Not more than 50%	**2.52%**
Ratio of a single related Shareholder(3)	Not more than 100%	**52.73%**
Ratio of interbank lending(4)	Not more than 100%	**23.92%**
Ratio of allowance to non-performing finance lease related assets	Above 150%	**491.85%**
Ratio of allowance to total finance lease related assets(5)	Above 2.5%	**4.25%**
Investment in fixed-income securities(6)	Not more than 20%	**3.12%**

(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 Company.

(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 Group.

(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.

In April 2023, the Company received the "Decision on Administrative Penalties of Shenzhen Regulatory Bureau of China Banking and Insurance Regulatory Commission" (《中國銀行保險監督管理委員會深圳監管局行政處罰決定書》) (Shen Yin Bao Jian Fa Jue Zi [2023] Nos. 20-24 and 26), and the Company had issued a voluntary announcement in relation to such matter. The aforesaid matters had no material impact on the Company's operation and financial position. With regard to the penalty decisions of the regulatory authority, the Company implemented the rectification measures in strict accordance with the regulatory requirements, conducted in-depth analysis of the issues and their causes, and continued to improve the level of lawful and compliant operation through learning by analogy and inspection for defects.

13 PROSPECTS

In terms of the international market, according to the report on the world's economic outlook published by the International Monetary Fund ("IMF") in July 2023, projecting that the global economy will grow by 3.0% in both 2023 and 2024, with economic growth expectations for 2023 upwardly revised from April 2023 forecast. IMF believes that although the global economic expectations for 2023 have been revised upward from the previous forecast, the growth momentum is still weak, countries to fight inflation to take the policy of interest rate hikes continue to drag down economic growth. IMF expects that the global headline inflation rate will drop from 8.7% in 2022 to 6.8% in 2023, and will drop to 5.2% in 2024, but will still be higher than the pre-epidemic level of about 3.5%. IMF pointed out that the current global economic growth risks remain skewed to the downside, as evidenced by the possible prolonged persistence of inflation, possible repricing of financial markets, possible exacerbation of debt distress in emerging markets and developing economies, and possible deepening of geo-economic fragmentation.

In terms of the domestic market, the Political Bureau of the Central Committee pointed out in the meeting held in July 2023 that in the second half of 2023, China will adhere to the general principle of seeking progress amidst stability, fully, accurately and comprehensively implement the new development concept, accelerate the construction of a new development pattern, comprehensively deepen reform and opening up, intensify the macro-policy regulation and control, focus on the expansion of domestic demand, boost confidence and prevent risks, and continuously promote the sustained improvement of economic operation, and realize the quality of the effective enhancement and the quantity of the reasonable growth. At the same time, it will make good use of the policy space, solidly promote high-quality development of the economy, accurately and vigorously implement macroeconomic regulation and control, and strengthen counter-cyclical regulation and policy reserves. We will continue to implement proactive fiscal policy and prudent monetary policy, and give full play to aggregate and structural monetary policy tools. On the whole, China's economy has tremendous development resilience and potential, and the long-term positive fundamentals have not changed.

In terms of the leasing industry, with the China's in-depth promotion of strategic emerging industries and "double carbon" strategic deployment, and strong support for the transformation and upgrading of the manufacturing industry, the leasing industry, relying on its unique combination of production and financing advantages, will also play an important role in this process. Looking forward to the second half of 2023, the development of the finance leasing industry is accompanied by opportunities and challenges, and it is necessary to continuously strengthen the analysis of the market, policies and the industry in order to effectively cope with the changing development environment; focus on the origin of the leasing business, adhere to the direction of development based on entities, close to entities, and integrate into industries; explore new business growth points, accelerate the industrial transformation and development; and enhance the asset management to improve the capacity to prevent and mitigate the risks.

In the second half of 2023, the Group will continue to uphold the concept of "seeking progress amidst stability", serve the national strategy, adhere to focus on its primary leasing business, insist on restructuring and innovation, optimize the business layout and strengthen the asset and liability management, improve the level of internal control and compliance management as well as risk prevention and control, strengthen the quality of operation and management, and achieve sustainable and high-quality development of its business, so as to create long-term value for its Shareholders, customers and the society.

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 as its own code of corporate governance.

During the Reporting Period, other than the requirements of code provision B.2.2 and code provision C.2.1 of the Corporate Governance Code, 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.

According to code provision B.2.2 of the Corporate Governance Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. As disclosed in the announcement of the Company dated October 31, 2022, the term of office of the second session of the Board of Directors and the Board of Supervisors had expired on November 11, 2022. Although the nomination of Director candidates of the third session of the Board of Directors and Supervisor candidates of the third session of the Board of Supervisors had not been concluded during the Reporting Period. However, as disclosed in the announcements of the Company dated June 30, 2022, August 10, 2023 and August 31, 2023, the Board proposed to nominate two executive Director candidates, two non-executive Director candidates and three independent non-executive Director candidates, as well as elect one employee representative Director as members of the third session of the Board of Directors. The nomination of the remaining Director candidate of the third session of the Board of Directors is still under active preparation and the Company will make further announcements in due course after seeking suitable candidate. In addition, the Company has also proposed to nominate one candidate for external Supervisor and has elected two employee representative Supervisors as members of the third session of the Board of Supervisors. For details, please refer to the announcements published by the Company on June 30, 2022, October 31, 2022, August 10, 2023, August 29, 2023 and August 31, 2023, respectively.

According to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. Following the resignation of Mr. Peng Zhong as the vice chairman, executive Director, the president of the Company, a member of the strategic decision committee of the Board, a member of the risk management and internal control committee of the Board and a member of the remuneration committee of the Board on December 9, 2022, Ms. Ma Hong, an executive Director and the Chairman, has temporarily performed the duties of the president of the Company to ensure the normal operation and management of the Company. The Company has appointed Mr. Jin Tao on August 31, 2023 and his appointment is subject to the approval of the NAFR Shenzhen Office, please refer to the announcement of the Company dated August 31, 2023 for details.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code.

SHAREHOLDERS’ GENERAL MEETINGS

Duties of Shareholders’ General Meetings

Shareholders’ general meeting is the organ of the authority of the Company comprising all Shareholders. The Shareholders’ general meeting is responsible for deciding on the operational policies, strategic development plans and investment plans of the Company; electing and replacing a non-employee representative Director and deciding on matters concerning their remuneration; electing and replacing a non-employee representative Supervisor, and deciding on matters concerning their remuneration; considering and approving reports of the Board and the Board of Supervisors; considering and approving the Company’s annual financial budget, final account proposals, profit distribution proposals, loss recovery proposals and share incentive plans; adopting resolutions concerning the increase or reduction of registered capital, merger, division, dissolution, liquidation or change of corporate form, annual plans for issuance of corporate bonds, the engagement, dismissal or non-reappointment of accounting firms and amendment to the Articles of Association; examining transaction matters including the material equity investment, bond investment, asset acquisition, asset disposal, write off of assets and external guarantee that shall be approved by the Shareholders’ general meeting as stipulated by laws, regulations and relevant regulations of the listing rules of the place where the Shares are listed; considering matters relating to external donations of over RMB8 million; considering proposals raised by the Shareholders who hold more than five percent (including five percent) of the voting Shares; considering other matters that shall be resolved at the Shareholders’ general meeting as stipulated in laws, administrative regulations, the listing rules of the place where the Shares are listed and the Articles of Association etc.

Details of Shareholders' General Meetings

During the Reporting Period, the Company convened one Shareholders' general meeting (including class general meeting). The 2022 annual general meeting of the Company was held on June 28, 2023 at CDB Financial Center to consider and approve the resolutions for the annual report for the year 2022, the profit distribution plan for the year 2022, the final financial report for the year 2022, the report of financial budget for the year 2023, the change of accounting firm for the year 2023, the report of the Board of Directors for the year 2022, the report of the Board of Supervisors for the year 2022, the finance lease transactions in relation to the sale-and-leaseback of ancillary equipment assets with Hubei Hanshi Intercity Railway Co., Ltd. and the general mandate to issue debt financing instruments. The announcement of the above resolutions of the general meeting has been disclosed on the HKEXnews website of the Hong Kong Stock Exchange and the Company's website.

The attendance of Directors at Shareholders' general meeting is set out in the table below:

Directors	**No. of meeting attended/ No. of meeting eligible to attend**
Ms. Ma Hong	1/1
Mr. Huang Min	1/1
Mr. Li Yingbao	0/1
Mr. Yang Guifang	0/1
Mr. Zheng Xueding	0/1
Mr. Xu Jin	1/1
Mr. Zhang Xianchu	0/1

Note: Some Directors were unable to attend the Shareholders' general meeting due to other work schedules.

The Company has also resolved to convene an extraordinary general meeting on September 25, 2023, at which various resolutions will be considered, including, among others, the election of members of the third session of the Board of Directors and members of the third session of the Board of Supervisors, and consideration and approval of proposed amendments to the Articles of Association with reference to the level of shareholders' protection as described in Appendix III to the Listing Rules. For details, please refer to the announcements published by the Company on July 21, 2023 and August 10, 2023, respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Group 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 the Directors, Supervisors, senior management and its relevant employees (as defined in the Hong Kong Listing Rules), the terms of which are not less favourable than those of the Model Code and the Articles of Association. After being specifically inquired of, all Directors and Supervisors confirmed that they have been complying with the standard requirements set out in the Model Code during the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend to declare any interim dividends for the six months ended June 30, 2023.

AUDIT COMMITTEE, AUDITORS 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. Liu Ming, Mr. Xu Jin and Mr. Li Haijian, and one non-executive Director, namely Mr. Li Yingbao. Mr. Liu Ming serves as the chairman of the Audit Committee.

As a measure of sound corporate governance, the Company has approved the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP (issuance of audit report in accordance with the PRC standards) and BDO Limited (issuance of audit report in accordance with the international standards) (collectively referred to as "BDO") as the Company's auditors for 2023 with the approval of Shareholders at the 2022 annual general meeting to replace the original auditors, Ernst & Young Hua Ming LLP and Ernst & Young that have been serving for four consecutive years and whose service period has expired at the end of the above-mentioned 2022 annual general meeting. The term of appointment of BDO will last till the date of the resolution in relation to the appointment of auditors being approved at the 2023 annual general meeting of the Company. For further details, please refer to the announcements of the Company published on April 27, 2023, May 10, 2023 and June 28, 2023.

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, 2023 have been reviewed by the Audit Committee and BDO Limited, the auditor of the Group. The interim report of the Company for the six months ended June 30, 2023 has been reviewed by the Audit Committee.

CHANGES OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On July 21, 2023, with the approval of the Board, Mr. Ai Yang ceased to be the vice president of the Company.

On August 31, 2023, as approved by the Board of Directors, Mr. Jin Tao has been appointed as the president of the Company, the qualification of his appointment is subject to approval of the NAFR Shenzhen Office.

On August 23, 2023, the NAFR Shenzhen Office approved the qualifications of Mr. Li Haijian and Mr. Liu Ming to serve as independent non-executive Directors. The qualification of the appointments of Mr. Li Haijian and Mr. Liu Ming as independent non-executive Directors have been effective since August 23, 2023.

Save as disclosed above, the Company is not aware of other changes in the Directors', the Supervisors' or the Senior Management Members' biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules since the publication of the 2022 annual report of the Company.

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.

SHAREHOLDING OF THE TOP TEN SHAREHOLDERS AT THE END OF THE REPORTING PERIOD

As at the end of the Reporting Period, the Company had 12,642,380,000 ordinary Shares in total; comprising 9,872,786,000 Domestic Shares, representing 78.09% of the total number of ordinary Shares; and 2,769,594,000 H Shares, representing 21.91% of the total number of ordinary Shares. The total number of Shareholders of the Company was 55, comprising 9 Shareholders of Domestic Shares and 46 Shareholders of H Shares[Note].

Note: The number of Shares held by H Shares holders is based on the number of Shares and Shareholders recorded in the register of members of the Company kept by the H Share registrar. The total number of Shares held by Hong Kong Securities Clearing Company Nominees Limited ("HKSCC") represents the total number of H Shares held by HKSCC as the nominee for all institutional and individual investors that maintain accounts with it as of June 30, 2023, which is regarded as one account.

No.	**Name**	**Class of Shares**	**Number of Shares**	**Percentage in Total**
1	China Development Bank	Domestic Shares	8,141,332,869	64.40%
2	Tianjin Airlines Co., Ltd.(Note)	Domestic Shares	795,625,000	6.29%
3	China Three Gorges Corporation	Domestic Shares	687,024,000	5.43%
4	Three Gorges Capital Holdings (HK) Co., Ltd.	H Shares	619,476,000	4.90%
5	China Reinsurance (Group) Corporation	H Shares	600,022,000	4.75%
6	Hengjian International Investment Holding (Hong Kong) Limited	H Shares	523,310,000	4.14%
7	CSSC International Holding Company Ltd.	H Shares	193,746,000	1.53%
8	CCCC International Holding Ltd.	H Shares	154,000,000	1.22%
9	Xi'an Aircraft Industry (Group) Co., Ltd.	Domestic Shares	148,737,069	1.18%
10	National Council for Social Security Fund	H Shares	130,150,000	1.03%

Note: According to the relevant requirements of the NAFR, the qualification of Tianjin Airlines Co., Ltd. for the substantial Shareholder shall be subject to approval by NAFR, and the Company will actively promote the relevant work.

MATERIAL LEGAL, LITIGATION AND ARBITRATION MATTERS

As of June 30, 2023, the underlying amount in relation to the pending litigation against the Company as the defendant was RMB283.94 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, 2023 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited For the six months ended June 30, **2023** ***RMB'000***	2022 *RMB'000*
Revenue			
Finance lease income	*4*	**5,296,753**	5,134,619
Operating lease income	*4*	**5,510,197**	6,425,283
Total revenue		**10,806,950**	11,559,902
Net investment gains	*5*	**118,031**	6,632
Other income, gains or losses	*6*	**922,117**	868,184
Total revenue and other income		**11,847,098**	12,434,718
Depreciation and amortisation		**(2,896,375)**	(2,541,914)
Staff costs		**(221,336)**	(270,526)
Fee and commission expenses		**(41,149)**	(26,764)
Interest expense	*7*	**(4,834,889)**	(3,956,755)
Other operating expenses		**(755,109)**	(658,453)
Net impairment losses on financial assets	*8*	**(287,833)**	(1,487,255)
Net impairment losses on other assets	*9*	**(177,201)**	(824,845)
Total expenses		**(9,213,892)**	(9,766,512)
Profit before tax		**2,633,206**	2,668,206
Income tax expense	*10*	**(672,958)**	(718,490)
Profit for the period attributable to owners of the Company		**1,960,248**	1,949,716
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– Basic	*11*	**0.16**	0.15
– Diluted	*11*	**0.16**	0.15

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended June 30, 2023 *RMB'000*	2022 *RMB'000*
Profit for the period	**1,960,248**	1,949,716
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Gains on financial assets at fair value through other comprehensive income, net of tax	**10,097**	14,040
(Losses)/gains on cash flow hedges, net of tax	**(68,722)**	877,746
Currency translation differences	**423,963**	542,802
Total other comprehensive income for the period, net of tax	**365,338**	1,434,588
Total comprehensive income for the period attributable to owners of the Company	**2,325,586**	3,384,304

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited June 30, 2023 *RMB'000***	Audited December 31, 2022 *RMB'000*
Assets			
Cash and bank balances		**21,248,114**	29,760,725
Financial assets at fair value through profit or loss (FVTPL)		**168,357**	131,894
Derivative financial assets		**809,711**	840,778
Financial assets at fair value through other comprehensive income (FVOCI)		**1,375,088**	1,464,986
Accounts receivable	*12*	**2,168,183**	3,487,733
Finance lease receivables	*13*	**202,132,437**	193,494,283
Assets held-for-sale		**–**	364,578
Prepayments		**12,289,396**	11,551,036
Investment properties		**1,107,039**	1,041,945
Property and equipment	*14*	**116,244,987**	106,524,461
Right-of-use assets		**133,265**	141,184
Deferred tax assets		**2,019,821**	1,831,030
Other assets		**4,289,663**	4,082,614
Total assets		**363,986,061**	354,717,247
Liabilities			
Borrowings	*15*	**247,342,470**	246,882,657
Due to banks and other financial institutions		**10,566,126**	11,230,725
Financial assets sold under repurchase agreements		**1,307,466**	429,914
Derivative financial liabilities		**451,803**	28,283
Accrued staff costs		**208,970**	263,800
Bonds payable	*16*	**35,884,204**	36,872,054
Tax payable		**425,957**	769,122
Lease liabilities		**144,911**	147,234
Deferred tax liabilities		**941,130**	1,541,095
Other liabilities		**31,109,315**	22,268,918
Total liabilities		**328,382,352**	320,433,802

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**Unaudited June 30, 2023** ***RMB'000***	Audited December 31, 2022 *RMB'000*
Equity			
Share capital	*17*	**12,642,380**	12,642,380
Capital reserve		**2,418,689**	2,418,689
Hedging and fair value reserve		**637,967**	696,592
Translation reserve		**930,932**	506,969
General reserve		**6,792,264**	6,792,264
Retained earnings		**12,181,477**	11,226,551
Total equity		**35,603,709**	34,283,445
Total liabilities and equity		**363,986,061**	354,717,247

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 January 1, 2023		**12,642,380**	**2,418,689**	**696,592**	**506,969**	**6,792,264**	**11,226,551**	**34,283,445**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**1,960,248**	**1,960,248**
Other comprehensive income for the period		**–**	**–**	**(58,625)**	**423,963**	**–**	**–**	**365,338**
Total comprehensive income for the period		**–**	**–**	**(58,625)**	**423,963**	**–**	**1,960,248**	**2,325,586**
Dividends	*18*	**–**	**–**	**–**	**–**	**–**	**(1,005,322)**	**(1,005,322)**
As at June 30, 2023		**12,642,380**	**2,418,689**	**637,967**	**930,932**	**6,792,264**	**12,181,477**	**35,603,709**
As at January 1, 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 June 30, 2022		12,642,380	2,418,689	431,877	204,028	6,235,767	10,381,691	32,314,432

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Unaudited For the six months ended June 30, 2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**2,633,206**	2,668,206
Adjustments for:			
Bonds payable interest expense	*7*	**577,814**	645,484
Lease liabilities interest expense		**3,466**	3,683
Depreciation and amortisation		**2,896,375**	2,541,914
Net impairment losses on financial assets	*8*	**287,833**	1,487,255
Net impairment losses on other assets	*9*	**177,201**	824,845
Gains on disposal of equipment held for operating lease businesses	*6*	**(89,583)**	(183,145)
Loss on disposal of equipment held for administrative purposes		**–**	33
Gains on disposal of finance lease receivables	*5*	**(1,920)**	(16,891)
Realised gains from derivatives	*5*	**(57,422)**	–
Realised gains from FVOCI	*5*	**(6,767)**	(12,167)
Realised gains from FVTPL	*5*	**(4,437)**	–
Unrealised fair value changes in derivatives	*5*	**(64,652)**	(320)
Unrealised fair value changes in FVTPL	*5*	**17,167**	22,746
Foreign exchange losses from derivatives		**437,862**	118,631
Operating cash flows before movements in working capital		**6,806,143**	8,100,274
(Increase)/decrease in mandatory reserve deposits with central bank		**(28,564)**	20,737
Decrease in accounts receivable		**1,358,023**	279,087
(Increase)/decrease in finance lease receivables		**(1,184,848)**	849,747
Increase in other assets		**(738,425)**	(1,016,854)
Decrease in borrowings		**(2,935,165)**	(5,835,583)
(Decrease)/increase in due to banks and other financial institutions		**(774,956)**	2,123,032
Increase in financial assets sold under repurchase agreements		**860,970**	940,000
Decrease in accrued staff costs		**(54,830)**	(24,684)
Increase/(decrease) in other liabilities		**836,781**	(966,228)
Cash flows from operating activities		**4,145,129**	4,469,528
Income taxes paid		**(1,808,640)**	(1,463,066)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**2,336,489**	3,006,462

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Unaudited For the six months ended June 30, 2023 *RMB'000*	2022 *RMB'000*
INVESTING ACTIVITIES		
Changes in pledged and restricted bank deposits	**409,913**	692,813
Proceeds from disposal/maturity of FVTPL	**60,272**	(11,306)
Proceeds from disposal/maturity of FVOCI and others	**1,001,465**	1,025,781
Proceeds from disposal of property and equipment	**649,195**	792,883
Purchase of FVOCI	**(889,418)**	(984,690)
Purchase of property and equipment	**(9,120,926)**	(8,860,874)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(7,889,499)**	(7,345,393)
FINANCING ACTIVITIES		
Proceeds from issue of bonds	**3,537,682**	6,108,664
Repayments of bonds	**(5,801,355)**	(7,155,129)
Bonds interest paid	**(585,616)**	(628,709)
Decrease in lease liabilities	**(7,255)**	(19,837)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(2,856,544)**	(1,695,011)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(8,409,554)**	(6,033,942)
Effect of foreign exchange changes	**278,292**	422,714
Cash and cash equivalents at beginning of the period	**24,660,800**	30,196,765
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**16,529,538**	24,585,537
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	**5,696,969**	5,329,469
Interest paid, exclusive bonds payable interest expenses	**(3,899,155)**	(3,465,980)
Net interest received	**1,797,814**	1,863,489

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 December 25, 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 September 8, 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 September 28, 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 July 11, 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 July 29, 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 additional gross proceeds of HK$84.76 million.

On December 27, 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, regional development leasing, inclusive finance, green energy and high-end equipment leasing, transfers of finance lease assets and lease-related financial business.

This interim condensed consolidated financial information for the six months ended June 30, 2023 ("Interim Financial Information") is presented in Renminbi ("RMB"), which is also the functional currency of the Company, unless otherwise stated.

The Interim Financial Information has been reviewed, not audited.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended June 30, 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Interim 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 December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, financial assets at fair value through profit or loss and 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 December 31, 2022, except for the following revised IFRSs for the first time for the current period's financial information.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	*Insurance Contracts*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two model Rules*

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4 TOTAL REVENUE

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance lease income	**5,296,753**	5,134,619
Operating lease income	**5,510,197**	6,425,283
	10,806,950	11,559,902

5 NET INVESTMENT GAINS

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Realised gains from financial assets at fair value through other comprehensive income	**6,767**	12,167
Realised gains from financial assets at fair value through profit or loss	**4,437**	–
Realised gains from disposal of finance lease receivables	**1,920**	16,891
Realised gains from derivatives	**57,422**	–
Unrealised fair value change of derivatives	**64,652**	320
Unrealised fair value change of financial assets at fair value through profit or loss	**(17,167)**	(22,746)
	118,031	6,632

6 OTHER INCOME, GAINS OR LOSSES

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from deposits with financial institutions	**409,336**	197,948
Gains on disposal of assets held for operating lease businesses, net	**89,583**	183,145
Government grants and incentives	**55,748**	45,706
Management and commission fee income	**354,847**	360,380
Foreign exchange (losses)/gains, net	**(67,335)**	45,722
Others	**79,938**	35,283
	922,117	868,184

7 INTEREST EXPENSE

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Borrowings	**4,226,358**	3,229,852
Bonds payable	**577,814**	645,484
Due to banks and other financial institutions	**146,964**	93,670
Financial assets sold under repurchase agreements	**12,652**	6,421
Others	**132,061**	53,673
Less: Interest capitalised on qualifying assets	**(260,960)**	(72,345)
	4,834,889	3,956,755

Interest capitalised on qualifying assets in the six months ended June 30, 2023 included RMB260,960 thousand (2022: RMB72,345 thousand) on prepayments.

8 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance lease receivables	**411,549**	1,517,501
Accounts receivable	**13,407**	(217,553)
Straightline lease asset	**(149,154)**	187,307
Other receivables	**12,031**	–
	287,833	1,487,255

9 NET IMPAIRMENT LOSSES ON OTHER ASSETS

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Equipment held for operating lease businesses	**171,546**	822,580
Assets held-for-sale	**5,655**	–
Aircraft supplementary assets	**–**	2,265
	177,201	824,845

10 INCOME TAX EXPENSE

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	**1,466,027**	1,509,628
Income tax in other countries	**3,225**	3,422
Deferred income tax	**(796,397)**	(806,811)
Under provision in prior period	**103**	12,251
	672,958	718,490

The applicable enterprise income tax rate is 25% (2022: 25%) for the Company and its subsidiaries established in mainland China, except for certain subsidiaries which are subject to the preferential tax treatments, 16.5% (2022: 16.5%) for subsidiaries in Hong Kong, and 12.5% (2022:12.5%) 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 June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**2,633,206**	2,668,206
Tax at the statutory tax rate of 25%	**658,302**	667,052
Effect of different tax rates of group entities operating in jurisdictions other than PRC	**9,157**	37,620
Tax effect of expenses not deductible for tax purpose	**2,401**	3,798
Tax losses and deductible temporary difference not recognised	**2,995**	–
Utilisation of previously unrecognised tax losses	**–**	(2,231)
Under provision in prior period	**103**	12,251
Income tax expense for the period	**672,958**	718,490

11 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to owners of the Company *(RMB'000)*	**1,960,248**	1,949,716
Number of shares:		
Weighted average number of shares in issue *('000)*	**12,642,380**	12,642,380
Basic earnings per share *(RMB)* [(1)]	**0.16**	0.15

(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 June 30, 2023 and the six months ended June 30, 2022, 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 June 30, 2023 and the six months ended June 30, 2022.

12 ACCOUNTS RECEIVABLE

	June 30, 2023	December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Operating lease receivables [(1)]	**2,122,417**	1,719,859
Advances for finance lease projects [(2)]	**766,383**	2,489,752
Other accounts receivable	**112,113**	67,463
	3,000,913	4,277,074
Less: Allowances for impairment losses		
– Allowances for operating lease receivables	**(818,560)**	(756,502)
– Allowance for advances for finance lease projects	**(8,809)**	(28,791)
– Allowance for other accounts receivable	**(5,361)**	(4,048)
	2,168,183	3,487,733

(1) Maturity 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:

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
On demand/Deferred	**739,785**	308,283
Overdue within 1 month	**211,340**	278,452
Overdue 1 to 2 months	**17,768**	28,062
Overdue 2 to 3 months	**13,608**	12,527
Overdue over 3 months	**321,356**	336,033
	1,303,857	963,357

(2) The advances for finance lease projects arise from situations where the Group has already made payments to lessees, but the leased assets are under construction and the Group does not obtain the ownership of such leased assets. Relevant contracts will take effect once the construction of such leased assets is completed and the terms of corresponding lease contract commences upon signing off between the lessees and the Group. The advances for finance lease projects will then be transferred to finance lease receivables. Thus, ageing analysis of such advances was considered not meaningful.

The advances for finance lease projects with a carrying amount of approximately RMB757,574 thousand were pledged as collateral for the Group's bank borrowings as at June 30, 2023 (December 31, 2022: RMB464,480 thousand) (Note 15).

Movements of accounts receivable for the six months ended June 30, 2023 and the year ended December 31, 2022 are as follows:

	Stage 1 *RMB'000*	**Stage 2** *RMB'000*	**Stage 3** *RMB'000*	**Simplified approach** *RMB'000*	**Total** *RMB'000*
Gross amount					
Amount as at January 1, 2023	**2,557,215**	**–**	**–**	**1,719,859**	**4,277,074**
Net (decrease)/increase	**(1,712,946)**	**–**	**–**	**327,478**	**(1,385,468)**
Written-off	**–**	**–**	**–**	**(20)**	**(20)**
Effect of foreign currency exchange differences	**34,227**	**–**	**–**	**75,100**	**109,327**
Amount as at June 30, 2023	**878,496**	**–**	**–**	**2,122,417**	**3,000,913**

	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Gross amount					
Amount as at January 1, 2022	13,902	–	–	2,338,378	2,352,280
Net increase/(decrease)	2,497,375	–	–	(728,758)	1,768,617
Written-off	–	–	–	(72,211)	(72,211)
Effect of foreign currency exchange differences	45,938	–	–	182,450	228,388
Amount as at December 31, 2022	2,557,215	–	–	1,719,859	4,277,074

Movements of allowances for impairment losses during the six months ended June 30, 2023 and the year ended December 31, 2022 are as follows:

	Stage 1 *RMB'000*	**Stage 2** *RMB'000*	**Stage 3** *RMB'000*	**Simplified approach** *RMB'000*	**Total** *RMB'000*
Allowance for impairment losses					
Amount as at January 1, 2023	**32,839**	**–**	**–**	**756,502**	**789,341**
(Recovered)/charge for the period	**(18,976)**	**–**	**–**	**32,383**	**13,407**
Written-off	**–**	**–**	**–**	**(20)**	**(20)**
Effect of foreign currency exchange differences	**307**	**–**	**–**	**29,695**	**30,002**
Amount as at June 30, 2023	**14,170**	**–**	**–**	**818,560**	**832,730**

	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Allowance for impairment losses					
Amount as at January 1, 2022	–	–	–	1,107,223	1,107,223
Charge/(recovered) for the year	32,415	–	–	(365,131)	(332,716)
Written-off	–	–	–	(72,211)	(72,211)
Effect of foreign currency exchange differences	424	–	–	86,621	87,045
Amount as at December 31, 2022	32,839	–	–	756,502	789,341

13 FINANCE LEASE RECEIVABLES

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Finance lease receivables		
Not later than one year	**61,162,331**	60,829,809
Later than one year and not later than five years	**137,686,619**	130,697,442
Later than five years	**49,192,672**	44,249,417
Gross amount of finance lease receivables	**248,041,622**	235,776,668
Less: Unearned finance income	**(36,919,558)**	(33,743,782)
Present value of minimum finance lease receivables	**211,122,064**	202,032,886
Less: Allowances for impairment losses	**(8,989,627)**	(8,538,603)
Carrying amount of finance lease receivables	**202,132,437**	193,494,283
Present value of minimum finance lease receivables		
Not later than one year	**51,083,450**	51,311,657
Later than one year and not later than five years	**118,382,806**	112,880,748
Later than five years	**41,655,808**	37,840,481
	211,122,064	202,032,886

The Group entered into finance lease arrangements for certain of its aircraft, ship, equipment for infrastructure, transport and construction vehicle. The term range of finance leases is from 1 to 18 years.

The finance lease receivables with a carrying amount of approximately RMB1,314,145 thousand were pledged as collateral for the Group's bank borrowings as at June 30, 2023 (December 31, 2022: RMB2,727,320 thousand) (Note 15).

As at June 30, 2023, finance lease receivables with the carrying value of approximately RMB6,816,767 thousand were continued to be recognised under factoring arrangements entered into by the Group (December 31, 2022: RMB7,729,097 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 June 30, 2023 and the year ended December 31, 2022 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 January 1, 2023	**173,644,606**	**26,893,268**	**1,495,012**	**202,032,886**
Movement within stages:				
Move to stage 1	**1,058,506**	**(1,058,506)**	**–**	**–**
Move to stage 2	**(3,561,338)**	**4,226,760**	**(665,422)**	**–**
Move to stage 3	**–**	**(1,010,719)**	**1,010,719**	**–**
Net assets originated/(repayment)	**10,018,571**	**(1,409,799)**	**(12,237)**	**8,596,535**
Recovery of finance lease receivables written off	**–**	**–**	**176**	**176**
Effect of foreign currency exchange differences and others	**491,215**	**–**	**1,252**	**492,467**
Amount as at June 30, 2023	**181,651,560**	**27,641,004**	**1,829,500**	**211,122,064**

	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 January 1, 2022	178,257,871	19,144,924	1,059,048	198,461,843
Movement within stages:				
Move to stage 1	2,026,760	(2,026,760)	–	–
Move to stage 2	(10,813,324)	10,813,324	–	–
Move to stage 3	–	(665,422)	665,422	–
Net assets originated/(repayment)	3,127,937	166,279	(28,655)	3,265,561
Transfer/written-off	–	(550,552)	(215,663)	(766,215)
Effect of foreign currency exchange differences	1,045,362	11,475	14,860	1,071,697
Amount as at December 31, 2022	173,644,606	26,893,268	1,495,012	202,032,886

Movements of allowances for impairment losses on finance lease receivables during the six months ended June 30, 2023 and the year ended December 31, 2022 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 January 1, 2023	**3,627,708**	**3,429,895**	**1,481,000**	**8,538,603**
Movement within stages:				
Move to stage 1	**54,840**	**(54,840)**	**–**	**–**
Move to stage 2	**(454,753)**	**776,403**	**(321,650)**	**–**
Move to stage 3	**–**	**(454,840)**	**454,840**	**–**
Charge/(recovered) for the period	**337,563**	**292,504**	**(218,518)**	**411,549**
Recovery of finance lease receivables written off	**–**	**–**	**176**	**176**
Effect of foreign currency exchange differences	**38,047**	**–**	**1,252**	**39,299**
Amount as at June 30, 2023	**3,603,405**	**3,989,122**	**1,397,100**	**8,989,627**

	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *RMB'000*
Allowance for impairment losses				
Amount as at January 1, 2022	3,085,915	3,504,853	999,522	7,590,290
Movement within stages:				
Move to stage 1	245,076	(245,076)	–	–
Move to stage 2	(309,870)	309,870	–	–
Move to stage 3	–	(367,150)	367,150	–
Charge for the year	553,150	365,808	323,172	1,242,130
Transfer/written-off	–	(147,548)	(215,663)	(363,211)
Effect of foreign currency exchange differences	53,437	9,138	6,819	69,394
Amount as at December 31, 2022	3,627,708	3,429,895	1,481,000	8,538,603

14 PROPERTY AND EQUIPMENT

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Equipment held for operating lease businesses	**115,625,059**	105,799,049
Property and equipment held for administrative Purposes	**619,928**	725,412
	116,244,987	106,524,461

Equipment held for operating lease businesses

Unaudited	**Aircraft** *RMB'000*	**Ships** *RMB'000*	**Special equipment** *RMB'000*	**Total** *RMB'000*
Cost				
As at January 1, 2023	**101,421,149**	**34,765,299**	**65,133**	**136,251,581**
Additions	**4,872,871**	**3,731,938**	**206,328**	**8,811,137**
Transferred from assets held-for-sale	**382,192**	**–**	**–**	**382,192**
Disposals/written-off	**(1,127,628)**	**–**	**–**	**(1,127,628)**
Other (1)	**3,910,497**	**1,430,425**	**–**	**5,340,922**
As at June 30, 2023	**109,459,081**	**39,927,662**	**271,461**	**149,658,204**
Accumulated depreciation				
As at January 1, 2023	**(20,496,108)**	**(3,506,877)**	**(1,035)**	**(24,004,020)**
Charge for the period	**(1,897,621)**	**(913,350)**	**(3,931)**	**(2,814,902)**
Transferred from assets held-for-sale	**(18,662)**	**–**	**–**	**(18,662)**
Disposals/written-off	**568,687**	**–**	**–**	**568,687**
Other (1)	**(801,454)**	**(169,108)**	**–**	**(970,562)**
As at June 30, 2023	**(22,645,158)**	**(4,589,335)**	**(4,966)**	**(27,239,459)**
Accumulated impairment				
As at January 1, 2023	**(5,873,447)**	**(575,065)**	**–**	**(6,448,512)**
Charge for the period	**(171,546)**	**–**	**–**	**(171,546)**
Disposals/written-off	**35,204**	**–**	**–**	**35,204**
Other (1)	**(187,265)**	**(21,567)**	**–**	**(208,832)**
As at June 30, 2023	**(6,197,054)**	**(596,632)**	**–**	**(6,793,686)**
Net carrying amount				
As at January 1, 2023	**75,051,594**	**30,683,357**	**64,098**	**105,799,049**
As at June 30, 2023	**80,616,869**	**34,741,695**	**266,495**	**115,625,059**

Audited	Aircraft *RMB'000*	Ships *RMB'000*	Special equipment *RMB'000*	Total *RMB'000*
Cost				
As at January 1, 2022	82,403,395	28,270,238	264,035	110,937,668
Additions	13,015,080	4,570,969	65,133	17,651,182
Transfer from finance lease receivables	–	550,552	–	550,552
Disposals/written-off	(3,701,526)	(671,062)	(264,035)	(4,636,623)
Other (1)	9,704,200	2,044,602	–	11,748,802
As at December 31, 2022	101,421,149	34,765,299	65,133	136,251,581
Accumulated depreciation				
As at January 1, 2022	(13,957,441)	(1,756,134)	(187,633)	(15,901,208)
Charged for the year	(3,626,478)	(1,597,652)	(1,033)	(5,225,163)
Disposals/written-off	260,083	305,853	187,631	753,567
Other (1)	(3,172,272)	(458,944)	–	(3,631,216)
As at December 31, 2022	(20,496,108)	(3,506,877)	(1,035)	(24,004,020)
Accumulated impairment				
As at January 1, 2022	(2,641,731)	(324,432)	–	(2,966,163)
Charged for the year	(2,953,231)	(74,622)	–	(3,027,853)
Transfer from finance lease receivables	–	(147,548)	–	(147,548)
Disposals/written-off	67,340	61,527	–	128,867
Other (1)	(345,825)	(89,990)	–	(435,815)
As at December 31, 2022	(5,873,447)	(575,065)	–	(6,448,512)
Net carrying amount				
As at January 1, 2022	65,804,223	26,189,672	76,402	92,070,297
As at December 31, 2022	75,051,594	30,683,357	64,098	105,799,049

(1) Other is mainly foreign currency translation.

As at June 30, 2023, the equipment held for operating lease businesses of the Group with net book values of approximately RMB39,436,795 thousand (December 31, 2022: RMB38,797,903 thousand) and RMB1,098,456 thousand (December 31, 2022: RMB1,092,143 thousand) were pledged as collateral for the Group's bank borrowings (Note 15) and long-term payables, respectively.

Property and equipment held for administrative purposes

Unaudited	**Buildings** *RMB'000*	**Computers and electronic equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**Office equipment** *RMB'000*	**Leasehold improvements** *RMB'000*	**Total** *RMB'000*
Cost						
As at January 1, 2023	**715,599**	**61,816**	**5,472**	**61,783**	**61,522**	**906,192**
Additions	**–**	**9,453**	**–**	**128**	**–**	**9,581**
Transfer to investment properties	**(101,260)**	**–**	**–**	**–**	**–**	**(101,260)**
Disposals/written-off	**–**	**(11,378)**	**–**	**–**	**–**	**(11,378)**
Other [(1)]	**–**	**423**	**–**	**504**	**2,026**	**2,953**
As at June 30, 2023	**614,339**	**60,314**	**5,472**	**62,415**	**63,548**	**806,088**
Accumulated depreciation						
As at January 1, 2023	**(99,667)**	**(36,197)**	**(4,466)**	**(19,399)**	**(21,051)**	**(180,780)**
Charge for the period	**(7,850)**	**(5,634)**	**(273)**	**(4,800)**	**(1,548)**	**(20,105)**
Transfer to investment properties	**15,981**	**–**	**–**	**–**	**–**	**15,981**
Disposals/written-off	**–**	**255**	**–**	**–**	**–**	**255**
Other [(1)]	**–**	**(401)**	**–**	**(472)**	**(638)**	**(1,511)**
As at June 30, 2023	**(91,536)**	**(41,977)**	**(4,739)**	**(24,671)**	**(23,237)**	**(186,160)**
Net carrying amount						
As at January 1, 2023	**615,932**	**25,619**	**1,006**	**42,384**	**40,471**	**725,412**
As at June 30, 2023	**522,803**	**18,337**	**733**	**37,744**	**40,311**	**619,928**

Audited	Buildings *RMB'000*	Computers and electronic equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost						
As at January 1, 2022	786,158	33,921	5,472	19,066	71,627	916,244
Additions	–	30,116	–	42,345	35	72,496
Transfer from investment properties	2,781	–	–	–	–	2,781
Disposals/written-off	(73,340)	(3,321)	–	(261)	(14,787)	(91,709)
Other [(1)]	–	1,100	–	633	4,647	6,380
As at December 31, 2022	715,599	61,816	5,472	61,783	61,522	906,192
Accumulated depreciation						
As at January 1, 2022	(89,466)	(17,675)	(3,865)	(14,192)	(31,622)	(156,820)
Charged for the year	(10,229)	(17,690)	(601)	(4,764)	(3,017)	(36,301)
Transfer from investment properties	(270)	–	–	–	–	(270)
Disposals/written-off	298	–	–	–	14,787	15,085
Other [(1)]	–	(832)	–	(443)	(1,199)	(2,474)
As at December 31, 2022	(99,667)	(36,197)	(4,466)	(19,399)	(21,051)	(180,780)
Net carrying amount						
As at January 1, 2022	696,692	16,246	1,607	4,874	40,005	759,424
As at December 31, 2022	615,932	25,619	1,006	42,384	40,471	725,412

(1) Other is mainly foreign currency translation.

As at June 30, 2023, the carrying value of property and equipment of the Group for which registration was not completed amounted to approximately RMB7,147 thousand (December 31, 2022: RMB7,445 thousand). However, this registration process does not affect the rights of the Group to these assets.

As at June 30, 2023, in accordance with IAS 36 Impairment of Assets, aircraft were assessed for indicators of impairment, while ship and special equipment did not have indicators of impairment. To aid in this assessment, the Group sought valuations from independent aircraft appraisal firms. These appraisers make assumptions and estimates with respect to the future valuations of aircraft. For the purpose of recognition and measurement of an impairment loss, if it is determined that a test for impairment is required, each aircraft is tested individually by comparing its carrying amount to the higher of its value in use and fair value less costs to sell.

Value in use is determined as the total discounted cash flows expected to be generated by an aircraft in the future. The estimated cash flows are discounted to their present value by using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset in question. For the calculation of value in use, the weighted average discount rates for June 30, 2023 were 6.30% (December 31, 2022: 6.30%). Fair value less costs to sell is determined by the Group based on the most relevant of observable market information from independent appraisal firms. In cases where the carrying value of the aircraft exceeded the higher of value in use and fair value less costs to sell, an impairment charge is recognised.

15 BORROWINGS

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Secured bank borrowings [1]	**32,345,847**	32,333,829
Factoring financing [2]	**6,734,000**	7,104,143
Unsecured bank borrowings	**208,262,623**	207,444,685
	247,342,470	246,882,657

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Carrying amount repayable:		
Within one year	**187,312,907**	187,670,246
More than one year, but not exceeding two years	**47,080,141**	44,300,211
More than two years, but not exceeding five years	**10,474,011**	12,333,935
More than five years	**2,475,411**	2,578,265
	247,342,470	246,882,657

(1) Secured bank borrowings

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

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Equipment held for operating lease businesses	**39,436,795**	38,797,903
Finance lease receivables	**1,314,145**	2,727,320
Accounts receivable	**757,574**	464,480
Bank deposits	**2,347,547**	2,262,687
	43,856,061	44,252,390

(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 RMB6,734,000 thousand as at June 30, 2023 (December 31, 2022: RMB7,104,043 thousand).

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

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Fixed-rate borrowings:		
Within one year	**151,799,773**	145,544,303
More than one year, but not exceeding five years	**24,277,722**	22,210,656
More than five years	**521,513**	527,622
	176,599,008	168,282,581

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:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Effective interest rate:		
Fixed-rate borrowings (RMB)	**2.09%-3.20%**	1.85%-3.39%
Fixed-rate borrowings (USD)	**2.52%-6.20%**	1.10%-5.95%
Floating-rate borrowings (RMB)	**1Y LPR –1.00%~-0.28%**	1Y LPR –1.05%~-0.28%
Floating-rate borrowings (USD)	**1M LIBOR/ 6M LIBOR/ 1M TSOFR/ 3M TSOFR/ SOFR+0.40%-2.80%**	1M LIBOR/ 6M LIBOR/ 1M TSOFR/ 3M TSOFR/ SOFR+0.30%-2.80%

16 BONDS PAYABLE

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Guaranteed unsecured bonds (1)	**30,872,224**	32,043,941
Unguaranteed unsecured bonds	**5,011,980**	4,828,113
	35,884,204	36,872,054

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

Issuer	**Currency**	**Fixed coupon rate**	**Maturity (Year)**	**As at June 30, 2023** Face value	Guaranteed unsecured bonds (1)	Unguaranteed unsecured bonds
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	5,058,060	–	5,058,060
CDBL Funding 2 (2)	RMB	3.05% to 3.40%	2023 to 2024	1,100,000	1,100,000	–
	HKD	1.40% to 4.85%	2024	2,858,138	2,858,138	–
	USD	1.38% to 5.77%	2024 to 2027	14,993,535	14,993,535	–
CDBL Funding 1 (2)	USD	1.50% to 4.25%	2023 to 2027	10,332,894	10,332,894	–
				34,342,627	29,284,567	5,058,060
Issuer	**Currency**	**Floating rate**				
CDBL Funding 2 (2)	USD	SOFR + Margin ranging from 0.85% to 1.00%	2024 to 2025	1,661,934	1,661,934	–
				36,004,561	30,946,501	5,058,060

Issuer	Currency	Fixed coupon rate	Maturity (Year)	As at December 31, 2022 Face value	Guaranteed unsecured bonds (1)	Unguaranteed unsecured bonds
China Development Bank Financial Leasing Co., Ltd.	USD	2.875%	2030	4,875,220	–	4,875,220
CDBL Funding 2 (2)	RMB	3.05% to 3.40%	2023 to 2024	900,000	900,000	–
	HKD	1.20% to 1.40%	2023 to 2024	1,161,251	1,161,251	–
	USD	1.20% to 3.125%	2023 to 2027	14,333,147	14,333,147	–
-						
CDBL Funding 1 (2)	USD	1.50% to 4.25%	2023 to 2027	13,441,678	13,441,678	–
				34,711,296	29,836,076	4,875,220
Issuer	Currency	Floating rate				
CDBL Funding 2 (2)	USD	SOFR + Margin ranging from 0.85% to 1.00%	2023 to 2025	2,298,318	2,298,318	–
				37,009,614	32,134,394	4,875,220

(1) As at June 30, 2023 and December 31, 2022, 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. CDB Leasing (International) Company Limited and CDB Aviation Lease Finance Designated Activity Company are subsidiaries of the Group.

(2) CDBL Funding 1 and CDBL Funding 2 are subsidiaries of the Group.

17 SHARE CAPITAL

	June 30, 2023	December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Registered, issued and fully paid:		
par value RMB1.00 per share	**12,642,380**	12,642,380

18 DIVIDENDS

On March 17, 2023, the board of directors has decided to distribute a final dividend of RMB0.7952 per 10 shares for the year ended December 31, 2022. The total share capital of the Group amounted to 12,642,380,000, and the total amount of profit distribution amounted to RMB1,005,322,058. The proposed final dividend for the year has been approved by the shareholders at the annual general meeting on June 28, 2023.

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 condensed consolidated financial statements.

The Group's operating segments are adjusted to five business segments as follows for the six months end June 30, 2023 (the segment reporting for the six months end June 30, 2022 and for the year ended December 31, 2022 has been adjusted accordingly):

(a) Aircraft leasing: mainly engaged in the acquisition, leasing, management and disposal of commercial aircraft;

(b) Regional development leasing: mainly engaged in the leasing of urban and transportation facilities and key industrial equipment developed in service region supported by national policies;

(c) Ship leasing: mainly engaged in the leasing of ship;

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

(e) Green energy and high-end equipment leasing: mainly engaged in the leasing of energy infrastructure and high-end equipment.

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

Expenses 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 June 30, 2023 and 2022.

The operating and reportable segment information provided to the CODM during the six months ended June 30, 2023 and 2022 is as follows:

	Aircraft leasing *RMB'000*	Regional development leasing *RMB'000*	Ship leasing *RMB'000*	Inclusive finance *RMB'000*	Green energy and high-end equipment leasing *RMB'000*	Total *RMB'000*
Unaudited						
For the six months ended June 30, 2023						
Segment revenue and results						
Finance lease income	**2,929**	**3,019,067**	**420,781**	**893,052**	**960,924**	**5,296,753**
Operating lease income	**3,658,302**	**61,435**	**1,776,769**	**7,591**	**6,100**	**5,510,197**
Segment revenue	**3,661,231**	**3,080,502**	**2,197,550**	**900,643**	**967,024**	**10,806,950**
Segment other income, gains and losses	**317,736**	**141,287**	**491,961**	**43,346**	**45,818**	**1,040,148**
Segment revenue and other income	**3,978,967**	**3,221,789**	**2,689,511**	**943,989**	**1,012,842**	**11,847,098**
Segment expenses	**(3,945,104)**	**(1,870,372)**	**(2,337,656)**	**(583,611)**	**(477,149)**	**(9,213,892)**
Profit before impairment losses and income tax	**99,654**	**1,578,546**	**443,316**	**455,764**	**520,960**	**3,098,240**
Profit before income tax	**33,863**	**1,351,417**	**351,855**	**360,378**	**535,693**	**2,633,206**
Unaudited						
As at June 30, 2023						
Segment assets and liabilities						
Segment assets	**98,030,218**	**131,697,939**	**53,954,996**	**32,695,348**	**45,587,739**	**361,966,240**
Deferred tax assets						**2,019,821**
Group's total assets						**363,986,061**
Segment liabilities	**93,953,380**	**117,735,535**	**47,261,003**	**29,090,476**	**39,400,828**	**327,441,222**
Deferred tax liabilities						**941,130**
Group's total liabilities						**328,382,352**
For the six months ended June 30, 2023						
Other segment information						
Depreciation of investment properties	**–**	**(20,185)**	**–**	**–**	**–**	**(20,185)**
Depreciation of property and equipment	**(1,899,905)**	**(8,925)**	**(917,141)**	**(3,110)**	**(5,926)**	**(2,835,007)**
Depreciation of right-of-use assets	**(8,683)**	**(2,680)**	**(1,138)**	**(685)**	**(848)**	**(14,034)**
Amortisation	**(15,132)**	**(8,363)**	**(1,557)**	**(937)**	**(1,160)**	**(27,149)**
Impairment losses	**(65,791)**	**(227,129)**	**(91,461)**	**(95,386)**	**14,733**	**(465,034)**

The operating and reportable segment information provided to the CODM during the six months ended June 30, 2023 and 2022 is as follows (continued):

	Aircraft leasing *RMB'000*	Regional development leasing *RMB'000*	Ship leasing *RMB'000*	Inclusive finance *RMB'000*	Green energy and high-end equipment leasing *RMB'000*	Total *RMB'000*
Restated						
For the six months ended June 30, 2022						
Segment revenue and results						
Finance lease income	2,127	3,342,182	312,861	737,709	739,740	5,134,619
Operating lease income	3,504,488	66,854	2,853,941	–	–	6,425,283
Segment revenue	3,506,615	3,409,036	3,166,802	737,709	739,740	11,559,902
Segment other income, gains and losses	183,881	128,520	503,500	32,335	26,580	874,816
Segment revenue and other income	3,690,496	3,537,556	3,670,302	770,044	766,320	12,434,718
Segment expenses	(3,814,686)	(2,980,241)	(2,091,673)	(439,169)	(440,743)	(9,766,512)
Profit before impairment losses and income tax	668,212	1,603,860	2,024,974	332,926	350,334	4,980,306
Profit before income tax	(124,190)	557,315	1,578,629	330,875	325,577	2,668,206
Restated						
As at December 31, 2022						
Segment assets and liabilities						
Segment assets	93,374,950	131,065,400	49,684,606	35,638,732	43,122,529	352,886,217
Deferred tax assets						1,831,030
Group's total assets						354,717,247
Segment liabilities	88,914,136	117,320,579	43,600,152	31,609,657	37,448,183	318,892,707
Deferred tax liabilities						1,541,095
Group's total liabilities						320,433,802
Unaudited						
For the six months ended June 30, 2022						
Other segment information						
Depreciation of investment properties	–	(19,539)	–	–	–	(19,539)
Depreciation of property and equipment	(1,720,201)	(18,609)	(736,095)	(1,451)	(1,554)	(2,477,910)
Depreciation of right-of-use assets	(8,091)	(2,412)	(1,843)	(492)	(528)	(13,366)
Amortisation	(22,005)	(5,377)	(2,392)	(638)	(687)	(31,099)
Impairment losses	(792,402)	(1,046,545)	(446,345)	(2,051)	(24,757)	(2,312,100)

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.

21 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation.

DEFINITIONS

"Airbus"	Airbus S.A.S. (Airbus), a "Société par Actions Simplifiée (SAS) (which means "simplified joint-stock company")" incorporated under French law
"Articles of Association"	the articles of association of China Development Bank Financial Leasing Co., Ltd.
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors 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 became 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), which is renamed as The National Administration of Financial Regulation (國家金融監督管理總局)
"NAFR"	The National Administration of Financial Regulation (國家金融監督管理總局) and its local offices, including its predecessor, CBIRC. The NAFR is an organization directly under the State Council established on the basis of CBIRC. In March 2023, the Central Committee of the Communist Party of China and the State Council issued the Party and State Organizational Reform Plan, deciding to establish the NFSA on the basis of the CBIRC and no longer retaining the CBIRC. On May 18, 2023, the NFSA was inaugurated
"CDB" or "China Development Bank"	China Development Bank, established in the PRC in 1994 and restructured as a limited liability company in 2017, and the Controlling Shareholder of the Company which holds 64.40% equity interest of the Company
"CDB Aviation"	CDB Aviation Lease Finance Designated Activity Company (國銀航空金融租賃有限公司)

"Chairman"	chairman of the board of directors of the Company
"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
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
"Director(s)"	director(s) of the Company
"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"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
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"OEM(s)"	collectively or individually, Boeing, Airbus and other airline manufacturers

"PBOC"	the Central Bank of the People's Republic of China
"Reporting Period"	from January 1, 2023 to June 30, 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"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)
"Supervisor(s)"	supervisor(s) of the Company
"US$", "USD" or "US dollar(s)"	United States dollar(s), the lawful currency of the United States

GLOSSARY OF TECHNICAL TERMS

"double carbon"	abbreviation for "carbon peak" and "carbon neutral"; in September 2020, China clearly set out its goals of "carbon peak" by 2030 and "carbon neutral" by 2060
"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 (prepayments for finance lease projects)
"Fitch"	Fitch Ratings Ltd.
"GW"	the unit of power, i.e., one billion watts, or 1,000 megawatts. "GW" is the abbreviation of Gigawatt
"Moody's"	Moody's Investors Service, Inc.
"MW"	the unit of power, i.e. one million watts. "MW" is the abbreviation of Megawatt
"MW.h"	the unit of energy storage capacity. "MW.h" is the abbreviation of Megawatt-hour
"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
August 31, 2023

As at the date of this announcement, the executive Directors of the Company are Ms. MA Hong and Mr. HUANG Min; the non-executive Directors are Mr. LI Yingbao and Mr. YANG Guifang; the independent non-executive Directors are Mr. XU Jin, Mr. LI Haijian and Mr. LIU Ming.