



# 国银租赁

CHINA DEVELOPMENT BANK LEASING

## 國銀金融租賃股份有限公司

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.

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

Stock Code : 1606

# GLOBAL OFFERING



*Joint Sponsors*



**BofA Merrill Lynch**

**Deutsche Bank Group** 

*Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers*



**BofA Merrill Lynch**

**Deutsche Bank Group** 



*Joint Bookrunners and Joint Lead Managers*

Morgan Stanley

J.P.Morgan



## IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



**国银租赁**  
CHINA DEVELOPMENT BANK LEASING

**國銀金融租賃股份有限公司**  
**CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.**  
(A joint stock limited company incorporated in the People's Republic of China)

### GLOBAL OFFERING

**Number of Offer Shares under the Global Offering** : 3,100,000,000 H Shares (subject to the Over-allotment Option)  
**Number of Hong Kong Offer Shares** : 232,500,000 H Shares (subject to adjustment)  
**Number of International Offer Shares** : 2,867,500,000 H Shares (subject to adjustment and the Over-allotment Option)  
**Maximum Offer Price** : HK\$2.45 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)  
**Nominal value** : RMB1.00 per H Share  
**Stock code** : 1606

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**BofA Merrill Lynch**

**Deutsche Bank Group**



Joint Bookrunners and Joint Lead Managers

Morgan Stanley

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, June 30, 2016 (Hong Kong time) and, in any event, not later than Tuesday, July 5, 2016 (Hong Kong time). The Offer Price will be not more than HK\$2.45 and is currently expected to be not less than HK\$1.90 per Offer Share. If, for any reason, the Offer Price is not agreed by Tuesday, July 5, 2016 (Hong Kong time) between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$2.45 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$2.45.

**The Joint Global Coordinators, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK\$1.90 to HK\$2.45) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at [www.cdb-leasing.com](http://www.cdb-leasing.com) and on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). See "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.**

We are incorporated, and the majority of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. See "Risk Factors," "Appendix IV – Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix V – Summary of Articles of Association" to this prospectus for such differences and risk factors.

We are (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.

**The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Hong Kong Underwriting Arrangements – Hong Kong Public Offering – Grounds for Termination" of this prospectus.**

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to "Qualified Institutional Buyer" in reliance on Rule 144A under the U.S. Securities Act or another exemption from, or in a transaction not subject to, registration under the U.S. Securities Act and (b) outside the United States in an offshore transaction pursuant to Regulation S under the U.S. Securities Act.

June 24, 2016

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in South China Morning Post and in Chinese in Hong Kong Economic Times.*

Latest time to complete electronic applications under <b>White Form eIPO</b> service through the designated website <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> <sup>(2)</sup> .....	11:30 a.m. on Wednesday, June 29, 2016
Application lists open <sup>(3)</sup> .....	11:45 a.m. on Wednesday, June 29, 2016
Latest time to lodge <b>WHITE</b> and <b>YELLOW</b> Application Forms .....	12:00 noon on Wednesday, June 29, 2016
Latest time to give <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> .....	12:00 noon on Wednesday, June 29, 2016
Latest time to complete payment of <b>White Form eIPO</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) .....	12:00 noon on Wednesday, June 29, 2016
Application lists close .....	12:00 noon on Wednesday, June 29, 2016
Expected Price Determination Date .....	Thursday, June 30, 2016
Announcement of Offer Price .....	Friday, July 8, 2016
Announcement of:	
• the level of application in the Hong Kong Public Offering;	
• the level of indications of interest in the International Offering; and	
• the basis of allocation of the Hong Kong Offer Shares	
to be published (a) in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese); (b) on our website at <a href="http://www.cdb-leasing.com">www.cdb-leasing.com</a> <sup>(5)</sup> and the website of the Hong Kong Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> <sup>(6)</sup> on or before. ....	Friday, July 8, 2016

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels (see "How to Apply for Hong Kong Offer Shares – 11. Publication of Results") from . . . .	Friday, July 8, 2016
Result of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) will be available at <a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a> with a "search by ID" . . . . .	Friday, July 8, 2016
H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before <sup>(7)</sup> . . . . .	Friday, July 8, 2016
White Form e-Refund payment instructions/refund checks in respect of wholly or partially unsuccessful applications to be dispatched on or before <sup>(7)(8)(9)</sup> . . . .	Friday, July 8, 2016
Dealings in H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on . . . . .	Monday, July 11, 2016

- (1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in "Structure of the Global Offering" in this prospectus.
- (2) If you have already submitted your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 29, 2016, the application lists will not open on that day. Please see "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.
- (5) None of the website or any of the information contained on the website forms part of this prospectus.
- (6) The announcement will be available for viewing on the Hong Kong Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk).
- (7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Forms, you may collect refund checks (where applicable) and H Share certificates (where applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, July 8, 2016. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. Uncollected refund checks and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in "How to Apply for Hong Kong Offer Shares" in this prospectus.
- (8) Applicants who apply through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **White Form eIPO** Service Provider, in the form of refund checks, at their own risk.
- (9) Refund checks will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications if the Offer Price is less than the price payable on application.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Monday, July 11, 2016. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

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*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or under any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisors, or any other person or party involved in the Global Offering. Information contained on our website, located at [www.cdb-leasing.com](http://www.cdb-leasing.com), does not form part of this prospectus.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified by its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.*

*There are risks associated with an investment in the Offer Shares. We set out some of the particular risks in investing in the Offer Shares in “Risk Factors,” beginning on page 32 of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are the sole leasing business platform and one of the key strategic business segments of CDB, dedicated to providing comprehensive leasing services to high-quality customers in industries, including aviation, infrastructure, shipping, commercial vehicle and construction machinery. We are a pioneer and a leader in the PRC leasing industry. Founded in 1984, we were among the first leasing companies in the PRC and the first CBRC-regulated leasing companies. According to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (“Frost & Sullivan”), we were the largest CBRC-regulated leasing company in the PRC in terms of total revenue in 2013, 2014 and 2015, respectively. Our business segments are:

- **Aircraft Leasing:** We mainly engage in the acquisition, leasing, management and disposal of commercial aircraft;
- **Infrastructure Leasing:** We mainly engage in the leasing of transportation, urban and energy infrastructure;
- **Ship, Commercial Vehicle and Construction Machinery Leasing:** We mainly engage in the leasing of vessels, commercial vehicles and construction machinery; and
- **Other Leasing Business:** We mainly engage in the leasing of commercial property and manufacturing equipment used in various sectors such as chemical, electronics, papermaking, textile, coal and steel.

The following table sets forth our revenue, profit and profit margin by segment for the years indicated:

	Year ended December 31,								
	2013			2014			2015		
	Segment revenue	Segment profit before income tax	Segment profit margin before income tax	Segment revenue	Segment profit before income tax	Segment profit margin before income tax	Segment revenue	Segment profit before income tax	Segment profit margin before income tax
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)	(%)
Aircraft Leasing . . . . .	3,680.3	588.8	16.0	4,406.1	858.5	19.5	4,729.3	1,121.2	23.7
Infrastructure Leasing . . . . .	4,118.9	1,429.1	34.7	4,009.0	1,255.2	31.3	3,425.8	1,220.8	35.6
Ship, Commercial Vehicle and Construction Machinery Leasing . . . . .	1,226.7	235.8	19.2	1,384.6	207.0	14.9	1,196.8	(9.0)	(0.7)
Other Leasing Business . . . . .	2,023.4	245.5	12.1	1,525.2	58.9	3.9	1,289.0	(1,033.4)	(80.2)
<b>Total . . . . .</b>	<b>11,049.3</b>	<b>2,499.2</b>	<b>22.6</b>	<b>11,324.9</b>	<b>2,379.6</b>	<b>21.0</b>	<b>10,640.9</b>	<b>1,299.6</b>	<b>12.2</b>

As one of the first leasing companies in the PRC, we have witnessed and participated in the development of the PRC leasing industry. We have weathered economic and industry cycles and regulatory reforms, and gained experience through continuous improvement in our business

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## SUMMARY

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operations, product innovation and exploration of new sectors. We have identified key sectors, namely, aircraft and infrastructure leasing, which have well-developed business model, sound asset quality and growth potential, and key customer groups, namely, large and medium-sized, high-quality corporate customers, as the primary focus of our business.

The continued market-oriented reform of the PRC financial industry, increasing customer demand for customized leasing services, the internationalization of the Renminbi and favorable government policies have brought by important opportunities in the leasing industry. We believe that our market leading position, long operating history, well-developed business model and premier brand name will enable us to seize such opportunities. In addition, the extensive experience we gained through economic and industry cycles enables us to achieve sustained growth in the next stage of China's economic transformation and continue to maintain our leading position in the fast developing PRC leasing industry. In addition, we currently maintain higher international credit ratings than all listed leasing companies globally, and one of the highest international credit ratings among PRC financial institutions. Our superior funding capabilities provide strong support to our business development and help us generate attractive financial returns.

### **Aircraft Leasing**

We have the largest aircraft fleet, in terms of net book value, under operating leases among the PRC leasing companies and one of the largest aircraft leasing businesses in the PRC with a global presence. As of December 31, 2015, we had a portfolio of 415 aircraft, consisting of 180 owned aircraft, 11 managed aircraft and 224 committed aircraft. We focus on building and maintaining a portfolio of young, modern and fuel-efficient commercial aircraft, with a view to maximizing long-term earnings growth and delivering superior risk-adjusted returns through the aviation industry cycle. Our owned portfolio consists primarily of broadly appealing narrow-body aircraft, including the Airbus A320 family and the Boeing 737-800, and select wide-body aircraft, including the Airbus A330 and the Boeing 777. As of December 31, 2015, our committed portfolio from direct orders included 66 Airbus A320 and 60 Boeing 737 aircraft. As of December 31, 2015, the average age of our owned aircraft fleet on operating lease was 4.5 years. We operate our business on a global scale, leasing aircraft to airlines both in the PRC and elsewhere in Asia, Europe, Africa and Latin America. As of December 31, 2015, we had 40 airlines customers, with 12 in the PRC and 28 outside of the PRC. As of December 31, 2015, the weighted average remaining lease term by asset balance of our Aircraft Leasing segment was 5.9 years.

We lease a majority of our aircraft to airlines under long-term operating leases, which provide a high level of predictability and stability to revenues. We acquire aircraft through various channels, including direct orders from manufacturers, sale-and-leaseback transactions and portfolio acquisitions from other lessors, to grow our business. We maintain relationship with airlines, aircraft leasing companies and aircraft investors globally and seek to sell assets strategically to optimize our portfolio in response to market conditions. The combination of a young and modern aircraft portfolio, proven industry expertise and robust risk management had contributed to a 100% fleet utilization of our owned portfolio under operating leases without unscheduled lease terminations, delivery failures or credit losses during the Track Record Period.

Segment profit before income tax of our Aircraft Leasing increased by 30.6% in 2015 compared to 2014, due to the growth in operating lease income driven by the expansion of our aircraft leased assets in line with the increased market demand. Segment profit margin before

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## SUMMARY

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income tax increased to 23.7% in 2015 from 19.5% in 2014, due primarily to an increase in gross lease yield of this segment and a decrease in our funding costs. Segment profit before income tax increased by 45.8% in 2014 compared to 2013, due primarily to a 20.2% increase in the segment revenue and other income, resulting from the growth through aircraft portfolio acquisition and providing sale-and-leaseback services as well as aircraft sales. Segment profit margin before income tax increased to 19.5% in 2014 from 16.0% in 2013, due primarily to the decrease in the domestic funding costs and gains from our aircraft sales. See “Financial Information – Summary Segment Results – Aircraft Leasing.”

### **Infrastructure Leasing**

According to Frost & Sullivan, as of December 31, 2014, we were the largest provider of infrastructure leasing services in the PRC in terms of leased assets. Our Infrastructure Leasing business comprises the leasing of transportation infrastructure (toll roads, rail transit), urban infrastructure (municipal facilities, affordable housing) and energy infrastructure (energy and electric power equipment). This business is mostly under finance leases and primarily conducted through sale-and-leaseback transactions. We generally require that a leased asset or lessee has a stable cash flow that is sufficient to cover its lease payments and other debt repayment obligations, and such cash flow may include funds that the lessee expects to receive in government procurement. As of December 31, 2015, the weighted average remaining lease term by asset balance of this segment was 7.7 years.

As the sole leasing business platform of CDB, we have benefitted from high-quality resources from CDB. Our industry focus is synergistic with that of CDB, and similar to CDB, we serve the infrastructure sectors with national strategic significance. We have a broad customer base across infrastructure sectors.

Segment profit before income tax of our Infrastructure Leasing decreased slightly in 2015 compared to 2014, primarily because our segment revenue and other income decreased by 13.9%, due primarily to the reductions in the PBOC benchmark interest rates in 2015, which was largely offset by our segment expenses decreasing by 18.8% during the same period. Segment profit margin before income tax increased to 35.6% in 2015 from 31.3% in 2014, primarily because our segment profit remained stable while our segment revenue and other income decreased in 2015. Segment profit before income tax decreased by 12.2% in 2014 as compared to 2013, primarily because our segment revenue and other income decreased by 8.5% in 2014 as compared to that in 2013, which resulted from a decrease in our lease financing to lessees in Infrastructure Leasing given the adverse market conditions in 2014, the PRC government’s administrative measures on local government financing vehicles, and adjustment of our short-term business focus, though our segment expenses decreased by 6.8% in 2014 as compared 2013. As a result, segment profit margin before income tax decreased to 31.3% in 2014 from 34.7% in 2013. See “Financial Information – Summary Segment Results – Infrastructure Leasing.”

### **Ship, Commercial Vehicle and Construction Machinery Leasing**

We commenced the Ship Leasing business in 2008 and were one of the first leasing companies in the PRC to offer ship leasing services. We provide ship leasing services on a bareboat charter basis to ship operators under finance leases. As of December 31, 2015, we owned and leased 45 vessels, consisting of 18 container ships, 12 bulk carriers, five oil tankers, four chemical tankers, three dredgers and three liquefied gas carriers. We strategically select vessels with strong market demand and profitability. In addition, we provide leasing services for shipping related assets, such as shipbuilding equipment and containers.

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## SUMMARY

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We were one of the first companies in the PRC to provide customized finance leasing solutions to manufacturers and distributors of commercial vehicles and construction machinery. We are one of the major players in the PRC commercial vehicle and construction machinery leasing market, and our end-user customers include urban public transport companies, large engineering corporations, SMEs and individuals across China. As of December 31, 2015, we provided services to 17 commercial vehicle manufacturers and 29 distributors, leasing 9,083 vehicles under 3,165 leases. As of the same date, we provided services to 13 construction machinery manufacturers, two distributors and one construction enterprise, leasing 16,345 sets of equipment under 12,129 leases.

As of December 31, 2015, the weighted average remaining lease term by asset balance of our Ship, Commercial Vehicle and Construction Machinery Leasing segment was 5.7 years.

Segment profit before income tax of our Ship, Commercial Vehicle and Construction Machinery Leasing was a loss of RMB9.0 million in 2015 compared to a profit of RMB207.0 million in 2014, due primarily to an increase in impairment losses and a 13.7% decrease in the segment revenue and other income, resulting from the reductions in the benchmark interest rates in 2015 and our efforts to scale back our business in line with the increasing credit risk associated with this segment. Segment profit margin before income tax was negative 0.7% in 2015 as compared to 14.9% in 2014, due primarily to an increase of impairment losses in this segment reflecting our decision to increase our provisioning by the end of 2015 to meet the CBRC regulatory requirement effective on December 31, 2016. Segment profit before income tax decreased by 12.2% in 2014 from 2013, due primarily to an increase in impairment losses in this segment because of the default of certain construction machinery customers and some commercial vehicle dealers under the unfavorable market conditions, partially offset by a 10.9% increase in the segment revenue and other income due primarily to our increased lease financing in line with increased market demand. Segment profit margin before income tax decreased to 14.9% in 2014 from 19.2% in 2013, due primarily to an increase of impairment losses in this segment resulting from an increase of the non-performing assets. See “Financial Information – Summary Segment Results – Ship, Commercial Vehicle and Construction Machinery Leasing.”

### **Other Leasing Business**

We began to selectively expand our leasing business to other sectors in 2012, including manufacturing equipment leasing for enterprises in chemical, electronics, papermaking and other industries, as well as commercial property leasing, and we have gradually expanded our customer base to include SMEs. As of December 31, 2015, the weighted average remaining lease term by asset balance was 5.7 years for our Other Leasing Business segment and 4.1 years for the manufacturing equipment leasing sub-segment.

Segment profit before income tax of our Other Leasing Business was a loss of RMB1,033.4 million in 2015 compared to a profit of RMB58.9 million in 2014, due primarily to a 14.9% decrease in the segment revenue and other income, resulting from reductions in the PBOC benchmark interest rates in 2015 and an increase in our non-performing assets that no longer generated revenue, along with a 57.0% increase in segment expenses resulting from an increase in impairment losses corresponding to an increase in our non-performing assets. Segment profit margin before income tax was negative 80.2% in 2015 as compared to 3.9% in 2014, due primarily to an increase of impairment losses in this segment. Segment profit before income tax decreased by 76.0% in 2014 compared to 2013, due primarily to a 25.7% decrease in the segment revenue and other income, resulting from our disposition of operating lease assets in December

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## SUMMARY

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2013. Segment profit margin before income tax decreased to 3.9% in 2014 from 12.1% in 2013, due primarily to an increase of impairment losses in this segment. See “Financial Information – Summary Segment Results – Other Leasing Business.”

### **Asset Quality and Profitability**

During the Track Record Period, our profitability declined and asset quality deteriorated due primarily to a significant increase in the non-performing assets of our Other Leasing Business, while the asset quality of our Aircraft Leasing and Infrastructure Leasing businesses had remained sound. This is mainly attributable to a combination of the following: (i) certain of our lessees, especially SMEs that operate in the traditional manufacturing industries, experienced operational difficulties and defaulted on our leases, amid the PRC economic slowdown and adverse market conditions; and (ii) our operational and risk management experience in our Other Leasing Business was limited, and we were unable to adequately identify and mitigate the risks associated with this business. Our non-performing assets had increased, resulting in an increase in our impairment losses. In addition, we decided to increase our allowance coverage ratio for non-performing finance lease related assets to over 150% by the end of 2015 for meeting a more stringent CBRC regulatory requirement that will come into effect as of December 31, 2016. This has also resulted in a substantial increase in our impairment losses in 2015. As of December 31, 2013, 2014 and 2015, the non-performing asset ratio of our finance lease business was 0.65%, 1.67% and 2.21%, respectively, and our impairment losses were RMB439.8 million, RMB798.4 million and RMB2,008.2 million, respectively. See “Financial Information – Asset Quality” and “Financial Information – Results of Operations – Total Expenses – Impairment losses.” In addition, our net interest margin of finance lease business decreased during the Track Record Period, primarily due to (i) our decision to select projects with lower risk but lower interest rates in response to the changing macroeconomic conditions, and (ii) an increase in our non-performing assets, which no longer generated income. The decrease in net interest margin in 2015 was also because of the time lag between the interest-bearing liabilities of our finance lease business and our finance lease income in respect of the impact of the significant reductions in the PBOC benchmark interest rates in 2015. The decrease in our net interest margin in 2014 was also because the funding costs of Renminbi in the first half of 2014 increased following the inadequate market liquidity of Renminbi in the second half of 2013. Consequently, our profitability decreased during the Track Record Period. In 2013, 2014 and 2015, we generated RMB181.4 million, RMB247.7 million and RMB116.6 million of finance lease income, respectively, from our finance leased assets which became non-performing in 2015; and in 2013 and 2014, we generated RMB123.7 million and RMB76.6 million of finance lease income, respectively, from our finance leased assets which became non-performing in 2014.

We have adopted a series of measures to improve profitability and asset quality. We intend to continue to focus on Aircraft Leasing and Infrastructure Leasing since (i) we have competitive advantages with a proven track record in these two segments, (ii) the asset quality of these two segments remained sound during the Track Record Period, and (iii) we are more experienced in serving large and medium-sized enterprises, and most of the customers in these two segments are large and medium-sized enterprises. For our Other Leasing Business, we intend to gradually reduce our existing leased asset balance relating to industries with higher credit risk. In terms of sector selection, we prefer manufacturing enterprises in emerging sectors with strategic importance, such as advanced manufacturing, and environment-friendly sectors as well as sectors encouraged by the NDRC. In terms of customer selection, we prefer large enterprises,

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## SUMMARY

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industry leaders or high-quality listed companies. We intend to further strengthen our management of credit risk by improving credit enhancement measures and enhancing our macroeconomic and industrial research, post-lease management, collateral management and risk mitigation at various stages of our business. With regard to our existing non-performing assets, we proactively monitor these assets, and manage most of the projects by on-site follow-ups. We also actively explore alternatives, such as debt restructuring, asset restructuring, and asset disposal to reduce our non-performing assets. See “Business – Our Business – Other Leasing Business” and “Risk Management – Credit Risk Management.”

Our Directors expect that the foregoing measures would help gradually stabilize and improve our asset quality and profitability in the foreseeable future. However, due to factors beyond our control, there can be no assurance that this goal will be achieved. See “Risk Factors – Risks Relating to Our Business and Industry – Any inability to maintain our asset quality may have a material adverse impact on our business, financial condition and results of operations.”

### **Business Model**

#### ***Finance Lease and Operating Lease***

Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Leases are classified as operating leases if substantially all the risks and rewards of ownership remain with the lessor.

During the Track Record Period, we derived finance lease income from all of our business segments, particularly our Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business. Our finance lease income decreased by 14.5% to RMB5,994.7 million in 2015 from RMB7,014.9 million in 2014, due primarily to the reduced finance lease interest rate following the substantial reductions of the PBOC benchmark interest rates in 2015. Our finance lease income increased by 5.0% to RMB7,014.9 million in 2014 from RMB6,679.3 million in 2013, due primarily to our continued expansion in Ship, Commercial Vehicle and Construction Machinery Leasing business and selective entry into Other Leasing Business. In 2013, 2014 and 2015, our net interest income of finance lease business was RMB2,569.1 million, RMB2,523.3 million and RMB2,371.5 million, respectively. These decreases were primarily because (i) we decided to select projects with lower risk but lower interest rates in response to the changing macroeconomic conditions, and (ii) our non-performing assets increased, which no longer generated income. The decrease in net interest income of finance lease business in 2015 was also because of the time lag between the cost of interest-bearing liabilities of finance lease business and our finance lease income in respect of the impact of the significant reductions in the PBOC benchmark interest rates in 2015. The decrease in net interest income of finance lease business in 2014 was also because the funding costs of Renminbi in the first half of 2014 increased as a result of the inadequate market liquidity of Renminbi in the second half of 2013. Our finance leases are generally priced at an interest rate floating at a predetermined spread over a benchmark interest rate. The floating interest rate is typically reset following a change in benchmark interest rates.

During the Track Record Period, we derived our operating lease income primarily from our Aircraft Leasing business. Our operating lease income increased by 7.8% to RMB4,646.2 million in 2015 from RMB4,310.0 million in 2014, due primarily to (i) increases in the number and in the net book value of our aircraft held under operating lease in line with the expansion of our aircraft leasing business, and (ii) the growth in demand for our aircraft operating lease services resulting from favorable conditions of the global and PRC aviation industries in 2015. Our

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## SUMMARY

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operating lease income decreased slightly to RMB4,310.0 million in 2014 from RMB4,370.0 million in 2013, due primarily to the effect of our disposal of operating lease assets in our Other Leasing Business, largely offset by the continued growth in our aircraft operating lease income as both the number and the net book value of our aircraft held under operating lease increased. Under an operating lease, the lessee is responsible for the maintenance and servicing of the equipment during the lease term and the lessor receives the benefit, and assumes the risk, of the residual value of the equipment at the end of the lease. We generally receive fixed lease payments under operating leases, and set accounting policy for the recognition and depreciation of operating lease assets based on asset class.

### *Direct Lease and Sale-and-Leaseback*

In a direct lease, we purchase an asset from an equipment supplier and then lease it to a customer for use in return for periodic lease payments. A typical direct leasing transaction is a tri-party arrangement that involves a lessor, a lessee and an equipment supplier.

In a sale-and-leaseback transaction, our customer sells the relevant asset to us for a negotiated purchase price, and we then lease the asset back to our customer in return for periodic lease payments, so that our customer may cover its funding needs and continue to use the asset as a lessee. A typical sale-and-leaseback transaction involves a lessor and a lessee.

## COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

- We are a pioneer in the PRC leasing industry, with a leading market position and a premier brand name;
- We have an industry leading, highly specialized Aircraft Leasing business with increasing profitability;
- We have strong capabilities in our Infrastructure Leasing business, focusing on sectors in which CDB specializes;
- Our unique business model focuses on high-quality, large and medium-sized enterprises both in China and globally;
- We have higher international credit ratings than all listed leasing companies globally, as well as strong funding capabilities;
- As the sole leasing business platform and one of the key strategic business segments of CDB, we enjoy strong shareholder support;
- We have prudent and robust internal control and risk management systems; and
- We have a visionary, highly effective and market-oriented management team.

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## SUMMARY

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### **BUSINESS STRATEGIES**

Our vision is to become an international leading leasing company rooted in the PRC market. Our business strategies include:

- Seize opportunities in the golden age of the fast developing PRC leasing market by leveraging our leading market position;
- Expand our business scale through both organic growth and acquisitions, and continue to enhance our international operational capabilities;
- Further enhance our management of leased assets, particularly, leased asset trading capabilities, provide value-added services and increase the proportion of revenue from intermediary businesses;
- Further expand our financing channels and reduce financing costs;
- Continue to enhance our risk management capabilities; and
- Establish a high-performing and professional team through an effective incentive mechanism.

### **CUSTOMER BASE**

We focus on establishing cooperative relationships with high-quality, large and medium-sized enterprises both in China and globally. As of December 31, 2015, we had 301 corporate customers, with an average leased assets balance at RMB462.7 million.

Our airlines customers in the PRC include China Southern Airlines, Air China, Hainan Airlines and China Eastern Airlines, and our overseas customers include flag carriers and leading local budget airlines. In 2015, revenue attributable to the five largest customers in our Aircraft Leasing business accounted for 19.7% of our revenue and other income. Our Infrastructure Leasing customers include large state-owned enterprises, and as of December 31, 2015, in terms of leased asset balance, leasing projects directly or indirectly owned or funded by provincial governments, governments of provincial capital cities and cities specifically designated in the state plan and enterprises controlled by the central government accounted for 66.8% of our Infrastructure Leasing business. In 2015, revenue attributable to the five largest customers in our Infrastructure Leasing business accounted for 8.8% of our revenue and other income. Our Ship, Commercial Vehicle and Construction Machinery Leasing customers include well-known international corporations such as Costamare Inc., and PRC state-owned enterprises, such as China COSCO Shipping Corporation Limited, Sinotrans & CSC Holdings Co., Ltd., Beiqi Foton Motor Co., Ltd., XCMG Construction Machinery Co., Ltd. and Sany Heavy Industry Co., Ltd. In 2015, revenue attributable to the five largest customers in our Ship, Commercial Vehicle and Construction Machinery Leasing business accounted for 6.0% of our revenue and other income.



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## SUMMARY

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### CAPITAL RESOURCES

We have “quasi-sovereign” level international credit ratings, namely, “A+” by Standard & Poor’s, “A1” by Moody’s and “A+” by Fitch, and are one of the PRC financial institutions with the highest international credit ratings. Our international credit ratings surpass those of any listed leasing company in the world. Our superior creditworthiness has enabled us to lower our financing costs and further diversify our financing channels, ranging from interbank market, bank credit facilities, asset financing, syndicated loans to bonds. As of December 31, 2015, we had RMB102.5 billion of bank borrowings, RMB13.8 billion of notes payable, RMB5.9 billion of financial assets sold under repurchase agreements and RMB4.9 billion of due to banks and other financial institutions. We have established cooperative relationships with most of the major banks in the PRC and many major international banks. As of April 30, 2016, we had business relationships with approximately 80 banks, which provided a total of approximately RMB330 billion of uncommitted bank facilities, approximately RMB210 billion of which was unutilized.

We enjoy considerable advantages in financing costs based on our good creditworthiness, prudent planning and effective liability management. The average cost of our interest-bearing liabilities decreased from 5.02% in 2013 to 4.32% in 2015.

### OUR CONTROLLING SHAREHOLDER

As of the Latest Practicable Date, CDB, our sole Controlling Shareholder, owned approximately 88.95% of our total issued share capital. Immediately following the completion of the Global Offering, CDB will own approximately 64.65% of our total issued share capital (assuming the Over-allotment Option is not exercised) or approximately 62.00% of our total issued share capital (assuming the Over-allotment Option is exercised in full). CDB will remain as our sole Controlling Shareholder after the Listing. Our Directors are of the view that CDB, the sole Controlling Shareholder of the Company, is not interested in a business, apart from the Company’s business, which competes or is likely to compete, either directly or indirectly, with the Company’s business under Rule 8.10 of the Listing Rules as of the Latest Practicable Date. See “Relationship with CDB” beginning on page 278.

### SUMMARY FINANCIAL INFORMATION

You should read the summary historical financial information set forth below in conjunction with our financial information included in the Accountants’ Report set forth in Appendix I to this prospectus, which is prepared in accordance with IFRS, and “Financial Information” beginning on page 287 of this prospectus.

## SUMMARY

### Summary Consolidated Statements of Profit or Loss

	Year ended December 31,		
	2013	2014	2015
	(RMB in millions)		
<b>Revenue</b>			
Finance lease income . . . . .	6,679.3	7,014.9	5,994.7
Operating lease income . . . . .	4,370.0	4,310.0	4,646.2
<b>Total revenue</b> . . . . .	<b>11,049.3</b>	<b>11,324.9</b>	<b>10,640.9</b>
Net investment gains (losses). . . . .	15.6	(3.8)	77.2
Other income gains or losses . . . . .	612.3	344.0	263.2
<b>Total revenue and other income</b> . . . . .	<b>11,677.2</b>	<b>11,665.1</b>	<b>10,981.3</b>
Depreciation and amortization . . . . .	(1,988.3)	(1,860.3)	(2,034.7)
Staff costs . . . . .	(100.5)	(108.9)	(123.1)
Fee and commission expenses . . . . .	(75.1)	(77.4)	(55.9)
Interest expense . . . . .	(5,700.2)	(6,036.1)	(5,055.2)
Other operating expenses. . . . .	(874.1)	(404.4)	(404.6)
Impairment losses. . . . .	(439.8)	(798.4)	(2,008.2)
<b>Total expenses</b> . . . . .	<b>(9,178.0)</b>	<b>(9,285.5)</b>	<b>(9,681.7)</b>
<b>Profit before income tax</b> . . . . .	<b>2,499.2</b>	<b>2,379.6</b>	<b>1,299.6</b>
Income tax expense . . . . .	(612.4)	(463.5)	(247.1)
<b>Profit for the year</b> . . . . .	<b>1,886.8</b>	<b>1,916.1</b>	<b>1,052.5</b>

### Summary Consolidated Statements of Financial Position

	As of December 31,		
	2013	2014	2015
	(RMB in millions)		
<b>Assets</b>			
Cash and bank balances . . . . .	12,747.7	6,010.7	6,313.9
Placement to banks and other financial institutions . . . . .	–	500.0	1,100.0
Financial assets at fair value through profit and loss . . . . .	–	–	1,558.6
Derivative financial assets. . . . .	46.4	10.0	2.0
Accounts receivable. . . . .	25,378.7	14,064.5	13,827.1
Finance leases receivable . . . . .	68,754.8	76,911.7	80,945.1
Prepayments. . . . .	1,055.1	4,142.2	6,862.8
Available-for-sale financial assets . . . . .	122.4	122.4	122.4
Investment properties . . . . .	139.7	395.8	376.2
Property and equipment . . . . .	32,097.3	36,201.7	42,248.7
Deferred tax assets . . . . .	267.3	409.5	703.1
Other assets . . . . .	1,769.0	1,597.4	1,635.2
<b>Total assets</b> . . . . .	<b>142,378.4</b>	<b>140,365.9</b>	<b>155,695.1</b>
<b>Liabilities</b>			
Borrowings . . . . .	100,516.1	93,460.3	102,494.5
Due to banks and other financial institutions . . . . .	3,000.0	3,500.0	4,900.0
Financial assets sold under repurchase agreements . . . . .	7,329.9	5,512.2	5,922.3
Derivative financial liabilities . . . . .	409.6	397.3	435.9
Accrued staff costs . . . . .	28.3	25.1	33.5
Tax payable . . . . .	207.9	311.9	242.0
Notes payable. . . . .	9,049.5	13,017.0	13,834.8
Deferred tax liabilities . . . . .	79.2	164.1	266.9
Other liabilities. . . . .	9,629.1	9,967.8	12,572.3
<b>Total liabilities</b> . . . . .	<b>130,249.6</b>	<b>126,355.7</b>	<b>140,702.2</b>
<b>Total equity</b> . . . . .	<b>12,128.8</b>	<b>14,010.2</b>	<b>14,992.9</b>

## SUMMARY

### Selected Financial Ratios

The following table sets forth selected financial ratios for the years indicated:

	Year ended December 31,		
	2013	2014	2015
Return on average total assets <sup>(1)</sup> . . . . .	1.33%	1.36%	0.71%
Return on average equity <sup>(2)</sup> . . . . .	17.06%	14.66%	7.26%
Net interest spread of finance lease business <sup>(3)</sup> . . . . .	2.88%	2.49%	2.21%
Net interest margin of finance lease business <sup>(4)</sup> . . . . .	3.09%	2.77%	2.61%
Net lease yield of operating lease business <sup>(5)</sup> . . . . .	6.35%	7.63%	8.56%
Gross lease yield of Aircraft Leasing business <sup>(6)</sup> . . . . .	11.90%	11.86%	12.33%
Cost-to-income ratio <sup>(7)</sup> . . . . .	4.99%	4.63%	5.05%
Gearing ratio <sup>(8)</sup> . . . . .	9.01x	7.85x	8.03x

- (1) Calculated by dividing net profit for the year by average balance of total assets at the beginning and the end of the year.
- (2) Calculated by dividing net profit for the year by average balance of total shareholders' equity at the beginning and the end of the year.
- (3) Calculated as the difference between the average yield on the finance lease related assets and the average cost of the interest-bearing liabilities of finance lease business.
- (4) Calculated by dividing net interest income by monthly average balance of the finance lease related assets for finance lease business.
- (5) Calculated by dividing net lease income of operating lease business by monthly average balance of total operating lease assets. Net lease income of operating lease business is calculated as the difference between operating lease income and interest expense of operating lease business.
- (6) Calculated by dividing the operating lease income of our Aircraft Leasing business by the monthly average net book value of our aircraft fleet.
- (7) Calculated by dividing the sum of the depreciation and amortization expenses of property and equipment held for administrative purposes, staff costs and other operating expenses, excluding the one-time maintenance charge of RMB420.4 million associated with an operating lease project which we transferred in 2013, by total revenue and other income.
- (8) Calculated by dividing net debt by total equity. Net debt is defined as total debt less cash and cash equivalents. Total debt comprises borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements and notes payable.

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

	Regulatory requirements	As of December 31,		
		2013	2014	2015
<b>Capital adequacy indicators<sup>(1)</sup></b>				
Core tier-one capital adequacy ratio <sup>(2)</sup> . . . . .	≥6.3% <sup>(3)</sup>	9.01%	10.03%	9.54%
Tier-one capital adequacy ratio <sup>(4)</sup> . . . . .	≥7.3% <sup>(3)</sup>	9.01%	10.03%	9.54%
Capital adequacy ratio <sup>(5)</sup> . . . . .	≥9.3% <sup>(3)</sup>	9.48%	10.34%	10.23%
<b>Asset quality indicators</b>				
Allowance to non-performing finance lease related assets <sup>(6)</sup> . . . . .	≥150% <sup>(7)</sup>	211.51%	127.48%	150.47%
Allowance to total finance leases related assets <sup>(8)</sup> . . . . .	≥2.5% <sup>(7)</sup>	1.38%	2.13%	3.33%

- (1) Calculated based on the Capital Administrative Measures published by CBRC on June 7, 2012, which became effective on January 1, 2013 and replaced the Capital Adequacy Measures.
- (2) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.
- (3) Indicates requirements to be met by the end of 2015. For details, see "Regulatory Environment – The PRC Regulatory Environment – Supervision over Capital Adequacy."
- (4) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.
- (5) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.
- (6) Calculated by dividing allowance for impairment losses on finance lease related asset by non-performing finance lease related assets.
- (7) Indicates requirements to be met by the end of 2016.
- (8) Calculated by dividing allowance for impairment losses on finance lease related assets by total finance lease related assets.

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## SUMMARY

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### RECENT DEVELOPMENTS

Since the beginning of 2016, the PBOC has further reduced the deposit reserve ratio for Renminbi in order to support the PRC economic growth and boost the liquidity of Renminbi. In the meantime, the PRC leasing industry has maintained steady growth, and our business has further developed as both of our revenue and profit in the first quarter of 2016 increased from the same period of 2015. Our independent auditor reviewed our unaudited interim financial information in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board. Based on these interim results, for the three months ended March 31, 2016, our lease income increased by 4.4% to RMB2,668.5 million from the same period in 2015. Particularly, our operating lease income increased by 14.6% to RMB1,324.4 million in the three months ended March 31, 2016 compared to the same period of 2015, due to the continuous growth of our Aircraft Leasing business. Our finance lease income decreased by 4.0% to RMB1,344.1 million in the three months ended March 31, 2016 from the same period of 2015. In the three months ended March 31, 2016, our net interest spread of finance lease business decreased to 2.16% from 2.30% for the same period in 2015. Net interest margin of our finance lease business decreased to 2.42% from 2.71% for the same period in 2015, and our net interest income of finance lease business decreased by 7.0% to RMB580.6 million in the three months ended March 31, 2016 from the same period of 2015. These decreases were primarily because (i) we decided to select projects with lower risk but lower interest rates in response to the changing macroeconomic conditions, (ii) our non-performing assets increased, which no longer generated income, and (iii) there was a time lag between the cost of interest-bearing liabilities of finance lease business and our finance lease income in respect of the impact of the reductions in the PBOC benchmark interest rates. Meanwhile, as of March 31, 2016, our total assets and total equity increased slightly to RMB159,029.4 million and RMB15,417.5 million, respectively.

As of March 31, 2016, our non-performing finance lease related assets increased to RMB2,648.0 million from RMB2,146.9 million as of December 31, 2015. This increase was attributable to a combination of factors, including: (i) due to the increased credit risk exposure, we downgraded certain existing finance lease related assets in our Other Leasing Business to “non-performing” consistent with our asset quality classification criteria, and (ii) we downgraded one of our infrastructure leased assets, an ancillary power plant for a small and medium-sized customer in the petrochemical-related business, to “non-performing” due to the difficulty of the lessee to make lease payments to us. We consider this non-performing asset as an isolated event in our Infrastructure Leasing business, because (i) unlike most of the other Infrastructure Leasing projects in which lessees have stable revenue streams from a diverse range of customers, this ancillary power plant depends solely on the cash flow from the project which it was intended to support; and (ii) the construction of the foregoing project was suspended and, as a result, no cash flow was generated. As a result, our non-performing asset ratio of finance lease business increased to 2.71% as of March 31, 2016 from 2.21% as of December 31, 2015. We continued to implement a more stringent provisioning policy which we adopted at the end of 2015 and accrued impairment losses of RMB286.7 million in the three months ended March 31, 2016. Our allowance to non-performing finance lease related assets temporarily decreased to 132.79% as of March 31, 2016 from 150.47% as of December 31, 2015. We will continue to focus on the identification, mitigation and disposal of non-performing projects in the future, and we are committed to meeting the CBRC requirements regarding the minimum allowance to non-performing finance lease related assets by the end of 2016.

In June 2016, our management proposed to dispose of an aggregate of approximately RMB2.7 billion of our non-performing assets to one or more major PRC assets management companies at commercially reasonable terms by September 30, 2016 to reduce our non-performing assets and improve our asset quality. As of the Latest Practicable Date, no definitive agreement had been reached with any potential buyer. We cannot assure you that we will be able to complete this asset disposal in a timely manner, or at all.

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## SUMMARY

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On January 14, 2016, our shareholders approved and authorized us to issue foreign currency-denominated or Renminbi-denominated debt securities with a maximum principal amount of RMB23.0 billion within a year. In February 2016, Shenzhen CBRC approved our plan to issue financial institution bonds in China with a maximum principal amount of RMB10.0 billion. Subject to the approval by the PBOC, which we expect to obtain in 2016, we intend to issue these bonds in one or multiple tranches during 2016, subject to market conditions and our funding needs. We also appointed CDB, China Development Bank Securities Co., Ltd. and other underwriters in China to underwrite our financial institution bonds.

In March 2016, Moody's changed its outlook on CDB and us to negative from stable, following its decision to change its outlook on PRC government's credit ratings to negative from stable while affirming the Aa3 rating. Such change may increase our funding costs and adversely affect our ability to obtain funding to support our business. See "Risk Factors – Risks Relating to Our Business and Industry – We require significant funding to support our business and may not be able to maintain sufficient liquidity to meet our business needs."

Beginning from July 2016, we will replace Deloitte Touche Tohmatsu with PricewaterhouseCoopers as our auditors, in compliance with the relevant auditor rotation rules governing financial institutions of the Notice on the Measures for Administration of Accounting Firm Selection by Financial Enterprises through Bidding (Trial) (Cai Jin [2010] No. 169) (關於印發《金融企業選聘會計師事務所招標管理辦法(試行)》的通知 (財金[2010]169號)) issued by the Ministry of Finance.

Our Directors have confirmed that, since December 31, 2015 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$2.18, being the mid-point of the proposed Offer Price range of HK\$1.90 to HK\$2.45, we estimate that we will receive net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) of approximately HK\$6,536.7 million, if the Over-allotment Option is not exercised; or of approximately HK\$7,525.0 million, if the Over-allotment Option is exercised in full. We intend to use the net proceeds from the Global Offering to strengthen our capital base to meet the needs of the continuous growth of our business.

For more details, see "Future Plans and Use of Proceeds" beginning on page 347 of this prospectus.

### OFFER STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

	Based on an Offer Price of HK\$1.90	Based on an Offer Price of HK\$2.45
Market capitalization of the H-Shares <sup>(1)</sup> . . . .	HK\$6,479.0 million	HK\$8,354.5 million
Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(2)</sup> . . . . .	HK\$1.83	HK\$1.96

(1) The calculation of market capitalization is based on 3,410,000,000 H Shares.

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share was calculated after adjustments as specified in "Appendix II – Unaudited Pro Forma Financial Information."

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## SUMMARY

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### **DIVIDEND POLICY AND PROFIT REPATRIATION**

In 2013, 2014 and 2015, we declared and paid cash dividends of nil, nil and RMB149.8 million, respectively. However, our historical dividends may not be indicative of future dividend payments. According to the resolution approved at our shareholders' meeting held on November 24, 2015, our accumulated undistributed profits before the Global Offering would be shared among our existing shareholders and H Shareholders. After the Global Offering, taking into account, among other things, our then financial position and business plans, and subject to shareholders' approval, we currently intend to distribute no less than 30% of our annual distributable profits as dividends for the year ending December 31, 2016 and each year thereafter. However, we cannot assure you that we will declare or pay such or any amount of dividends for each or any year. See "Financial Information – Dividend Policy and Profit Repatriation" on page 343 of this prospectus for more details.

Before the introduction of relevant PRC laws and regulations on the establishment and registration of overseas SPCs by a CBRC-regulated leasing company, we established a number of overseas SPCs for our leasing business. As of December 31, 2015, the retained profits of our overseas SPCs amounted to RMB2,976.7 million, representing 86.9% of our total retained profits available for distribution, as determined under IFRS. We were unable to register our SPCs with the SAFE because they were not incorporated directly as our overseas subsidiaries. Since the SAFE registration of our overseas SPCs is a precondition for the profit repatriation from these SPCs, we have not repatriated any overseas profit to China and we are considering a number of options to facilitate our registration, including designating a wholly owned subsidiary incorporated in Ireland as the ultimate holding company for our overseas SPCs under valid registration with the SAFE. Our incorporation of such subsidiary in Ireland is subject to the approval of the CBRC, which we expect to obtain by August 31, 2016. However, we may not be able to achieve so, and there can be no assurance that our overseas profits can be repatriated to China in a timely manner, which could adversely affect our ability to distribute dividends in the future. In addition, we may be subject to tax in relation to our restructuring of overseas SPCs and repatriation of overseas profits to China, which could result in a decrease in our distributable profits and net tangible assets. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to timely repatriate profits from our overseas SPCs to China, and may be subject to tax in relation to our restructuring of overseas SPCs and repatriation of overseas profits to China."

### **RISK FACTORS**

There are a number of risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business and industry, (ii) risks relating to the PRC, and (iii) risks relating to the Global Offering. We believe our major risks include:

- Macro economy, policies and market conditions could adversely affect our business.
- Any inability to maintain our asset quality may have a material adverse impact on our business, financial condition and results of operations.
- Our business involves various industries, any volatility of which may materially and adversely affect our business, financial condition and results of operations.
- If we cannot successfully maintain the growth of our leased asset portfolio, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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## SUMMARY

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- Our leased assets, and collateral or guarantees securing our leases may not be sufficient or fully realized.
- We are subject to changing regulatory requirements, and the failure to comply with such regulations may affect our business operations and prospects.
- We require significant funding to support our business and may not be able to maintain sufficient liquidity to meet our business needs.
- There can be no assurance that we can or will continue to match the maturity profile of our assets and liabilities as they grow. Any inability to do so will impact our liquidity and our ability to settle our outstanding liabilities, which could have a material adverse effect on our business, financial condition and results of operations.
- Changes in market interest rates may have a significant impact on our financial condition.
- We are subject to the risk relating to volatility in foreign exchange rate and the PRC government's controls on currency conversion.

For further information relating to these and other risks relating to an investment in our H Shares, see "Risk Factors" beginning on page 32 of this prospectus.

### LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB188.2 million, of which approximately RMB169.8 million is directly attributable to the issue of H Shares and to be capitalized, and approximately RMB18.4 million has been or is expected to be reflected in our consolidated statements of profit or loss. Our Directors do not expect such expenses to materially impact our results of operations in 2016.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.*

“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Applications Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Bank of Urumqi”	Bank of Urumqi Co., Ltd. (烏魯木齊銀行股份有限公司), a joint stock company incorporated in the PRC on December 19, 1997, one of the promoters of our Company, which held 0.04% of our Shares as of the Latest Practicable Date
“Board” or “Board of Directors”	the Board of Directors of our Company
“Bohai Rim”	consisting of Beijing Municipality, Tianjin Municipality as well as Hebei and Shandong Provinces in the PRC
“Business day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant



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## DEFINITIONS

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“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Central China”	consisting of Anhui, Hainan, Henan, Hubei, Hunan, Jiangxi and Shanxi Provinces in the PRC
“Central Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司), a limited liability company incorporated in December 16, 2013 in the PRC, which held 34.68% of the shares of CDB as of the Latest Practicable Date
“China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“China Development Bank” or “CDB”	China Development Bank Corporation (國家開發銀行股份有限公司), a joint stock company incorporated in the PRC on July 1, 1994, which is owned by the Ministry of Finance, Central Huijin, Wutongshu Investment Platform and NSSF, and the sole Controlling Shareholder and a Connected Person of the Company
“CIRC”	China Insurance Regulatory Commission (中國保險監督管理委員會)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company” or “CDB Leasing”	China Development Bank Financial Leasing Co., Ltd., including our predecessors, Shenzhen Leasing Company Limited (深圳租賃有限公司), Shenzhen Financial Leasing Company Limited (深圳金融租賃有限公司) and China Development Bank Financial Leasing Company Limited (國銀金融租賃有限公司)

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## DEFINITIONS

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“Company Law” or “PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on December 28, 2013 to take effective on March 1, 2014
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to CDB
“CSDC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of our Company
“Domestic Shares”	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“Exchange Participant(s)”	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the <b>White Form eIPO</b> Service Provider, Computershare Hong Kong Investor Services Limited

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## DEFINITIONS

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“Group,” “our Group,” “we” or “us”	our Company and its subsidiaries or SPCs, or our Company and any one or more of its subsidiaries or SPCs, as the context may require
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“HNA Group”	HNA Group Company Limited (海航集團有限公司), a limited liability company incorporated in the PRC on April 16, 1998, one of the promoters of our Company, which held 8.38% of our Shares as of the Latest Practicable Date
“Hong Kong” or “HK”	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 Offer Shares”	the 232,500,000 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and on the Application Forms as further described in “Structure of the Global Offering – Hong Kong Public Offering” in this prospectus

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## DEFINITIONS

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“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting – Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated June 23, 2016 relating to the Hong Kong Public Offering and entered into by, among others, our Company and the Hong Kong Underwriters
“Huilian Assets Management”	Huilian Assets Management Company Limited (匯聯資產管理有限公司), a limited liability company incorporated in the PRC on January 18, 2001, one of the promoters of our Company, which held 0.01% of our Shares as of the Latest Practicable Date
“IAS”	International Accounting Standards
“IASB”	International Accounting Standards Board
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are independent of the Company or are not its Connected Persons
“International Offer Shares”	the 2,867,500,000 Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in “Structure of the Global Offering” in this prospectus)

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## DEFINITIONS

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“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around June 30, 2016 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in “Underwriting – International Offering” in this prospectus
“Jiangsu Jia Yuan”	Jiangsu Jia Yuan Investment Company Limited (江蘇佳源投資有限公司), a limited liability company incorporated in the PRC on February 27, 2003, one of our promoters, which held 0.93% of our Shares as of the Latest Practicable Date
“Joint Bookrunners”	CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch Far East Limited (in relation to the Hong Kong Public Offering), Merrill Lynch International (in relation to the International Offering), Deutsche Bank AG, Hong Kong Branch, UBS AG Hong Kong Branch, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering), J.P. Morgan Securities plc (in relation to the International Offering), BNP Paribas Securities (Asia) Limited, CMB International Capital Limited, Haitong International Securities Company Limited, CCB International Capital Limited, BOCOM International Securities Limited and China Everbright Securities (HK) Limited
“Joint Global Coordinators”	CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch International, Deutsche Bank AG, Hong Kong Branch and UBS AG Hong Kong Branch

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## DEFINITIONS

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“Joint Lead Managers”	CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch Far East Limited (in relation to the Hong Kong Public Offering), Merrill Lynch International (in relation to the International Offering), Deutsche Bank AG, Hong Kong Branch, UBS AG Hong Kong Branch, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering), J.P. Morgan Securities plc (in relation to the International Offering), BNP Paribas Securities (Asia) Limited, CMB International Capital Limited, Haitong International Securities Company Limited, CCB International Capital Limited, BOCOM International Securities Limited and China Everbright Securities (HK) Limited
“Joint Sponsors”	CITIC CLSA Capital Markets Limited, Merrill Lynch Far East Limited and Deutsche Securities Asia Limited
“Latest Practicable Date”	June 15, 2016, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or around July 11, 2016, on which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

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## DEFINITIONS

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“Mandatory Provisions”	the “Mandatory Provisions for Articles of Association of Companies to be Listed Overseas” (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994
“Measures on Financial Leasing Companies”	Administrative Measures on Financial Leasing Companies (《金融租賃公司管理辦法》), which was adopted by the CBRC on March 1, 2007, and amended and came effective on March 13, 2014
“Ministry of Finance” or “MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Northeast China”	consisting of Heilongjiang, Jilin and Liaoning Provinces in the PRC
“NPC”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“NSSF”	the National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會)
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in “Structure of the Global Offering – Pricing of the Global Offering”
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares

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## DEFINITIONS

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“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 465,000,000 additional H Shares at the Offer Price to, among other things, cover over allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“Pearl River Delta”	consisting of Guangdong and Fujian Provinces in the PRC
“PRC GAAP”	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (企業會計準則) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around June 30, 2016 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company may agree, but in any event no later than July 5, 2016
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“QIB” or “Qualified Institutional Buyer”	a qualified institutional buyer within the meaning of Rule 144A



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## DEFINITIONS

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“Qitian Holding”	Qitian Holding Company Limited (啟天控股有限公司), a limited liability company incorporated in the PRC on June 17, 2008, one of the promoters of our Company, which held 0.05% of our Shares as of the Latest Practicable Date
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SFC”	Securities and Futures Commission of Hong Kong
“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)
“Shenzhen CBRC”	Shenzhen Office of the China Banking Regulatory Commission
“Sichuan Financial Leasing”	Sichuan Financial Leasing Co., Ltd. (四川金融租賃股份有限公司), a joint stock company incorporated in the PRC on March 12, 1994, one of our promoters, which held 0.03% of our Shares as of the Latest Practicable Date
“SME(s)”	small and medium-sized enterprise(s)
“SOE(s)”	state-owned enterprise(s)

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## DEFINITIONS

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“Special Regulations”	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
“Stabilizing Manager”	Merrill Lynch Far East Limited
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Supervisor(s)”	member(s) of our Board of Supervisors
“Board of Supervisors”	the board of supervisors of our Company
“Track Record Period”	the three years ended December 31, 2013, 2014 and 2015
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$” or “US dollar(s)”	United States dollar(s), the lawful currency of the United States
“VAT”	value-added tax
“Western China”	consisting of Chongqing Municipality, Gansu, Guizhou, Qinghai, Shaanxi, Sichuan and Yunnan Provinces, as well as Guangxi Zhuang, Inner Mongolia, Ningxia Hui, Tibet and Xinjiang Uygur Autonomous Regions in the PRC
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s own name

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## DEFINITIONS

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“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of <b>White Form eIPO</b> <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Wutongshu Investment Platform”	Wutongshu Investment Platform Co. Ltd. (梧桐樹投資平台有限責任公司), a limited liability company incorporated in the PRC on November 5, 2014 wholly owned by SAFE, and held 27.19% of the shares of CDB, the sole Controlling Shareholder of the Company as of the Latest Practicable Date
“Xi’an Aircraft Industry”	Xi’an Aircraft Industry (Group) Company Ltd. (西安飛機工業(集團)有限責任公司), a limited liability company incorporated in the PRC on August 22, 1996, one of the promoters of our Company, which held 1.63% of our Shares as of the Latest Practicable Date
“Yangtze River Delta”	consisting of Shanghai Municipality, Jiangsu and Zhejiang Provinces in the PRC
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

*In this prospectus, the terms “associate,” “close associate,” “connected transaction” and “substantial shareholder” shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.*

*For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

“bareboat charter”	a chartering arrangement wherein administrative and technical assistance is not provided by the vessel owner, and the charterer is taking the legal and financial responsibility during the period, and responsible for providing crew, operating expenses, insurance and port expenses
“CAGR”	compound annual growth rate
“CBRC-regulated leasing company”	known as financial leasing company (金融租賃公司) in China, which is regulated by the CBRC and is different from a leasing company regulated by MOFCOM in term of regulatory regime
“cities specifically designated in the state plan”	five Chinese cities separately listed in the five-year and annual state plans on the same level as provinces and national ministries, consisting of Dalian, Ningbo, Qingdao, Shenzhen and Xiamen
“commercial aircraft”	passenger aircraft and cargo aircraft operated by an airline operator, excluding the aircraft operated by military, private, business jet and general aviation operators
“direct-controlled municipalities”	the cities with the highest level classification for cities, having the same rank as provinces, and forming part of the first tier of administrative divisions of China, consisting of Beijing, Tianjin, Shanghai and Chongqing
“EASA”	European Aviation Safety Agency
“FAA”	Federal Aviation Administration of the United States
“finance lease”	a lease arrangement classified under the IFRS, pursuant to which substantially all of the risks and rewards of ownership of the leased assets are transferred from the lessors to the lessees
“finance lease related asset”	leased asset under finance leases, consisting of finance leases receivable and accounts receivable (advances for finance lease projects)

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## GLOSSARY OF TECHNICAL TERMS

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“flag carrier”	an airline that enjoys preferential rights or privileges accorded by the local government for international operations
“IT”	information technology
“LIBOR”	London Interbank Offered Rate, the average interest rate estimated by banks in London that they would be charged if borrowing from other banks
“local government financing vehicle”	an entity set up by local governments and their departments and agencies with government appropriation or injection of assets, such as land and equity, which assumes the function of financing for the government-invested projects as an independent legal person
“narrow-body aircraft”	single-aisle aircraft, such as Airbus A320 family and Boeing 737
“One Belt, One Road”	a development strategy and framework, proposed by the People’s Republic of China that focuses on connection and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based “Silk Road Economic Belt” and oceangoing “21st-Century Maritime Silk Road”
“operating lease”	a lease arrangement classified under the IFRS, pursuant to which substantially all of the risk and rewards of the leased assets remain with the lessors
“revenue passenger kilometer(s)” or “RPK(s)”	an industry standard measure of paying passengers flown where one revenue passenger kilometer represents one kilometer traveled by a paying passenger
“SHIBOR”	Shanghai Interbank Offered Rate, a daily reference rate published by the National Interbank Funding Center under the PBOC
“SPC”	special purpose company
“TEU”	Twenty-Foot Equivalent Unit, a standard measure for a container’s cargo capacity, and its dimensions equal to that of a standard twenty-foot container, or 20x8x8 feet
“wide-body aircraft”	twin-aisle aircraft, such as Airbus A330 family and Boeing 777

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## FORWARD-LOOKING STATEMENTS

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This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business prospects;
- our capital expenditure and operational plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;
- various business opportunities that we may pursue;
- macroeconomic measures adopted by the PRC government to manage economic growth; and
- changes in the global economic conditions and material volatility in the global financial markets.

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## **FORWARD-LOOKING STATEMENTS**

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Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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## RISK FACTORS

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*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC and most of our operations are conducted in the PRC, which is governed by a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning the PRC and certain related matters discussed below, see “Regulatory Environment,” “Appendix IV – Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions” and “Appendix V – Summary of Articles of Association.”*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

#### **Macro economy, policies and market conditions could adversely affect our business.**

Our business, financial condition and results of operations are largely affected by the macroeconomic and market conditions in China and elsewhere around the world. We generate most of our revenue from our leasing services, the growth of which is dependent on the demand for leasing services in the PRC and overseas markets. After 30 years of rapid development, the economic growth of China, the principal market of our business, has decelerated gradually. A downturn in the PRC and overseas economies may adversely affect the overall demand for leasing services, which could, in turn, harm our business and growth prospects.

Our business, financial condition and results of operations are also subject to evolving macroeconomic and local policies in China and abroad, including inflation or deflation, fluctuations in currency, accessibility to financing and the levels of interest rates. For details of interest rates, see “– Changes in market interest rates may have a significant impact on our financial condition.” The changes in national macroeconomic and local policies may materially and adversely affect our and our lessees’ businesses, financial condition and results of operations. If we fail to promptly adjust our business structure and proactively prevent the risks in response to such policy changes, our business operations and prospects may be adversely affected. See “– Our business involves various industries, any volatility of which may materially and adversely affect our business, financial condition and results of operations.”

#### **Any inability to maintain our asset quality may have a material adverse impact on our business, financial condition and results of operations.**

The sustainability and future growth of our business are largely dependent on our ability to effectively manage and maintain the asset quality of our leased asset portfolio, a substantial portion of which is our finance lease related assets. If the asset quality of our finance lease related assets deteriorates, it may materially and adversely affect our business and results of operations. As of December 31, 2015, our non-performing assets only existed in the finance lease business, especially in our Ship, Commercial Vehicle and Construction Machinery Leasing business and Other Leasing Business. As of December 31, 2013, 2014 and 2015, the non-performing asset ratio for our finance lease business was 0.65%, 1.67% and 2.21%, respectively. In particular, due to the deceleration of China’s macroeconomic growth in recent years and volatile market conditions, and our limited business experience in various other industries, the non-performing asset ratio for our Other Leasing Business amounted to 10.03% as of December 31, 2015.



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## RISK FACTORS

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Our non-performing assets may increase due to a substantial increase in our lease contract value, or deterioration of our leased asset portfolio. We continually improve our business model, management experience and risk management measures, especially those of our credit risk management, and take initiatives to mitigate risks for purposes of reducing the levels of our non-performing assets. See “Risk Management – Credit Risk Management.” However, we may fail to effectively control the non-performing assets in our leased asset portfolio.

Our leased asset portfolio may deteriorate due to various reasons, including factors beyond our control, such as a slowdown in the PRC or global economic growth, the occurrence of a global credit crisis, or other adverse market trends. Any significant changes in our lessees’ industries may adversely affect their operations, financial condition and cash flows, which may affect their ability to perform their payment obligations and may lead to defaults of the lessees. Other factors beyond our control that may affect our lessees’ financial condition and cash flows include the following:

- an increase in operating costs;
- labor shortage;
- fluctuations in interest rates and financing costs;
- accessibility to other financial support of the lessee;
- economic conditions and currency fluctuations in countries and regions where the lessee’s business operates;
- competition in the lessee’s industry;
- government regulations and related fees that impact on the lessee’s business; and
- geopolitical and other events, including the outbreak of war, terrorist acts, infectious diseases and natural disasters.

**Our business involves various industries, any volatility of which may materially and adversely affect our business, financial condition and results of operations.**

Our business primarily comprises Aircraft Leasing, Infrastructure Leasing, and Ship, Commercial Vehicle and Construction Machinery Leasing businesses. We have also developed leasing businesses in other industries, such as commercial properties and manufacturing equipment. These businesses could be affected, to various extents, by the economic cycle of the relevant industries. The nature, timing and extent of changes in industry-wide conditions are largely unpredictable. In the event of an industry downturn, unfavorable economic and market conditions may lead to a decline in the demand for our leasing services, and an increase in our clients’ default, as well as the deterioration in quality of our leased assets, which may, in turn, materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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By business segment, our business, financial condition and results of operations may be materially and adversely affected by the following factors:

- Our Aircraft Leasing business largely depends on the market demand for aircraft. In 2015, PRC airlines contributed to approximately half of the revenue of our Aircraft Leasing business. As a result, the development and conditions of the PRC commercial aviation industry could have a material impact on our business, financial condition and results of operations. The PRC commercial aviation industry has experienced rapid growth. However, there can be no assurance that this industry will be able to maintain such growth in the future. The global economy and the aviation industry can also affect our business. Unfavorable global economic and market conditions as well as other factors may discourage the use of air travel. The decline in air passenger volumes may adversely affect our airline lessees' businesses and lead to reduced demand for aircraft. In addition, the surge or fluctuations of fuel prices may also affect the profitability of our airline lessees and hence their ability to timely make lease payments to us. Even during periods of strong demand for air travel and air cargo transportation services, we may face a reduction in demand for leasing of our aircraft, as such demand typically leads to sustained periods of financial strength and stability for certain airlines customers. Under such circumstances, these airlines customers may seek to purchase their own aircraft rather than entering into aircraft leasing arrangements. In addition, airline consolidation, sustained low interest rates, low jet fuel prices, industry liberalization or deregulation, removal of visa or travel restrictions and growth in new airline business models may also lead to periods of stronger financial performance for our airlines customers. Airlines or other aircraft owners may also seek to lease out their own aircraft, thereby leading to increased competition in the aircraft leasing industry, which could materially and adversely affect our business, financial condition and results of operations.
- Our customers in the Infrastructure Leasing business mainly comprise enterprises associated with the PRC local governments. Unfavorable economic and market conditions may lead to changes in government policies or to a decrease in government income and an increase in its debt, which may result in the reluctance or inability of local governments to make lease payments, and thereby adversely affect our business, financial condition and results of operations. We may also be affected by national policies that standardize and restrain the local governments' ability to raise financing. See “– Deterioration in the debt repayment capabilities of local governments or adverse changes in PRC regulatory policies affecting government financing could materially and adversely affect our business, asset quality, financial condition, results of operations and prospects.”
- For our Ship, Commercial Vehicle and Construction Machinery Leasing business, unfavorable economic and market conditions may reduce freight volumes by ship or by truck, passenger volumes, and the number of infrastructure projects, which may adversely affect our lessees' businesses. For our Construction Machinery Leasing business, the construction machinery and equipment involved in our business are widely used in the construction of infrastructure in China. If the total investment in infrastructure in China reduces and the PRC market for construction machinery becomes more mature, the ability of our Construction Machinery Leasing business to generate cash flow may be hindered and our lease rates may decrease in the future.

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## RISK FACTORS

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- Our customers in the Other Leasing Business are generally SMEs from various industries, such as commercial property, textile, chemical, steel and coal. Due to the constraint in size, SMEs may lack the financial and management resources necessary to withstand the adverse impacts of substantial economic volatility, an increasingly stringent regulatory environment or other factors, which could leave them more susceptible to macroeconomic recession. Compared with larger enterprises, SMEs generally have less financial transparency, and therefore we may not be able to assess their credit risks accurately. In addition, some lessees may reduce or cease their business scale as required by the PRC government due to concerns over environmental impacts and excess production capacity in certain manufacturing industries. As a result, these lessees may delay or default on their lease payments, which could lead to an increase in our non-performing assets, and therefore materially and adversely affect our business, financial condition and results of operations.

**If we cannot successfully maintain the growth of our leased asset portfolio, our business, financial condition, results of operations and prospects may be materially and adversely affected.**

Other than lease income from operating leases, our main source of income comes from our finance lease business. The finance lease income represents the interest income from our direct finance lease and sale-and-leaseback businesses. In 2015, the revenue of our finance leases accounted for 56.3% of our total revenue. As of December 31, 2013, 2014 and 2015, the finance leases receivable were RMB68,754.8 million, RMB76,911.7 million and RMB80,945.1 million, respectively. The growth of our leased asset portfolio may be affected by PRC economic conditions and other macroeconomic factors, such as GDP growth, changes in inflation rates and interest rates, and variations in laws, regulations and rules concerning the leasing industry. There can be no assurance that we will be able to maintain the growth of our leased asset portfolio in the future.

In addition, we are required to comply with regulations that may restrict the growth of our leased asset portfolio, such as the minimum capital adequacy requirement. This could restrain the growth of our leased asset portfolio and materially and adversely affect our business and prospects.

**Our leased assets, and collateral or guarantees securing our leases may not be sufficient or fully realized.**

We obtain ownership of the leased assets as security for our leases, and require additional security for certain leases. For purposes of reducing the credit risk of our leases, we require some of our lessees to provide charged and/or pledged collateral, mostly land and properties. In the case of a material breach of lease payment terms, we are entitled to enforce our security rights against such collateral and/or recover and dispose of the leased assets. Although we conduct regular post-lease examinations of such collateral, its value may decrease significantly and may be materially and adversely affected by factors including damage, losses, excess supply, devaluation or a decrease in market demand.

Similarly, material deterioration of the guarantors' financial condition or creditworthiness may significantly affect the amount we could recover under the respective guarantees. We regularly review our guarantors' financial condition, but there can be no assurance that sudden deterioration of their financial condition or even bankruptcy would not happen to such guarantors during the lease period.

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## RISK FACTORS

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If the value of the leased assets, or the collateral or guarantees securing our leases, proves to be insufficient to compensate our losses from the relevant overdue lease payments, we may need to obtain additional security from the lessees or other sources. However, there can be no assurance that we will be able to achieve that. Any decline in the value of the leased assets, collateral or guarantees securing our leases, or our failure to obtain additional security, may cause us to make additional allowance for, or write off, our non-performing assets, which may, in turn, materially and adversely affect our business, financial condition and results of operations.

We may not be able to liquidate or otherwise realize the value of the leased assets upon a lessee's default, especially in the case of our Other Leasing Business, where the relevant leased assets, such as manufacturing equipment for chemicals, papermaking or textile, may not have a liquid trading market. In addition, the procedures for liquidating or otherwise realizing the value of collateral may be protracted, and such collateral may not be liquid either. Therefore, it may be difficult to enforce such charges or pledges. Furthermore, under certain circumstances, our security interest in the collateral may be subordinated to the rights of certain other parties. Any of the foregoing could adversely affect our ability to realize the value of the leased assets or, the collateral that secures our leases, in a timely manner, or at all.

**We are subject to changing regulatory requirements, and the failure to comply with such regulations may affect our business operations and prospects.**

We are a leasing company regulated by the CBRC. Both our domestic and overseas businesses are subject to the regulation of the CBRC and the Shenzhen CBRC. We are also subject to the regulation of the PBOC and the SAFE. We are mainly subject to the regulatory requirements including those in the Measures on Financial Leasing Companies issued by the CBRC. Our regulators supervise and regulate us by imposing a series of regulatory ratios, such as capital adequacy ratio, and the maximum amount of lease financing towards a single shareholder or customer.

Despite the rapid growth of the PRC leasing industry in recent years, the relevant regulatory regime is still under development. Promulgation of new rules and regulations, and changes in interpretation or application of existing rules and regulations, may affect our implementation of new businesses, the concentration of our clients, and our operating costs, which may affect our business strategies and prospects as well as our ability to effectively compete with other companies not similarly affected. For example, on March 13, 2014, the CBRC revised the Measures on Financial Leasing Companies, which introduced a new rule that limits the amount of lease financing towards a single shareholder. See "Business – Legal and Regulatory."

Pursuant to the minimum capital requirements contained in the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) issued by the CBRC, we have been required to maintain a minimum Core Tier 1 capital adequacy ratio of 5%, a minimum Tier 1 capital adequacy ratio of 6% and a minimum capital adequacy ratio of 8% since January 1, 2013. In addition, pursuant to the Notice Regarding the Arrangement of Transition Period of Implementation of the Administrative Measures for the Capital of Commercial Banks (Provisional) promulgated on November 30, 2012 by the CBRC, we are required to gradually increase the above regulatory ratios to achieve a minimum Core Tier 1 capital adequacy ratio of 7.5%, a minimum Tier 1 capital adequacy ratio of 8.5% and a minimum capital adequacy ratio of 10.5% by December 31, 2018. As of December 31, 2015, both our Core Tier 1 capital adequacy ratio and Tier 1 capital adequacy ratio were 9.54%, and our capital

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## RISK FACTORS

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adequacy ratio was 10.23%, all of which complied with the increases in regulatory requirements. Certain factors could adversely affect our ability to comply with applicable capital adequacy requirements in the future, including deterioration in our asset quality and a decline in our profitability. Meanwhile, our ability to satisfy the current regulatory capital requirements may be constrained by any government's regulatory approval, changes in our credit ratings, and any general market, PRC and overseas economic, political and other conditions that may affect our capital-raising activities. There can be no assurance that we will continue to meet the capital adequacy requirements enforced by PRC regulatory authorities from time to time. We may also incur additional compliance and capital related costs as a result. We may have to reduce our growth rate or scale of our lease financing to customers, such as by selling or disposing of certain leased assets on terms which are unfavorable to us or inconsistent with our business plan, or by raising additional capital. If we are unable to maintain compliance with regulatory requirements and sufficient capital, the CBRC may take a number of measures against us, including imposing restrictions on our ability to develop innovative business models and to assign or pay dividends. These measures may also trigger mandatory prepayment for some of our debts. As a result, our reputation may be significantly damaged and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Meanwhile, we will need to comply with more stringent regulations in the future. For example, the CBRC requires us to meet the regulatory ratios of minimum allowance coverage ratio for non-performing finance lease related assets of 150%, and minimum allowance ratio for total finance lease related assets of 2.5%, before the end of 2016. Satisfying such regulatory ratios may require us to accrue additional provisioning, leading to increased impairment losses, decreased profit and decreased net book value of leased assets. If we fail to meet such requirements, the regulator may reprimand us, issue risk warnings or take corresponding regulatory measures, which may materially and adversely affect our business, financial condition, results of operations and prospects. In addition, there can be no assurance that regulatory requirements that would materially and adversely affect our business, financial condition and results of operations will not change in the future.

The regulatory authorities in China conduct periodic on-site inspections and continuous supervision on our compliance with the relevant regulatory ratios. For example, the Shenzhen CBRC issued inspection reports and regulatory letters as to whether we meet each of the regulatory ratios. Such regulatory letters may contain suggestions, such as how to improve our internal governance system and capital adequacy ratios, and requirements that we rectify such matters within a prescribed period. See "Business – Legal and Regulatory." If we fail to rectify such matters in time, or if our activities seriously disrupt our business operations and harm the interests of customers, our business may be suspended and our shareholders' interests limited, or additional regulatory measures may be imposed on us, which may materially and adversely affect our business, financial condition and results of operations, and harm our reputation. In addition, regulatory authorities such as the CBRC may make reference to the regulatory standards for commercial banks when supervising our business. While we actively respond to the regulator's regulatory opinions and suggestions, there can be no assurance that the regulators will not apply more stringent regulations in the future.

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## RISK FACTORS

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**We require significant funding to support our business and may not be able to maintain sufficient liquidity to meet our business needs.**

Our leasing business is balance sheet-driven, which requires a substantial amount of funding to support the growth of our leased asset portfolio, fund our operations and repay our debts. We have to make significant principal and interest payments on our outstanding indebtedness. Although we generally generate considerable funds from our operations, meeting our cash requirements for business needs in the long term requires substantial liquidity and stable access to multiple sources of funding. We fund our operations and expansion primarily through bank borrowings, bond issuances, financial assets sold under repurchase agreements and interbank borrowings, in addition to the cash generated from our business operations. As of December 31, 2015, the balances of our outstanding debts from the foregoing funding sources were RMB102,494.5 million, RMB13,834.8 million, RMB5,922.3 million and RMB4,900.0 million, respectively. If we fail to maintain our existing and future funding arrangements on commercially acceptable terms, we may not be able to continue obtaining sufficient funding from our current sources. Our current sources of funding may not be sufficient to meet our liquidity needs in the future, and we may not be able to timely explore new sources to raise financing for our business.

In addition, unfavorable changes in our credit ratings could increase our funding costs and adversely affect our ability to obtain funding to support our business. We received “A+,” “A+” and “A1” international credit ratings from Standard & Poor’s, Fitch and Moody’s, respectively, in 2014. However, there can be no assurance that these ratings will remain for any given period of time, will not be lowered, or withdrawn entirely, by the rating agency if in its judgment circumstances in the future so warrant.

**There can be no assurance that we can or will continue to match the maturity profile of our assets and liabilities as they grow. Any inability to do so will impact our liquidity and our ability to settle our outstanding liabilities, which could have a material adverse effect on our business, financial condition and results of operations.**

We strive to effectively match the maturity profile of our financing with our assets on an ongoing basis. However, most of our Renminbi-denominated borrowings will mature within one year, and there has been a mismatch between the maturities of our assets and liabilities. See “Risk Management – Liquidity Risk Management.”

Although no shortage of liquidity occurred during the Track Record Period, there can be no assurance that we will continue to achieve the same in the future. We may not be able to effectively match the maturities of our assets and liabilities, or to manage our liquidity risk regarding our borrowings and leased assets, which may in turn lead to a liquidity shortage, and we may not be able to repay our matured debts, therefore materially and adversely affecting our business, financial condition and results of operations.

**We may not be able to repay our debts, and we may incur more debts.**

Due to the balance sheet-driven nature of our business, we expect that we will continue to maintain significant levels of indebtedness. As of December 31, 2015, our total liabilities amounted to RMB140,702.2 million. As of December 31, 2013, 2014 and 2015, our gearing ratio (net debt-to-equity ratio) was 9.01x, 7.85x and 8.03x, respectively. In certain of our financing agreements, our creditors are entitled to require us to repay our debts early, if any mandatory

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## RISK FACTORS

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prepayment event occurs, such as our violation of certain regulatory indicators, failure to satisfy specified loan-to-value ratios or non-performing asset ratios, or CDB's inability to remain as our Controlling Shareholder. There can be no assurance that such events will not occur. A mandatory prepayment of debt could reduce our working capital and liquidity and affect our financing ability.

We expect that we will incur additional indebtedness in the future. Our level of indebtedness requires a portion of our cash flows from operations to be dedicated to interest and principal payments, and therefore not available to fund our operations, working capital, capital expenditures, expansion, acquisitions or general corporate purposes. In 2013, 2014 and 2015, our interest expenses were RMB5,700.2 million, RMB6,036.1 million, and RMB5,055.2 million, respectively, representing 51.6%, 53.3% and 47.5% of our revenue, respectively. In order to meet our current debt commitments, and to maintain an adequate level of unrestricted cash to properly fund our operations and expansion, we may need to raise additional funds by accessing additional funding from banks or other financial institutions. Our inability to raise such funds may materially and adversely affect our financial condition and growth prospects.

### **Changes in market interest rates may have a significant impact on our financial condition.**

Since both the lease income we receive from leases and the interest we pay on our indebtedness are affected by market interest rates, high volatility in market interest rates will directly affect our financing costs, lease income and net interest margin, and, in turn, affect our profit margin and financial condition. Fluctuations in market interest rates are subject to various factors beyond our control, such as the regulatory framework of the PRC banking and financial sectors and the economic and political environment in China and abroad.

The majority of the assets and liabilities of our finance lease business are denominated in Renminbi, therefore they are primarily affected by the fluctuations of Renminbi interest rates. For example, the PBOC reduced its benchmark rate five times in 2015, resulting in a decrease in the one-year benchmark lending rate from 5.60% on January 1, 2015 to 4.35% on December 31, 2015. In addition, the PBOC also reduced the deposit reserve ratio three times in 2015, resulting in ample liquidity in the market and a decrease in interbank borrowing costs. A significant decrease in the benchmark rate has led to decreases in our finance lease income and interest expenses in 2015, while the net interest margin of our finance lease business narrowed in the same period as our cost of interest-bearing liabilities of finance lease business decreased slower than our finance lease income. Our net interest margin of our finance lease business decreased in 2015 also due to (i) our decision to select projects with lower risk but lower finance lease interest rates in response to the changing macroeconomic conditions, and (ii) an increase in our non-performing assets, which no longer generated income. In addition, most of our US dollar-denominated leased assets under operating leases are charged with a fixed lease rate while a majority of our US dollar-denominated liabilities bear a floating interest rate. There is no assurance that interest rate swaps we use for hedging interest rate risk will continue to be effective in mitigating risks or our decision to use derivative instruments will continue to be accurate. As the duration of our assets and liabilities will remain mismatched in the future, our net interest spread may grow or contract as market interest rates fluctuate, which may adversely affect our financial condition and profitability. See "Risk Management – Market Risk Management."

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## RISK FACTORS

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**Our allowance for impairment losses on finance lease related assets may not be adequate to cover future credit losses.**

We make allowance for impairment losses on finance lease related assets in accordance with International Accounting Standards (“IAS”). As of December 31, 2013, 2014 and 2015, our allowance for impairment losses on finance lease related assets were RMB1,199.7 million, RMB1,979.2 million and RMB3,230.4 million, respectively, representing 1.4%, 2.1% and 3.3% of our total finance lease related assets before allowance for impairment losses, respectively. The amount of allowance for impairment losses on our finance lease related assets is determined on the basis of our internal provisioning procedures and guidelines, taking into account a number of factors, such as the nature and industry-specific characteristics of our lessees and their creditworthiness, economic conditions and trends, delinquencies and the value of the underlying collateral and guarantees. As the accounting standards require significant judgment and estimation on the future credit risks at certain points of time, we may underestimate future risks and thus our allowance may not be adequate to cover the actual credit losses. Our allowance may prove to be inadequate if unforeseen or adverse changes occur in the PRC or overseas economies in which we operate, or if other events adversely affect specific lessees, industries or markets. Under such circumstances, we may need to make additional allowance for our finance lease related assets, which could significantly reduce our profit and may materially and adversely affect our business, financial condition and results of operations.

**Our asset quality classification and asset impairment loss provision policies may be different in certain aspects from those applicable to other financial institutions in China and other countries or regions.**

We classify our assets, through an asset classification system in accordance with PRC regulatory guidelines, into five categories, namely, “normal,” “special mention,” “substandard,” “doubtful” and “loss.” The PRC guidelines may be different from those in other countries and regions, such as the United States. Our leased asset classification and asset impairment loss provision systems may differ in certain aspects from those in other financial institutions under the laws and regulations of other countries or regions. In addition, the asset classification and asset impairment loss provision systems adopted by us are different from those adopted by MOFCOM-regulated leasing companies and commercial banks. As a result, if the classification policies of other financial institutions were applied to us, the asset classification results and allowance for impairment losses would be different, and the risk level that would be reflected could be different from our risk profile as it currently appears.

**We may not be able to timely repatriate profits from our overseas SPCs to China, and may be subject to tax in relation to our restructuring of overseas SPCs and repatriation of overseas profits to China.**

Before the introduction of relevant PRC laws and regulations on the establishment and registration of overseas SPCs by a CBRC-regulated leasing company, we established a number of overseas SPCs in Ireland, the Cayman Islands, Hong Kong and other countries primarily for our overseas Aircraft Leasing and Ship Leasing businesses. See “History, Reorganization and Corporate Structure – Our SPCs.” As of the Latest Practicable Date, we had not repatriated profits of such SPCs back to China. As of December 31, 2015, we had 48 SPCs overseas which leased 90 aircraft with a total net book value of RMB27,838.8 million; and we also had 30 SPCs overseas which leased 33 vessels with a total net book value of RMB7,919.0 million. In 2013, 2014 and 2015, lease income of our overseas SPCs amounted to RMB3,360.0 million,



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RMB3,925.4 million and RMB3,921.9 million, respectively. As of December 31, 2015, the retained profits of our overseas SPCs amounted to RMB2,976.7 million, representing 86.9% of our total retained profits available for distribution, as determined under IFRS.

If we plan to repatriate our overseas profits back to China, we need to complete registration of our overseas SPCs with the SAFE, which is a precondition for overseas profit repatriation. However, we were unable to register our overseas SPCs with the SAFE because they were not incorporated directly as our overseas subsidiaries. See “History, Reorganization and Corporate Structure – Our SPCs.” We are considering a number of options to facilitate our registration, including designating a wholly owned subsidiary incorporated in Ireland as the ultimate holding company for our overseas SPCs under valid registration with the SAFE. See “History, Reorganization and Corporate Structure – Our SPCs.” Our incorporation of such subsidiary in Ireland is subject to the approval of the CBRC, which we expect to obtain by August 31, 2016. However, we may not be able to achieve so, and there can be no assurance that our overseas profits can be repatriated to China in a timely manner, which could adversely affect our ability to distribute dividends to shareholders in the future.

In addition, the tax implications on the restructuring of our overseas operations are uncertain. Given that we are in the early stages of restructuring planning, we are unable to accurately estimate the tax implications of such actions. While we expect to hire professional tax advisors to assess our proposals from a tax perspective and aim to be tax efficient in structuring such transactions to maximize shareholders’ returns, there can be no assurance that we may be able to achieve that. Upon completion of our overseas restructuring, there would be no Irish withholding tax or other forms of tax on our repatriation of overseas profits from our Irish holding company to China, as long as we provide the necessary documentation to our Irish holding company confirming our Chinese tax resident status and that we are not directly or indirectly controlled by Irish resident persons, as advised by our Irish legal advisors. Our status as a company listed on the Hong Kong Stock Exchange may also provide an exemption from such Irish taxes. However, we are subject to PRC taxation, at a rate which is usually the difference between the 25% statutory Enterprise Income Tax in China and applicable overseas corporate income tax rate, in relation to our repatriation of overseas profits to China, which could result in a decrease in our distributable profits and net tangible assets.

**We had negative operating cash flows in 2014 and there can be no assurance that we will not experience the same again in the future.**

In 2014, we had net cash outflow in operating activities of RMB803.8 million. We attribute this primarily to an increase in finance leases receivable, a decrease in borrowings and a decrease in financial assets sold under repurchase agreements. See “Financial Information – Liquidity and Capital Resources – Cash Flows – Cash flow from operating activities.” There can be no assurance that we will not record negative operating cash flows in the future. If we record negative operating cash flows in the future, the working capital for our operations may be constrained, which may materially and adversely affect our business, financial condition, results of operations and prospects.

**The industries in which we participate are increasingly competitive.**

The leasing industry has developed rapidly and become increasingly competitive. According to Frost & Sullivan, there were 32 CBRC-regulated leasing companies and 2,045 MOFCOM-regulated leasing companies in China as of December 31, 2014. Although the PRC leasing industry still has great potential for development, there can be no assurance that we will be able to maintain our advantageous position as a result of the increasingly intense competition.

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Due to the diverse and international nature of our business, we mainly compete with PRC and overseas leasing companies, including bank-affiliated, captive and independent leasing companies. Some of these competitors may have greater financial and management resources than we do, and some are regulated by MOFCOM under a different regulatory system from that of the CBRC. Some of our competitors may have more operational and financial resources as well as customer networks and relationships, lower financing costs, and higher risk tolerance or different methods of risk assessment, such that they can consider or afford a wider variety of investments, establish more relationships, and bid more aggressively on assets available for sale. In addition, some of our competitors may offer better terms to prospective lessees than us.

We also compete with major commercial banks and other financial services providers in China and abroad. These institutions may provide financing at more favorable terms to our current and prospective customers. Airlines or other aircraft owners may seek to lease out their own aircraft, thereby leading to increased competition in the aircraft leasing industry. Manufacturers and distributors of commercial vehicles and construction machinery may also offer financing terms and product support more favorable to our current and potential lessees than our finance leases could provide. In addition, as the debt capital market continues to develop and mature in China, issuance of debt securities, especially those of municipal bonds, may gain wider popularity among local governments or enterprises associated with them, thereby reducing the market demand for our infrastructure leasing services.

In terms of operating leases of our Aircraft Leasing business, we generally face competition in the acquisitions of new aircraft, sales of aircraft and purchases of asset portfolios from domestic and overseas large and medium-sized aircraft leasing companies, airlines, aircraft brokers, aircraft manufacturers and investors and funds with greater capital to invest in aircraft. The competition for a leasing transaction mainly depends on aircraft models, aircraft conditions, specifications and configuration, aircraft slots, rental, lease tenure, lease conditions, management experience and reputation. The competition in the purchases and sales of leased aircraft mainly depends on the availability of the leased aircraft, price, the terms that they are subject to and the creditworthiness of the lessees, if any. We may not always be able to compete successfully with our competitors in the aircraft acquisition or sales market, which could materially and adversely affect our business and growth prospects.

**Our Aircraft Leasing business depends on the lease extension and continual re-leasing of our aircraft and the placement of new aircraft on order, and we may not be able to do so on favorable terms or operate our business smoothly.**

The success of our Aircraft Leasing business depends on the lease extension of and continual re-leasing of our aircraft and placement of new aircraft on order so as to generate sufficient revenue to finance our operations and pay our debt obligations. We lease a majority of our aircraft to airlines under long-term operating leases. Under an operating lease, we bear the risk of extending the lease of and re-leasing the aircraft in our fleet upon expiry of the operating lease or early termination of the lease, and we may not be able to realize their respective residual value after expiration of the initial lease. Our ability to lease, extend the lease of or re-lease our aircraft will depend on the overall development trend in the aviation industry and general market and competitive conditions at the time that the operating leases are entered into and expire. In addition, our ability to extend the lease of or re-lease our aircraft will be affected by the particular maintenance, damage and operating history of the aircraft and their engines. Furthermore, our ability to avoid significant off-lease time is likely to be adversely affected by, among other things, increases in fuel costs, deterioration in the financial condition of the aviation

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industry, major airline bankruptcies, sales of large numbers of repossessed aircraft by financial institutions, the introduction of newer models of aircraft and other factors leading to oversupply (including manufacturer overproduction), as well as political and economic uncertainties.

For our Aircraft Leasing business, the fleet utilization rates of our owned portfolio under operating leases were all 100% in 2013, 2014 and 2015. As of December 31, 2015, we had four, 14 and five aircraft, respectively, the operating leases of which will expire in 2016, 2017 and 2018; and 21, 21 and 17 new aircraft, respectively, scheduled for delivery for operating lease during the same periods. There can be no assurance that such lessees or purchasers will proceed with the leasing or purchasing arrangement under our expected conditions as scheduled, and there can be no assurance that we would be able to, under such expected conditions, avoid significant off-lease time, find interested lessees or purchasers for our aircraft in advance, and enter into contracts on favorable terms with them in the future.

### **The value and lease rates of our aircraft under operating leases could decline.**

The value and lease rates of our aircraft may decline due to various factors. In addition to the factors related to or affecting the entire aviation industry, many other factors, including but not limited to the following, may affect the market value of our aircraft:

- the history and documented records of aircraft maintenance and operation;
- the age of the aircraft;
- the introduction of upgraded and more advanced aircraft;
- the advent of more fuel-efficient propulsion technology;
- the emergence of lighter and stronger aircraft construction materials;
- whether the aircraft has experienced serious incidents;
- the number of airlines using the model of the aircraft and the compatibility of the specification and the configuration of such model;
- the regulatory authorities regulating the operation of the aircraft;
- the regulatory and legal requirements to be met before purchasing, selling or re-leasing aircraft;
- the market value of comparable aircraft; and
- the costs and availability of aircraft components.

The decrease in the market value of our aircraft may reduce the proceeds we receive in selling such aircraft, increase pressure on our attempts to lease the aircraft, or impact the lease rates of the aircraft.

### **Aircraft have finite economic useful lives, depreciate over time and become more expensive to operate as they age.**

Aircraft are long-life assets requiring long lead times to develop and manufacture, with particular types and models becoming obsolete and suffering reduced demand over time when upgraded and more advanced aircraft enter into service with airlines customers. As aircraft age, their value depreciates and, typically, they generate lower revenues and cash flows and their

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value may be more susceptible to risk of impairment. Our existing aircraft and those on order have exposure to obsolescence, particularly if unanticipated events occur that shorten the life cycle of the aircraft, which may adversely affect their lease rates, trigger impairment charges or increase depreciation expense. These events include, but are not limited to, government regulation, changes in our airlines customers' preferences, new technology, aircraft redesign and/or upgrading by their manufacturers, and aircraft technical, safety or environmental problems.

If we are unable to replace older aircraft with newer aircraft, our ability to maintain or increase our revenues and cash flows will decline. In addition, if we sell an aircraft for a price that is less than the depreciated book value of the aircraft on our balance sheet, we may recognize a loss on the sale, which could materially and adversely affect our results of operations for the period in which we recognize such loss. Any or all of the foregoing could materially and adversely affect our business, financial condition and results of operations.

### **Our lessees may not properly maintain the leased aircraft.**

Pursuant to the aircraft lease agreements of our airline lessees with us, our airline lessees are responsible for the costs, expenses, insurance, and all liabilities involved in the maintenance and operation, of the aircraft during the lease term. If our lessees fail to properly maintain the leased assets, we may be exposed to risks of decreased leased asset value and increased maintenance costs upon lease termination. If an aircraft is not maintained properly in its full-life condition or such other condition as is stipulated in the relevant aircraft lease agreement, we may need to incur additional costs to restore the aircraft to an acceptable condition. The market value of an aircraft with a less than satisfactory maintenance condition or record will decrease, and we may not be able to re-lease or sell such aircraft on favorable terms, which may harm our profitability from its subsequent re-leasing or sale.

Our aircraft shall comply with regulations on airworthiness. Airworthiness regulations, which are adjusted by airworthiness directives issued by relevant aviation authorities, such as the FAA and the EASA, require the carrier to carry out checks on or modification of aircraft for purposes of compliance. According to our aircraft lease agreements, the modifications by the lessees on the leased aircraft shall comply with the requirements of local civil aviation authorities and those of the respective aircraft manufacturers. In addition, upon termination of the lease, the leased aircraft shall satisfy internationally accepted standards. However, there can be no assurance that our lessees will carry out the foregoing checks or modifications or that the aircraft will meet airworthiness requirements in accordance with the airworthiness directives at the time of expiry, which could burden our business with additional costs.

In general, we will charge our lessees for maintenance deposits to compensate for repair costs in the event that the actual condition of the returned aircraft is not a full-life condition. Moreover, the conditions for returning the aircraft stipulate that the aircraft must satisfy the contract requirements or above, and that all non-compliant maintenance and records must be rectified before redelivery. Nevertheless, we cannot guarantee that our lessees will return the aircraft in satisfactory condition and with the records in accordance with the contracted conditions. Maintenance failures by a lessee would also likely require us to incur maintenance and modification costs, which could be substantial, upon the termination of the applicable lease to restore the aircraft to an acceptable condition prior to sale or re-leasing. If our lessees fail to meet their obligations to pay maintenance deposits or fail to perform the required scheduled maintenance, or if we are required to incur unexpected maintenance costs, our financial condition may be materially and adversely affected.

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### **Our lessees may not sufficiently insure the leased aircraft.**

According to the lease agreements, we require our lessees to obtain specified levels of insurance and indemnify us for, and insure against, losses resulting from the operation of an aircraft on lease. Meanwhile, we require the lessees' insurance to distribute a certain amount of the insurance proceeds to us should there be a total loss of the leased aircraft. However, our lessees may fail to maintain adequate insurance coverage during the lease term, which, although constituting a breach of the lease, would require us to take some corrective actions, such as terminating the lease or securing insurance for the aircraft. In addition, our lessees may not be able to pay the premiums on time. Inadequate insurance coverage or lessees' failure to pay premiums timely will reduce the insurance proceeds that we could receive when and if we are sued and when we need to pay claimants for their damages or when our leased aircraft suffer a total loss. Moreover, our lessees' insurance coverage depends on the financial condition of the insurance companies, which may not be able to distribute any, if not all, of the insurance proceeds. For this reason, we have purchased the insurance for lessors, as an additional insurance over the airline lessees' insurance policies. Nevertheless, there can be no assurance that the reduction in insurance proceeds otherwise payable to us as a result of any of these factors would not materially and adversely affect our financial condition.

### **The operation of certain of our leased assets is subject to environmental laws and regulations, which may adversely affect our business.**

Our aircraft are subject to environmental laws and regulations of countries where their respective lessees operate. These environmental laws and regulations relate to, among other issues, aircraft noise, the use and handling of hazardous materials, air emissions and environmental contamination clean-up, and, especially those with respect to noise and air pollution, have evolved rapidly and are expected to continue to evolve in ways that may require the termination of use of certain models of aircraft if they do not conform to the regulations. These requirements impose substantial ongoing compliance costs and operational restrictions on airlines, particularly as new aircraft brought into service will have to meet the environmental requirements during their entire service life. Compliance with these laws and regulations could increase our lessees' expenses or restrict their ability to continue or expand their operations, which could adversely affect their ability to fulfill their payment and other leasing obligations under our leases, and thus may adversely affect our business, financial condition and results of operations.

Similarly, vessels, commercial vehicles, construction machinery and power-generating equipment which we lease are subject to environmental laws and regulations. In particular, our leased vessels may be subject to international environmental laws and regulations, such as European Union Directives, the US 1990 Oil Pollution Act and International Maritime Organization Regulations, if applicable. Some lessees may reduce the scale of, or cease, their business as required by the PRC government due to concerns over environmental impacts in certain manufacturing industries. Compliance with relevant environmental laws and regulations may increase the expense of our lessees or limit their capabilities to continue or expand their operations, which may, in turn, adversely affect their capabilities to perform payment and other leasing obligations to us and thus adversely affect our business.

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**The aviation industry has experienced periods of aircraft oversupply during which the value and lease rates of aircraft have declined, and any future oversupply could materially and adversely affect our business.**

Historically, the aviation industry has experienced periods of aircraft oversupply during which the value and lease rates of aircraft have declined. The oversupply of a specific type of aircraft is likely to depress the value and lease rates of that type of aircraft. The supply and demand for aircraft is affected by various cyclical and non-cyclical factors that are beyond our control, including demand for passenger travel and air cargo transportation services, operating costs (including fuel costs), the availability of credit, geopolitical events, manufacturers' production levels and technological innovation, and the reintroduction of parked aircraft into service.

During recent years, the aviation industry has ordered a significant number of aircraft from manufacturers. Airbus and Boeing have publicly indicated that they intend to increase production rates for single-aisle aircraft. An increase in these production levels could result in an oversupply of aircraft if growth in demand for passenger travel and air cargo transportation services does not meet industry expectations. An oversupply of new aircraft could also adversely affect the lease rates for, and market values of, used aircraft.

In addition, many airlines have eliminated certain types of aircraft from their fleets. The elimination of certain aircraft types results in increased availability of those aircraft types or competing aircraft types in the market, a decrease in lease rates for those aircraft types, and a decrease in relevant market values. There can be no assurance that airlines will continue to acquire or operate the same types of aircraft, or that our aircraft will continue to be in demand by our existing and potential airlines customers.

Any or all of these factors may produce sharp and prolonged decreases in aircraft value and lease rates, or may adversely affect our ability to lease, extend the lease of, re-lease or sell the aircraft in our fleet. Any or all of these factors could materially and adversely affect our business, financial condition and results of operations.

**Our concentrated acquisition of a particular model of aircraft may adversely affect our business and financial condition.**

Our aircraft on order mainly comprise aircraft ordered from Airbus and Boeing. As of December 31, 2015, we had 208 aircraft through direct orders from manufacturers. Of the 126 aircraft from Airbus and Boeing, there were 66 Airbus A320 family and 60 Boeing 737 aircraft, all of which are narrow-body aircraft. For a highly concentrated acquisition of a particular model of aircraft, if the market demand for that model of aircraft declines as upgraded and more advanced aircraft models become available, which may render our procured aircraft models outmoded, if it is redesigned or replaced by its manufacturer or if such aircraft experiences design or technical problems, the value and lease rates of the aircraft may decline and we may be unable to lease such aircraft on favorable terms, if at all, and our business, financial condition and results of operations could be adversely affected. Material technical problems with a specific model of aircraft may result in the grounding of such aircraft. Although we conduct adequate research and market studies before procuring aircraft and, according to our purchase contracts, under certain circumstances we are entitled to compensation and the right to terminate the contract without liabilities after a certain period of time for the aircraft being grounded due to material technical problems, there can be no assurance that the concentration of our aircraft models will not adversely affect our business and prospects.

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**As there are few aircraft and engine manufacturers in the aviation industry, their ability to fulfill their obligations may adversely affect our business.**

The aircraft leasing and trading industries are cyclical. Our supply of commercial aircraft is currently dominated by two airframe manufacturers, namely Airbus and Boeing, and major engine manufacturers, including CFM International, International Aero Engines and Pratt & Whitney. The manufacturers' ability to remain financially viable and produce aircraft and related components that meet airline lessees' requirements may affect our business. Should a manufacturer fail to respond appropriately to changes in the market (such as competition or technological advancement) or fail to fulfill its contractual obligations to us, our business, financial condition and results of operations may be adversely affected.

**Our international operations expose our Aircraft Leasing and Ship Leasing businesses to geopolitical, economic and legal risks associated with a global business.**

We conduct our Aircraft Leasing and Ship Leasing businesses globally, including certain emerging markets. There are risks inherent in conducting our business internationally, including:

- general political and economic instability in international markets;
- difficulties with managing overseas operations, including complying with the relevant laws and regulations of international organizations or the various regulatory and legal requirements of different jurisdictions, and obtaining different approval or license requirements;
- challenges in providing leasing services, and recruiting, in overseas markets;
- limitations on the repatriation of our assets and profits to China;
- expropriation of our international assets;
- differences in accounting treatment in different jurisdictions;
- potential adverse tax consequences;
- foreign exchange losses;
- inability to effectively enforce contractual or legal rights; and
- different liability standards and legal systems that may be less developed and less predictable than those in advanced economies.

For our Aircraft Leasing business, if any of our airline lessees materially violate their payment obligations under the lease agreements with us, we may not be able to repossess or re-lease the aircraft timely. We may incur additional costs in arranging for the repossession or re-leasing of such aircraft. For example, when our lessees or the relevant operators utilize the leased aircraft only for domestic flights in their registered jurisdiction, it may be difficult for us to repossess or re-lease the aircraft, particularly if the aircraft operate within jurisdictions that only allow the lessees or relevant operators to deregister the aircraft.

**Deterioration in the debt repayment capabilities of local governments or adverse changes in PRC regulatory policies affecting government financing could materially and adversely affect our business, asset quality, financial condition, results of operations and prospects.**

For our Infrastructure Leasing business, we primarily provide finance lease services to enterprises associated with local governments, including local government financing vehicles. Our Infrastructure Leasing business mainly includes finance lease services for transportation, urban and energy infrastructure projects for local governments.

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Due to the restrictions imposed by PRC laws and regulations, local governments are unable to provide guarantees for local government financing vehicles and, therefore, the ability of certain local government financing vehicles to pay lease payments largely depends on whether they are able to obtain sufficient financial support from the local governments. It is possible that such financial support may be reduced or denied due to a local government's lack of liquidity, budget priorities or other factors. Accordingly, we are exposed to the credit risk of these local government financing vehicles. In addition, it may be more difficult for us to take recourse against such local government financing vehicles as compared with the other lessees.

In particular, the CBRC has promulgated policies to regulate the size and method of debt financing by local governments in 2012 and 2013. These policies have, to some extent, restrained our abilities to develop new infrastructure leasing projects with local governments or enterprises associated with local governments, which may, in turn, materially and adversely affect our business, financial condition and results of operations. See "Regulatory Environment – The PRC Regulatory Environment – Supervision on Business with Specific Industries and Clients." We classify our lessees who are listed on the monitoring list maintained and updated by the CBRC as local government financing vehicles. As of December 31, 2013, 2014 and 2015, the balances of our finance leases receivable with local government financing vehicles amounted to RMB13.0 billion, RMB12.6 billion and RMB13.1 billion, respectively, which accounted for 18.9%, 16.3% and 16.2% of our total finance leases receivable, respectively. The relevant CBRC guidance further differentiates certain local government financing vehicles that do not possess their own adequate and stable operating cash flows from the rest, and has more detailed requirements on the debt financing activities of such financing vehicles. As of December 31, 2015, the balance of finance leases receivable that we had with these financing vehicles was RMB7.6 billion, representing 58.0% of the total balance of finance leases receivable that we had with local government financing vehicle companies, or 9.4% of the balance of our total finance leases receivable.

**We derive a significant portion of our revenue from large and medium-sized enterprise customers and partners, and the loss of any one of them may have an adverse impact on our business, financial condition and results of operations.**

We conduct business primarily with large and medium-sized enterprises, or enterprises associated with PRC governments.

Our large and medium-sized customers for our Aircraft Leasing business primarily include major airlines in China and overseas, such as China Southern Airlines, Air China, IndiGo, Emirates and Hainan Airlines. In 2015, revenue attributable to the foregoing, the five largest customers in our Aircraft Leasing business, accounted for 19.7% of our revenue and other income.

Our large and medium-sized customers for our Infrastructure Leasing business primarily include enterprises owned or controlled by PRC governments or related to them, such as Fujian Funing Highway Co., Ltd. (福建省福寧高速公路有限責任公司), Henan Highway Treasury Center (河南省收費還貸高速公路管理中心), Hubei Transport Investment Co., Ltd. (湖北省交通投資有限公司), and Wuhan Metro Group Co., Ltd. (武漢地鐵集團有限公司) and Guizhou Expressway Group Co., Ltd. (貴州高速公路集團有限公司). In 2015, revenue attributable to the foregoing five largest customers in our Infrastructure Leasing business accounted for 8.8% of our revenue and other income.



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Our large and medium-sized partners for Ship, Commercial Vehicle and Construction Machinery Leasing business primarily include leading large manufacturers in the commercial vehicle and construction machinery industries, such as XCMG Construction Machinery Co., Ltd. (徐州工程機械集團有限公司), Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) and Sany Heavy Industry Co., Ltd. (三一重工股份有限公司). In 2015, revenue attributable to the five largest customers in our Ship, Commercial Vehicle and Construction Machinery Leasing business accounted for 6.0% of our revenue and other income. We conduct our Commercial Vehicle and Construction Machinery Leasing business primarily through the manufacturer and distributor credit models under which we provide credit lines for industry-leading manufacturer partners in the industry or leading regional distributors recommended by our manufacturer partners, which provide a repurchase guarantee for each lease made under such credit lines upon the default of an end-user lessee. Given the unique business model of our Commercial Vehicle Leasing and Construction Machinery Leasing business, we rely on a limited number of manufacturer and distributor partners. See “Business – Our Business – Ship, Commercial Vehicle and Construction Machinery Leasing – Commercial Vehicle and Construction Machinery Leasing.” As of December 31, 2015, the balance of leased assets sourced from Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) accounted for 25.3% of our total leased asset balance of the Commercial Vehicle Leasing business; while the balance of our leased assets sourced from XCMG Construction Machinery Co., Ltd. (徐州工程機械集團有限公司) and Sany Heavy Industry Co., Ltd. (三一重工股份有限公司) accounted for 59.8% and 29.7%, respectively, of our total leased asset balance for the Construction Machinery Leasing business. If a significant number of our end-user lessees default, and the financial condition of our manufacturer or distributor partners deteriorates which renders their repurchase obligation unlikely, our business, financial condition and results of operations may be materially and adversely affected.

If the financial condition and results of operations of these major customers or partners deteriorate significantly, or if our business relationship with any one of them is terminated, our business, financial condition and results of operations may be adversely affected.

**Our risk management and internal control systems may have defects, which may not effectively mitigate all the risks we face.**

In recent years, as our business expanded to a variety of industries, our business model and risk exposures became increasingly complex. We continually improve our risk management system, but our risk management measures may not be able to capture and mitigate material risks in our business expansion. Therefore, when we enter a new industry, approach new customers or develop new products or services, we may not be able to adequately identify and estimate all future risk exposures, since some of our risk management and control methods are based upon historical business experience, market behavior and past events, and such risk exposures could be significantly greater than our estimation based on historical data.

Our other risk management methods depend on the evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. For example, we have connected our IT systems with the enterprise credit reporting system of the PBOC. During the development and assessment stage of leasing projects, we will consider the customer credit reports in the reporting system as important evaluation materials for our risk determination of projects. However, as the information in the reporting system concerns only enterprises which borrow from or guarantee borrowings from financial institutions, there can be no assurance that the reporting system contains adequate credit information of all of our customers or their guarantors. In addition, as such enterprise credit

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information is disclosed voluntarily by various financial institutions linked with the reporting system, there can be no assurance that the credit information of customers obtained from the reporting system is complete, accurate and up to date.

Furthermore, as our business is developing, our risk management and internal control policies may not be able to effectively reduce and mitigate all types of risks, including unexpected risks and those of which we are unaware, which may contribute to an increase in our non-performing asset ratio. In addition, in response to operational, legal or regulatory risks, we need to establish various sets of policies and procedures, in order to accurately record and verify a large number of transactions and events. Such policies and procedures may not be fully effective. Any failure to properly implement our risk management procedures or any failure to identify applicable risks may materially and adversely affect our financial condition and results of operations.

**Investments in us are subject to a number of restrictions, which may adversely affect your investment value.**

Investments in us must comply with the relevant regulatory restrictions of the CBRC, and unless otherwise provided by the approval authorities, prior approval from the PRC banking regulatory authorities is required for any individual or entity, together with its related parties, to hold 5% or more of our total shares. If our shareholders increase their shareholdings above the 5% threshold without obtaining prior approval from the competent regulatory authorities, such shareholders may be subject to sanctions by the regulatory authorities, which include, among other things, correction of such misconduct, confiscation of illegal gains (if any), and fines. Future changes in restrictions imposed by the PRC government on our shareholders and the shares they hold in us could materially and adversely affect your investment value.

**Our insurance coverage may not be sufficient to cover potential liabilities or losses.**

Although we have obtained insurance coverage for our business operations in accordance with legal requirements, we face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. For example, in line with the general practice in China, we do not maintain business interruption insurance. As a result, our insurance coverage may be inadequate to cover such losses should they arise. Any such uninsured losses may materially and adversely affect our results of operations and financial condition.

Although we do not control the operation of our leased assets, such as aircraft, vessels and equipment, our ownership of these leased assets could give rise, in some jurisdictions, to strict liability resulting from their operation. We normally require our lessees under the lease contracts to indemnify us for, and insure against, liabilities arising out of the use and operation of the leased assets, including third-party claims for death or injury to persons and damage to property for which we may be deemed liable. Our lessees are required to maintain the types of insurance pursuant to our request when purchasing insurance. Although we may restrict the use of leased property (for example, geographically) when entering into the contracts to avoid the risks that may occur in the future, there can be no assurance that claims arising from our leased assets will not reach us in the future. There can be no assurance that our lessees' insurance, and any contingent insurance undertaken by us or that our insurance will be adequate or sufficient to cover all types of claims that may be asserted against us. Any insurance coverage shortfall or default by lessees in fulfilling their indemnification or insurance obligations, as well as the lack

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of available insurance, could reduce our revenue upon an event of loss and could subject us to uninsured liabilities, any of which could have an adverse impact on our financial condition and our ability to meet our financial obligations.

### **We face risks related to changes in tax law.**

Pursuant to relevant laws and regulations, we shall pay VAT instead of business tax for finance lease business involving tangible and movable assets. See “Regulatory Environment – The PRC Regulatory Environment – Internal Control and Risk Management – Special Fiscal and Tax Policies.” As the transition from business tax to VAT for finance lease business moves forward, we face uncertainties in tax law changes. There can be no assurance that the transition to VAT will not apply to other types of leased assets in the future. If we are required to pay VAT for all types of our leasing business or assets, our overall tax obligation may increase as a result, which may adversely affect our business, financial condition and results of operations. In addition, if this tax law transition also becomes applicable to the lending business of commercial banks, we may be less competitive compared with banks in terms of product pricing.

In addition, we are not required to pay stamp duty for the purchase and sales contracts of aircraft for a certain period into the future based on the relevant stamp duty policies in China regarding aircraft leasing. There can be no assurance that we can continue to enjoy this preferential treatment in the future. In addition, we have obtained certain government grants for our business in several free trade zone areas in China. However, there can be no assurance that such government grants will not be reduced or cease in the future. An occurrence of the foregoing could materially and adversely affect our financial condition and results of operations.

### **We face risks related to changes in accounting standards.**

We currently assess the impairment of our financial assets under IAS 39. The determination of impairment requires our management team to exercise significant judgment and discretion. The IASB, which is responsible for developing and revising International Accounting Standards, issued IFRS 9 in July 2014, effective on January 1, 2018. IFRS 9 will replace the accounting standards relating to the classification, measurement and derecognition of financial assets and financial liabilities under IAS 39, and gives rise to changes in the classification and measurement of financial assets and financial liabilities. In particular, the new requirements of IFRS 9 are expected to have impacts on our financial statements, and the systems and processes of collecting and analyzing data, as they change the timing of assessment of the potential credit loss for recognition of impairment and ultimate amount of impairment recognized on financial assets, and we are still assessing the extent of these impacts. We would have to change our current provisioning policy in the future in accordance with IFRS 9 and its amendments and any other future amendments to IAS 39 or similar standards, including any authoritative interpretive guidance on the application of such new or revised standards, which may, in turn, affect our business, financial condition and results of operations.

In addition, the IASB issued IFRS 16 in January 2016, effective on January 1, 2019. IFRS 16 will require certain of our customers to alter the way in which their operating leases are treated in their accounting records. Rather than keeping the operating leases off balance sheets, the new standard requires lessees to recognize a right-of-use asset and a lease liability for their operating leases with a term of more than a year, unless the underlying leased asset is of low value. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability represents the present value of the lease payments and accrues

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interest. See “Financial Information – Significant Accounting Policies and Estimates – Application of International Financial Reporting Standards – IFRS 16 Leases.” These new requirements are likely to increase the lease assets and financial liabilities of these lessees, and may change the key financial metrics derived from their reported assets and liabilities. This may reduce the attractiveness of leasing services towards our lessees, since these customers may choose to buy more assets and, consequently, lease fewer assets, which may, in turn, adversely affect our business, financial condition and results of operations.

**Our success in business depends on our ability to attract and retain senior management and key employees.**

We operate in an increasingly competitive market environment where highly specialized expertise is required for the efficient management of leased assets. We depend on the continued efforts of our senior management team and core employees for our success. Our senior management plays a vital role in our operation. Each of them has many years of experience in the financial or leasing industry in China, and they collectively possess in-depth understanding of our major business lines, our customers and competitors, and the laws related to our business. Therefore, they are essential in formulating and implementing strategies necessary for achieving success for us. However, our senior management team and key employees may voluntarily terminate employment with us or leave their positions due to reasons beyond our control. The loss of service of any of our senior management team and key employees could impair our ability to operate and hinder our efforts to implement business and growth strategies. We may not be able to replace them with others of equivalent expertise and experience within a reasonable period of time.

Our continued success also depends on our ability to attract and retain qualified staff to manage our existing operations. We may also need to offer superior compensation and other benefits to attract and retain key personnel, and our compensation and benefit payments may thus increase unpredictably or at a greater rate than our revenues. This may also adversely affect our financial condition and results of operations.

**We may not be able to detect or prevent fraud or other misconduct committed by our employees or third parties.**

Fraud or other misconduct by our employees, such as unauthorized business transactions, bribery and breach of our internal policies and procedures, or by third parties, such as breach of law, may be difficult to detect or prevent. It could subject us to financial loss and sanctions imposed by governmental authorities while seriously damaging our reputation. This may also impair our ability to effectively attract prospective customers, develop customer loyalty, obtain financing on favorable terms, compete in invitations to tender and conduct other business activities. For example, in connection with the bribery allegation concerning Mr. Wang Chong, our then president, we were under investigation by the Anti-Corruption and Bribery Bureau of the Shenzhen People’s Procuratorate and may be prosecuted as a co-defendant as a result. If we were prosecuted and the court issued an adverse ruling against us, we may become unqualified as a supplier for government procurement for three years from the date of the adverse court ruling, although we rarely participated directly in government procurement during the Track Record Period. On April 29, 2016, we noticed additional allegations against Mr. Wang Chong concerning his individual acts of taking bribes for his own benefit from publicly available sources. Although we are not the subject of such prosecution, the prosecution or any adverse ruling against Mr. Wang Chong alone could result in reputational harm to us. See “Business – Legal and Regulatory – Legal Proceedings.”

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Our risk management systems, information technology systems and internal control procedures are designed to monitor our operations and overall compliance. However, we may be unable to identify non-compliance or suspicious transactions promptly, or at all. See “Business – Legal and Regulatory.” Furthermore, it is not always possible to detect and prevent fraud or other misconduct committed by our employees or third parties, and the precautions we take to prevent and detect such activities may not be effective. Therefore, we are subject to the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This may materially and adversely affect our business, financial condition and results of operations.

**Our business is dependent on the proper functioning of our information technology systems.**

Our business operations are dependent on the ability of our information technology systems to accurately process large numbers of transactions and information in a timely manner. Our business-related information technology systems include the full life cycle leasing business management system, the ICMS aircraft leasing management system, and the commercial vehicle and construction machinery leasing business management system. Our information technology infrastructure also plays an important role in our risk management and financial control. We have established our own internal back-up systems to carry on the principal functions in the event of system failures. See “Business – Information Technology.” However, our operations may be disrupted if any of our systems fail due to, among other things, fire, natural disasters, power loss, software faults, computer virus attacks, conversion errors due to system upgrades, or security breaches. Any disruption to any of our information technology systems could harm our business and adversely affect our financial condition and results of operations.

**The issues related to land use rights and property ownership may damage our ability to occupy, use, transfer or dispose of certain of our own properties and/or leased properties.**

As of the Latest Practicable Date, we had 32 properties in China for administrative use with an aggregate gross floor area of 6,863.8 square meters, we had not obtained the property ownership certificate and/or land use certificate for 18 of the properties for office and operational use with an aggregate gross floor area of 988.2 square meters. These properties without property ownership and/or land use certificates are mainly used as government-subsidized residences for our employees. Pursuant to relevant regulations and policies in relation to government-subsidized houses and preferential houses established by the Shenzhen government, the enterprises that purchased these properties only have limited ownership rights, and cannot transfer, mortgage or sell these properties at will. See “Business – Properties – Owned Properties.”

As of the Latest Practicable Date, we leased 45 properties in the PRC, of which 18, with an aggregate gross floor area of 1,261.0 square meters, representing 10.8% of our total leased properties in the PRC, do not have any valid property ownership certificate provided by the owners. If the landlords do not have the ownership of relevant properties or cannot obtain the relevant authorization document from the property owner, our continuous lease and use of the relevant property may be affected. See “Business – Properties – Leased Properties.” Furthermore, there can be no assurance that we could renew the lease contract on acceptable terms upon expiry, or at all. If the ownership of any of our leased property is controversial and/or the validity is challenged by the third party, or if we fail to renew our lease contract upon expiry, we may be compelled to leave the affected premises, which may give rise to additional expenses as a result of the move.

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## RISK FACTORS

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In addition, as of the Latest Practicable Date, we were in the process of changing the registration of two owned properties and one parcel of land to our current name, China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), from our previous name, China Development Bank Financial Leasing Company Limited (國銀金融租賃有限公司). Although our legal ownership of such properties or land is not affected, if our changes of registration cannot be completed on time, or at all, our ability to transfer or dispose of these properties or land will be limited.

**The effectiveness of our credit risk management is affected by the quality and scope of credit information available in China.**

The complete and reliable information relating to customer credit risk is relatively limited in China. While the enterprise credit reporting system developed by the PBOC has been put into operation, such reporting system can only provide limited information. Moreover, the credit information and reporting system in China is still developing. As a result, our assessment of the credit risks associated with certain customers may not be based on complete, accurate or reliable information. Until the enterprise credit reporting system or other information databases are fully developed, we have to rely on other publicly available resources, our internal resources or the information resources from CDB, which may not be comparable to a comprehensive national credit information system. As a result, it may affect our ability to effectively manage credit risk, which may materially and adversely affect our business, financial condition and results of operations.

**We may be subject to risks related to epidemics, acts of terrorism, wars, or other natural or man-made calamities globally.**

A recurrence of Ebola virus disease, Severe Acute Respiratory Syndrome, or other epidemic diseases such as H5N1 bird flu, H1N1 swine flu, Type A H1N1 influenza or Middle East Respiratory Syndrome, especially in the areas where we or our lessees operate, may result in widespread health crises and restrict business activities in the affected areas, which may in turn cause material disruptions to our and our lessees' businesses. Natural disasters such as earthquakes, floods, volcano eruptions, severe weather conditions, or other catastrophic events, may also severely affect the regions where we or our lessees operate.

Similarly, acts of terrorism, wars, threats of war, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, could affect economic development and construction projects. In turn, there could be a material adverse effect on our business, financial condition and results of operations. In addition, we may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, our operational continuity may be adversely and materially affected and our reputation seriously harmed.

For our leasing business involving transportation means, such as aircraft, ships and commercial vehicles, an outbreak of epidemic diseases could materially and adversely affect the passenger demand for travel to affected regions. Similarly, the lack of travel demand or the inability of lines to operate to or from certain regions due to severe weather conditions and natural disasters, as well as acts of terrorism, wars and similar events, could impact the financial condition of certain of our lessees. These consequences could impair our lessees' ability to make lease payments to us, which would materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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### **We may become subject to certain restrictions relating to pledges of equity interests applicable to commercial banks.**

According to the CBRC Notice on Strengthening the Administration of Pledge of Equity Interest in Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》) promulgated by CBRC in November 2013, PRC commercial banks are required to stipulate in their articles of association several restrictions on certain shareholders' pledges of equity interests that require such shareholders to file the proposed pledges with the board of directors, obtain its approval and register such pledges with the board as well as voting restrictions associated with the pledges. See "Regulatory Environment – The PRC Regulatory Environment – Restrictions on the Pledge of the Shares." Our Articles of Association, which have been reviewed and approved by the Shenzhen CBRC, do not stipulate the foregoing. However, we may be subject to this requirement as well, despite the fact that we are a CBRC-regulated leasing company as opposed to a commercial bank, since the CBRC and/or Shenzhen CBRC may, at its discretion, make reference to the regulatory standards for commercial banks when supervising our business. Since the promulgation of this CBRC notice until the Latest Practicable Date, we have not been notified of any objections from the CBRC and Shenzhen CBRC in this regard. Nevertheless, the CBRC and Shenzhen CBRC may impose this requirement on us in the future, in which case we might be asked to amend the Articles of Association.

### **There can be no assurance that our Controlling Shareholder will continue to support us, and changes in its control over us may materially and adversely affect our business, financial condition and results of operations.**

We obtain support from our Controlling Shareholder, CDB, in many aspects, such as business, finance and risk management, including the following, among others:

- We conduct business through collaboration with CDB in our Infrastructure Leasing business, given its strong resources in customer selection and marketing, due diligence and project review;
- For risk management, we are able to access CDB's resources and data on risk assessment when necessary;
- We have credit lines granted by CDB, and guarantees provided by its Hong Kong branch on our US dollar bonds;
- According to regulatory requirements and our Articles of Association, CDB is required to provide us with liquidity support and capital injection under certain circumstances specified by the CBRC; and
- As our credit standing is largely affected by CDB's, we benefit from the sound credit rating of CDB, which has helped reduce our financing costs, further expanded our financing channels and enhanced our bargaining power.

If CDB's control over us or its willingness to support us changes, our business, financial condition and results of operations could be materially and adversely affected. In particular, we have entered into certain financing agreements which require CDB to remain as our Controlling Shareholder. Therefore, if CDB loses its status as our Controlling Shareholder, our credit rating may decline and our financing costs may increase. In addition, this change of control may trigger mandatory prepayment obligation under certain of our existing financing contracts, and result in a significant increase in our financing costs in the future.

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## RISK FACTORS

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### **Our Controlling Shareholder is able to exercise significant influence over us.**

Following the completion of the Global Offering, CDB will remain our Controlling Shareholder. Immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised, CDB will hold approximately 64.65% of our outstanding Shares; assuming that the Over-allotment Option is fully exercised, CDB will hold approximately 62.00% of our outstanding Shares. CDB, as our largest Shareholder, will have the ability to exercise significant influence over us, including, among others, matters relating to:

- election of our directors and supervisors;
- determination of business strategies and investment plans;
- dividend distribution; and
- review of any plans related to major corporate activities, including mergers, securities offering, acquisitions or investments.

### **RISKS RELATING TO THE PRC**

#### **Economic, political and social conditions in the PRC and government policies could affect our business and prospects.**

A majority of our assets are located in the PRC, and a substantial majority of our revenue is derived from our businesses in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among others, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned by the PRC government and SOEs. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may adversely affect us. For example, our financial condition and results of operations may be adversely affected by government policies concerning the leasing industry in China, or changes in tax regulations applicable to us. If the business environment in China deteriorates, our business in China may also be materially and adversely affected.

#### **The PRC legal system has potential uncertainties that could limit the legal protection available to you.**

PRC laws and regulations govern our operations in China. We and some of our operating subsidiaries are organized under PRC laws. China's legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value unless the Supreme People's Court of the People's Republic of China otherwise provides. Furthermore,



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PRC legal provisions are generally interpreted by court and law enforcement agencies and then applied and enforced. The PRC government has continually sought to develop and improve legal regimes and made obvious progress in the development of laws and regulations regulating commerce and business affairs, such as foreign investment, corporate organization and governance, trading of commerce, taxation and trade. However, as many of these laws and regulations are evolving and the leasing industry in China is developing, and while the published court decisions are limited in volume and not binding, there are some uncertainties in the interpretation and enforcement of China's laws and regulations. These uncertainties may adversely affect our business and prospects, may further affect the legal remedies and protections available to investors, and may adversely affect the value of your investment.

In particular, the PRC leasing industry is highly regulated. Many aspects of our business depend upon receipt of the relevant government authorities' approvals and permits. As the PRC legal system and leasing industry develop, changes in such laws and regulations, or in their interpretation or enforcement, could materially adversely affect our business, financial condition and results of operations.

**Investors may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors, Supervisors and management.**

We are a company incorporated under the laws of the PRC, and a majority of our assets are located in the PRC. In addition, most of our Directors, Supervisors and executive officers reside within the PRC, and the assets of our Directors, Supervisors and executive officers are likely to be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon our Directors, Supervisors and executive officers, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of court judgments with Japan, the United States, the United Kingdom or most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of court judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in Japan, the United States, the United Kingdom or most other western countries in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

**We are subject to the risk relating to volatility in foreign exchange rate and the PRC government's controls on currency conversion.**

The fluctuations in the exchange rate of Renminbi against the US dollar will affect our financial condition and results of operations. A majority of our assets and liabilities are denominated in Renminbi, and the remainder is predominately denominated in US dollars. The leasing business that is priced in US dollars mainly involves our Aircraft Leasing and Ship Leasing businesses. Correspondingly, we owe liabilities denominated in US dollars through bank borrowings and bond issuances. There can be no assurance that we could reduce our foreign exchange risk with monetary derivative instruments or other means; furthermore, we have limited tools to reduce the foreign exchange risks with reasonable costs. As our consolidated financial statements are prepared in Renminbi, the fluctuations in the exchange rate of Renminbi against the US dollar will affect our revenue and expenditure denominated in US dollars, resulting in exchange gains or losses. For example, in 2015, Renminbi depreciated by approximately 5.8% against the US dollar. We cannot predict the future fluctuations of Renminbi. With regard to adopting more flexible currency policies, the PRC government still

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receives considerable international pressure, which could lead to further fluctuations of Renminbi against the US dollar and there can be no assurance that significant appreciation or depreciation of Renminbi against the US dollar will not take place in the future. Any adverse fluctuations in the exchange rate may affect our overseas purchases, repayment of foreign currency debts and global business, and our financial condition and results of operations may be materially and adversely affected.

Under the current PRC foreign exchange regulations, following the completion of the Global Offering, and after complying with certain procedural requirements, we will be able to undertake foreign exchange transactions in current accounts, including payment of dividends without prior approval from the SAFE. However, the PRC government may in the future, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions in certain circumstances, in which case we may not be able to pay dividends in foreign currencies to holders of our H Shares.

### **You may be subject to PRC taxation on dividends received from us and gains from the disposition of our H Shares.**

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares (“**non-PRC resident individual holders**”) are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) dated June 28, 2011 and issued by the SAT, the tax rate applicable to dividends paid to non-PRC resident individual holders of H Shares varies from 5.0% to 20.0% (usually 10.0%), depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. See “Appendix III – Taxation and Foreign Exchange.” In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. Based on our knowledge as of the Latest Practicable Date, the PRC tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders’ investments in H Shares may be materially and adversely affected.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通

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知》(國稅函[2008]897號)) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10.0% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. See "Appendix III – Taxation and Foreign Exchange." As the EIT Law and its implementation rules are relatively new, there are uncertainties as to their interpretation and implementation by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders' investments in H Shares may be materially and adversely affected.

### **Government control of currency conversion may adversely affect the value of your investments.**

Most of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is not a freely convertible currency. A portion of our cash may be required to be converted into other currencies, particularly the US dollar, in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our Offer Shares.

However, the PRC government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, we might not be able to pay interest to the holders of our Offer Shares in foreign currency. On the other hand, foreign exchange transactions under a capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect our ability to obtain foreign currency through equity financing, or to obtain foreign currency for capital expenditures.

### **RISKS RELATING TO THE GLOBAL OFFERING**

#### **There has been no prior public market for our H Shares and the liquidity and market price of our H Shares may be volatile.**

Prior to the Global Offering, there has been no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations between us and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price of our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of our H Shares will not decline following the Global Offering. Furthermore, the price and trading volume of our H Shares may be volatile. The following factors may affect the volume and price at which our H Shares will trade:

- actual or anticipated fluctuations in our revenue and results of operations (including variations arising from foreign exchange rate fluctuations);
- loss of significant customers or material defaults by our lessees;
- news regarding the recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;

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- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of additional H Shares by us or other shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

**Since there will be a gap of several days between the pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.**

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be six Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time trading begins.

**Future sales or perceived sales of a substantial number of our H Shares in public markets could cause the prevailing market price of our H Shares to decrease significantly, as well as dilute our shareholders' H shareholdings.**

The market price of our H Shares could decline as a result of future sales of a substantial number of our H shares or other securities relating to our H shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our shareholders may experience dilution in their holdings when we issue additional securities in future offerings. New equity or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

**The conversion of a significant number of Domestic Shares into H Shares could adversely affect the prevailing market price of our H Shares.**

Our Domestic Shares can be converted into H Shares if the conversion and trading of the H Shares is duly completed pursuant to the requisite approval process and the approval from the relevant PRC regulatory authorities, including the CSRC, is obtained. Moreover, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council and the rules, regulations and procedures of the Hong Kong Stock Exchange. If a significant number of Domestic Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could have a material and adverse effect on the prevailing market price for our H Shares.

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**As the Offer Price of our H Shares is higher than our consolidated net tangible book value per share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases.**

As the Offer Price of our H Shares is higher than the consolidated net tangible assets per share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering may experience an immediate dilution in pro forma adjusted consolidated net tangible assets of HK\$0.28 per H Share (assuming an Offer Price of HK\$2.18 per H Share, being the mid-point of the stated Offer Price range, and assuming the Over-allotment Option for the Global Offering is not exercised). Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the Over-allotment Option is exercised or if we issue additional shares in the future to raise additional capital.

**Dividends declared in the past may not be indicative of our future dividend policy.**

In 2013, 2014 and 2015, we declared cash dividends of nil, nil and RMB149.8 million, respectively. Under the applicable PRC laws, dividends may be paid only out of distributable profits. Distributable profits means, as determined under PRC GAAP or IFRS, whichever is lower, the net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less appropriations to statutory surplus reserve (determined under PRC GAAP) and discretionary surplus reserve (as approved by our shareholders' meeting). As a result, we may not have sufficient profit to enable us to make future dividend distributions, even if any of our financial statements prepared in accordance with PRC GAAP or IFRS indicates that our operations have been profitable.

**Certain facts and statistics derived from government and third-party sources contained in this prospectus may not be reliable.**

We have derived certain facts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the industry in which we operate, from information provided by the PRC and other government agencies, industry associations, independent research institutes or other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors. Therefore, we cannot assure you of the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. The facts and other statistics include the facts and statistics included in the sections entitled "Risk Factors," "Industry Overview" and "Business." Due to possibly flawed or ineffective collection methods or discrepancies between the published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as the similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

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**You should read this entire prospectus carefully and we strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering.**

Prior to the publication of this prospectus, there had been press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent that such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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In preparation for the Global Offering, we have sought and have been granted the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### CONNECTED TRANSACTIONS

Our company has entered into and is expected to continue after the Listing, certain transactions, which will constitute our non-exempt continuing connected transactions as defined under the Listing Rules. We have applied for waivers to the Stock Exchange pursuant to Rule 14A.105 of the Listing Rules in relation to the transactions under (1) the Business Collaboration and Service Framework Agreement; (2) the Bond Underwriting Service Framework Agreement; and (3) the Operating Lease Framework Agreement for the announcement requirement under Rule 14A.35 of the Listing Rules, and the transactions under (4) the Financing Service Framework Agreement; (5) the Deposit Service Framework Agreement; and (6) the Debt Financing Instruments Investment Framework Agreement for the announcement and independent shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules, respectively. The Stock Exchange has granted us waivers from strict compliance with the announcement requirement in respect of the transactions under (1) the Business Collaboration and Service Framework Agreement; (2) the Bond Underwriting Service Framework Agreement; and (3) the Operating Lease Framework Agreement; and the announcement and independent shareholders' approval requirements in respect of the transactions under (4) the Financing Service Framework Agreement; (5) the Deposit Service Framework Agreement; and (6) the Debt Financing Instruments Investment Framework Agreement, respectively. Further information of such waivers are set out in "Connected Transactions" in this prospectus.

### MANAGEMENT PRESENCE

According to Rule 8.12 and Rule 19A.15 of the Listing Rules, the Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since our head office and substantially all of our business operations are based, managed and conducted in the PRC, we do not, and for the foreseeable future, will not, have executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules. Currently, all of our executive Directors reside in the PRC.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules. We have made the following arrangements to maintain effective communication between the Stock Exchange and us:

- (i) both authorized representatives of the Company, Mr. Fan Xun, a PRC resident, and Mr. Huang Min, a PRC resident, will act as our principal channel of communication with the Stock Exchange. Although both Mr. Fan Xun and Mr. Huang Min reside in the PRC, each of them possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the authorized representatives of the Company will be able to meet with the relevant members of the Stock Exchange on receiving reasonable notice;

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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- (ii) both authorized representatives of the Company have means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact the Directors on any matters;
- (iii) each Director has provided his/her mobile phone number, office phone number, e-mail address and fax number to the authorized representatives of the Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives;
- (iv) each Director not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period;
- (v) Ms. Wong Sau Ping, our joint company secretary and a Hong Kong resident, will, among other things, act as our Company's additional channel of communication with the Stock Exchange and be able to answer enquiries from the Stock Exchange. Ms. Wong will maintain constant contact with our Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary; and
- (vi) we have appointed Zhongtai International Capital Ltd. as our compliance advisor, who will also act as an additional channel of communication with the Stock Exchange from the Listing Date to the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year. Zhongtai International Capital Ltd. will maintain constant contact with our authorized representatives, Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary.

### APPOINTMENT OF JOINT COMPANY SECRETARIES

#### Rule 8.17

According to Rule 8.17 of the Listing Rules, the issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules.

#### Rule 3.28

According to Rule 3.28 of the Listing Rules, the secretary of the Company must be a person who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).



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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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In assessing “relevant experience,” the Stock Exchange will consider:

- (a) length of employment with the issuer and other issuers and the roles played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Future Ordinance, the Companies Ordinance, Companies (Winding up and Miscellaneous Provisions) Ordinance, and the Codes on Takeovers and Mergers and Share Buy-backs;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Mr. Huang Min as a joint company secretary of our Company. Mr. Huang is currently our joint company secretary and the secretary of the Board. He is responsible for the custody of relevant documents and handling information relating to our Shareholders. Mr. Huang, by virtue of his knowledge and past operational, financing and management experience, should be capable of discharging his functions as a company secretary of the Company. Since Mr. Huang does not possess the professional or academic qualifications as stipulated in Rule 3.28 of the Listing Rules, we have appointed Ms. Wong Sau Ping, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom, as the other joint company secretary of the Company. Over a period of three years from the Listing Date, our Company proposes to implement the following measures to assist Mr. Huang to become a company secretary with the requisite qualifications or relevant experience as required under the Listing Rules:

Mr. Huang will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by the Company’s Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time.

Ms. Wong Sau Ping will assist Mr. Huang to enable him to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of the Company.

Ms. Wong will communicate regularly with Mr. Huang on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to us and our affairs. Ms. Wong will work closely with, and provide assistance to, Mr. Huang in the discharge of his duties as a company secretary, including organizing the Company’s Board meetings and general meetings.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. Provided that Mr. Huang has obtained relevant experience under Rule 3.28 of the Listing Rules at the end of the initial three-year period of the above arrangement, the above assistance arrangement will no longer be required by the Company.

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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### **PUBLIC FLOAT REQUIREMENTS**

According to Rule 8.08(1) of the Listing Rules, there must be an open market in the securities for which listing is sought. It normally means that the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital. Rule 8.08(1)(b) of the Listing Rules provides that where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK\$50,000,000. Rule 8.08(1)(d) of the Listing Rules further provides that for an issuer with large market capitalization of over HK\$10 billion at the time of listing, the Stock Exchange may, at its discretion, accept a lower public float percentage of between 15% and 25%, where the Stock Exchange is satisfied that (a) the number of shares concerned and (b) the extent of their distribution would enable the market to operate properly with a lower public float.

We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1) of the Listing Rules, and the Stock Exchange has granted us a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules to allow a minimum public float for the H Share to be the highest of (i) 15% of the total issued share capital of the Company; (ii) such percentage of Shares to be held by the public immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised); or (iii) such percentage of Shares to be held by the public if the Over-allotment Option is fully or partially exercised.

In support of such application, the Company has confirmed to the Stock Exchange that it will (a) make appropriate disclosure of the lower percentage of public float required by the Stock Exchange in the prospectus; and (b) confirm sufficiency of public float in its successive annual reports after the Listing.

### **WAIVER IN RELATION TO THE CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE LISTING RULES**

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-applications in the Hong Kong Public Offering, the Joint Global Coordinators will apply an alternative clawback mechanism following the closing of the application lists. For further information, please refer to the section headed "Structure of the Global Offering-The Hong Kong Public Offering-Reallocation and Clawback" in this prospectus.

**DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving our information to the public with regard to the Group. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading or deceptive.

**PRC REGULATORY APPROVALS**

We have obtained approvals from the Shenzhen CBRC and the CSRC for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange, on January 15, 2016 and May 11, 2016, respectively. In granting such consent, neither the Shenzhen CBRC nor the CSRC accepts any responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the application forms.

**THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 232,500,000 Offer Shares and the International Offering of initially 2,867,500,000 Offer Shares (subject, in each case, to reallocation on the basis as set out in "Structure of the Global Offering"). For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other parties involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the H Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

**OFFER SHARES FULLY UNDERWRITTEN**

The listing of our H Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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Underwriting Agreement and is subject to us and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Offer Price to be agreed on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement to be entered into.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before July 5, 2016, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see “Underwriting” in this prospectus.

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

The procedures for applying for Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares” and on the relevant Application Forms.

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” in this prospectus.

### **OVER-ALLOTMENT OPTION AND STABILIZATION**

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in “Structure of the Global Offering” in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF H SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her/its acquisition of the Hong Kong Offer Shares to, confirm that he/she/it is aware of the restrictions on offers and sales of the Hong Kong Offer Shares described in this prospectus and the Application Forms.

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the U.S.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and our H Shares to be converted from the Domestic Shares pursuant to the relevant PRC regulations relating to transfer of state-owned Share and transferred to the NSSF.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the H Shares to be listed the Stock Exchange pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

### **COMMENCEMENT OF DEALINGS IN THE H SHARES**

Dealings in the H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on July 11, 2016. Except for our application to the Stock Exchange for the listing of, and permission to deal in, the H Shares, no part of our share or loan capital is listed on or dealt in on the Stock Exchange or any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Stock Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

### **H SHARE REGISTER AND STAMP DUTY**

All Offer Shares will be registered on the H Share register of members of our Company maintained by our H Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our register of members will also be maintained by us at our legal address in the PRC.

Dealings in the H Shares registered on the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

Unless determined otherwise by the Company, dividends payable in respect of our H Shares will be paid to our Shareholders listed on our H Share register in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each of our Shareholders.

**REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES**

We have instructed our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations and our Articles of Association;
- (ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;
- (iii) agrees with us and each our Shareholders that our H Shares are freely transferable by the H Shares holders thereof; and
- (iv) authorizes us to enter into a contract on his/her/its behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making of an application or purchase, to have represented that they are not close associates (as such term is defined in the Hong Kong Listing Rules) of any of our Directors or an existing Shareholder or a nominee of any of the foregoing.

**PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, or the exercise of any rights in relation to, the H Shares.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into US dollars and of Hong Kong dollars into US dollars at specified rates. Unless indicated otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into US dollars and of Hong Kong dollars into US dollars, and vice versa, in this prospectus was made at the following rates:

- RMB0.85036 to HK\$1.00 (being the prevailing exchange rate on June 15, 2016 set by the PBOC)
- RMB6.6001 to US\$1.00 (being the prevailing exchange rate on June 15, 2016 set by the PBOC)
- HK\$7.7628 to US\$1.00 (being the noon buying rate in the City of New York for cable transfers as certified by the Federal Reserve Bank of New York on June 10, 2016)

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

### LANGUAGE

Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

### ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one or two decimal places. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**DIRECTORS**

<u>Name</u>	<u>Position</u>	<u>Address</u>	<u>Nationality</u>
<b>Executive Directors</b>			
Wang Xuedong (王學東)	Chairman of the Board and executive Director	Room 22B, Building 6 Tianjian Century Garden Futian District Shenzhen Guangdong Province PRC	Chinese
Fan Xun (范珣)	Vice Chairman of the Board, executive Director and President	Room 603, Building 17 Phase I, Gangzhonglv Garden Futian District Shenzhen Guangdong Province PRC	Chinese
Geng Tiejun (耿鐵軍)	Executive Director and Vice President	Room 1101, Unit 2 Building 1 Zone E, Galaxy Dante Longhua New District Shenzhen Guangdong Province PRC	Chinese
Huang Min (黃敏)	Executive Director, Vice President and Secretary of the Board	Room 2808, Building 10 Wanke Jinyu Lanwan Futian District Shenzhen Guangdong Province PRC	Chinese



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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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<u>Name</u>	<u>Position</u>	<u>Address</u>	<u>Nationality</u>
<b>Non-executive Directors</b>			
Liu Hui (劉暉)	Non-executive Director	Room 2, Building 2 Nanluyuan Xicheng District Beijing PRC	Chinese
Li Yingbao (李英寶)	Non-executive Director	Room 1405, Building 7 Jindian Huayuan Yard 9, Wenhuiyuan North Road Haidian District Beijing PRC	Chinese
<b>Independent Non-executive Directors</b>			
Zheng Xueding (鄭學定)	Independent Non-executive Director	Room 201A, Building 16 Zone B, St. Moritz Garden Yulong Road Longhua New District Shenzhen Guangdong Province PRC	Chinese
Xu Jin (徐進)	Independent Non-executive Director	Room D, 36/F, Building 3 Qiaoxiang Village Qiaoxiang Road Futian District Shenzhen Guangdong Province PRC	Chinese
Zhang Xianchu (張宪初)	Independent Non-executive Director	Room C, 14/F, Building 11 Phase II, South Horizons Ap Lei Chau Hong Kong	Hong Kong

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**SUPERVISORS**

<u>Name</u>	<u>Position</u>	<u>Address</u>	<u>Nationality</u>
Jiang Daozhen (蔣道振)	Chairman of the Board of Supervisors	Room 807, Building 7 Jindian Huayuan Yard 9, Wenhuiyuan North Road Haidian District Beijing PRC	Chinese
Lei Yanzheng (雷閻正)	Supervisor	Room 28, Building 1102 Zone 11 Yanliang District Xi'an Shaanxi Province PRC	Chinese
Sun Zhikun (孫志坤)	Supervisor	Room 802, Unit 5 Building 2 Yard 138, Chengshousi Road Chaoyang District Beijing PRC	Chinese
Huang Xuemei (黃雪梅)	Employee representative Supervisor	Room 304, Xinxingge Wuye Shidai Xinju Fuqiang Road Futian District Shenzhen Guangdong Province PRC	Chinese
Zhuang Ganlang (莊贛浪)	Employee representative Supervisor	Room 2604, Building B Tingquanju Antuoshan Sixth Road Futian District Shenzhen Guangdong Province PRC	Chinese

See “Directors, Supervisors, Senior Management and Employees.”

**PARTIES INVOLVED IN THE GLOBAL OFFERING**

**Joint Sponsors**

**CITIC CLSA Capital Markets Limited**

18/F, One Pacific Place  
88 Queensway  
Hong Kong

**Merrill Lynch Far East Limited**

55/F, Cheung Kong Center  
2 Queen's Road Central  
Central  
Hong Kong

**Deutsche Securities Asia Limited**

52/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**Joint Global Coordinators**

**CLSA Limited**

18/F, One Pacific Place  
88 Queensway  
Hong Kong

**The Hongkong and Shanghai Banking Corporation Limited**

HSBC Main Building  
1 Queen's Road Central  
Hong Kong

**Merrill Lynch International**

MLFC, 2 King Edward Street  
London EC1A 1HQ, England

**Deutsche Bank AG, Hong Kong Branch**

52/F, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

**UBS AG Hong Kong Branch**

52/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

**Joint Bookrunners**

**CLSA Limited**

18/F, One Pacific Place  
88 Queensway  
Hong Kong

**The Hongkong and Shanghai Banking Corporation Limited**

HSBC Main Building  
1 Queen's Road Central  
Hong Kong

**Merrill Lynch Far East Limited**

(in relation to the Hong Kong Public Offering)  
55/F, Cheung Kong Center  
2 Queen's Road Central  
Central, Hong Kong

**Merrill Lynch International**

(in relation to the International Offering)  
MLFC, 2 King Edward Street  
London EC1A 1HQ, England

**Deutsche Bank AG, Hong Kong Branch**

52/F, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

**UBS AG Hong Kong Branch**

52/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

**Morgan Stanley Asia Limited**

(in relation to the Hong Kong Public Offering)  
46/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**Morgan Stanley & Co. International plc**

(in relation to the International Offering)  
25 Cabot Square  
Canary Wharf, London  
E14 4QA, United Kingdom

**J.P. Morgan Securities (Asia Pacific)  
Limited**

(in relation to the Hong Kong Public  
Offering)

28/F Chater House  
8 Connaught Road  
Central, Hong Kong

**J.P. Morgan Securities plc**

(in relation to the International Offering)

25 Bank Street  
Canary Wharf, London  
E14 5JP, United Kingdom

**BNP Paribas Securities (Asia) Limited**

59/F to 63/F, Two International Finance  
Centre

8 Finance Street, Central  
Hong Kong

**CMB International Capital Limited**

Units 1803-4, 18/F, Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong

**Haitong International Securities Company  
Limited**

22/F Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**CCB International Capital Limited**

12/F, CCB Tower  
3 Connaught Road Central  
Central, Hong Kong

**BOCOM International Securities Limited**

9th Floor, Man Yee Building  
68 Des Voeux Road Central  
Central  
Hong Kong

**Joint Lead Managers**

**China Everbright Securities (HK) Limited**

24/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

**CLSA Limited**

18/F, One Pacific Place  
88 Queensway  
Hong Kong

**The Hongkong and Shanghai Banking Corporation Limited**

HSBC Main Building  
1 Queen's Road Central  
Hong Kong

**Merrill Lynch Far East Limited**

(in relation to the Hong Kong Public Offering)  
55/F, Cheung Kong Center  
2 Queen's Road Central  
Central, Hong Kong

**Merrill Lynch International**

(in relation to the International Offering)  
MLFC, 2 King Edward Street  
London EC1A 1HQ, England

**Deutsche Bank AG, Hong Kong Branch**

52/F, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

**UBS AG Hong Kong Branch**

52/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

**Morgan Stanley Asia Limited**

(in relation to the Hong Kong Public Offering)  
46/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**Morgan Stanley & Co. International plc**

(in relation to the International Offering)  
25 Cabot Square  
Canary Wharf, London  
E14 4QA, United Kingdom

**J.P. Morgan Securities (Asia Pacific)  
Limited**

(in relation to the Hong Kong Public  
Offering)  
28/F Chater House  
8 Connaught Road  
Central Hong Kong

**J.P. Morgan Securities plc**

(in relation to the International Offering)  
25 Bank Street  
Canary Wharf, London  
E14 5JP, United Kingdom

**BNP Paribas Securities (Asia) Limited**

59/F to 63/F, Two International Finance  
Centre  
8 Finance Street, Central  
Hong Kong

**CMB International Capital Limited**

Units 1803-4, 18/F, Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

**Haitong International Securities Company  
Limited**

22/F Li Po Chun Chambers  
189 Des Voeux Road Central  
Central Hong Kong

**CCB International Capital Limited**

12/F., CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

**BOCOM International Securities Limited**

9th Floor, Man Yee Building  
68 Des Voeux Road Central  
Central  
Hong Kong

**China Everbright Securities (HK) Limited**

24/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

**Legal Advisors to our Company**

*As to Hong Kong and US law*

**Clifford Chance**

27/F, Jardine House  
One Connaught Place  
Central  
Hong Kong

*As to PRC law*

**DeHeng Law Offices**

12/F, Tower B Focus Place  
No.19, Finance Street  
Xicheng District  
Beijing  
PRC

*As to Irish law*

**Matheson**

70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

**Legal Advisors to the Underwriters and  
the Joint Sponsors**

*As to Hong Kong and US law*

**Davis Polk & Wardwell**

18/F, The Hong Kong Club Building  
3A Chater Road  
Hong Kong

*As to PRC law*

**Fangda Partners**

27/F, North Tower, Beijing Kerry Centre  
1 Guanghua Road  
Chaoyang District  
Beijing  
PRC



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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**Compliance Advisor****Zhongtai International Capital Ltd.**

Unit 3904-07, 39F  
Cosco Tower  
183 Queen's Road Central  
Hong Kong

**Reporting Accountant****Deloitte Touche Tohmatsu**

*Certified Public Accountants*

35/F, One Pacific Place  
88 Queensway  
Hong Kong

**Industry Consultant****Frost & Sullivan (Beijing) Inc.,  
Shanghai Branch Co.**

Room 1018, Tower B  
No.500 Yunjin Road  
Xuhui District  
Shanghai  
PRC

**Receiving Banks****Bank of Communications Co., Ltd.****Hong Kong Branch**

20 Pedder Street  
Central  
Hong Kong

**Standard Chartered Bank  
(Hong Kong) Limited**

15/F Standard Chartered Tower  
388 Kwun Tong Road  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office</b>	50-52/F New World Center No. 6009 Yitian Road Futian District Shenzhen Guangdong Province PRC
<b>Headquarters</b>	50-52/F New World Center No. 6009 Yitian Road Futian District Shenzhen Guangdong Province PRC
<b>Principal Place of Business in Hong Kong</b>	36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Website of the Company</b>	<b><u><a href="http://www.cdb-leasing.com">http://www.cdb-leasing.com</a></u></b> (Information on this website does not form part of this prospectus)
<b>Joint Company Secretaries</b>	Mr. Huang Min Room 2808, Building 10 Wanke Jinyu Lanwan Futian District Shenzhen Guangdong Province PRC  Ms. Wong Sau Ping ( <i>ACIS; ACS</i> ) 36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

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## CORPORATE INFORMATION

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### Authorized Representatives

Mr. Fan Xun  
Room 603, Building 17  
Phase I, Gangzhonglv Garden  
Futian District  
Shenzhen  
Guangdong Province  
PRC

Mr. Huang Min  
Room 2808, Building 10  
Wanke Jinyu Lanwan  
Futian District  
Shenzhen  
Guangdong  
PRC

### Risk Management and Internal Control Committee

Mr. Wang Xuedong (*Chairman*)  
Mr. Fan Xun  
Mr. Geng Tiejun  
Mr. Huang Min  
Ms. Liu Hui  
Mr. Li Yingbao  
Mr. Zheng Xueding

### Related Party Transactions Control Committee

Mr. Xu Jin (*Chairman*)  
Mr. Geng Tiejun  
Mr. Huang Min  
Mr. Zheng Xueding  
Mr. Zhang Xianchu

### Audit Committee

Mr. Zheng Xueding (*Chairman*)  
Ms. Liu Hui  
Mr. Li Yingbao  
Mr. Xu Jin  
Mr. Zhang Xianchu

### Remuneration Committee

Mr. Zhang Xianchu (*Chairman*)  
Mr. Fan Xun  
Mr. Li Yingbao  
Mr. Zheng Xueding  
Mr. Xu Jin

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## CORPORATE INFORMATION

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### Nomination Committee

Mr. Wang Xuedong (*Chairman*)  
Ms. Liu Hui  
Mr. Zheng Xueding  
Mr. Xu Jin  
Mr. Zhang Xianchu

### H Share Registrar

**Computershare Hong Kong Investor Services Limited**  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### Principal Bankers

**China Development Bank**  
Head Office  
No.18 Fuxingmen Nei Avenue  
Xicheng District  
Beijing  
PRC

**Agricultural Bank of China**  
Head Office  
No. 69 Jianguomen Nei Avenue  
Dongcheng District  
Beijing  
PRC

**China Construction Bank**  
Head Office  
No.25 Finance Street  
Xicheng District  
Beijing  
PRC

**Industrial and Commercial Bank of China**  
Head Office  
No. 55 Fuxingmen Nei Avenue  
Xicheng District  
Beijing  
PRC

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## CORPORATE INFORMATION

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**The Export-Import Bank of China**

Head Office  
No. 30 Fuxingmen Nei Avenue  
Xicheng District  
Beijing  
PRC

**Bank of China**

Head Office  
No.1 Fuxingmen Nei Avenue  
Xicheng District  
Beijing  
PRC

**China CITIC Bank**

Head Office  
No.9 Chaoyangmen North Avenue  
Dongcheng District  
Beijing  
PRC

**Shanghai Pudong Development Bank**

Head Office  
No.12 Zhongshan Dong Yi Road  
Huangpu District  
Shanghai  
PRC

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## INDUSTRY OVERVIEW

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*The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report commissioned by us and independently prepared by Frost & Sullivan, in connection with the Global Offering. In addition, certain information is based on, or derived or extracted from, among other sources, publications of government authorities and internal organizations, market statistics providers, communications with various PRC government agencies or other Independent Third Party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or adversely impact the quality of the information in this section. None of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters or any other party involved in the Global Offering or their respective directors, advisors and affiliates have independently verified such information and statistics and no representation has been given as to their accuracy. Accordingly, such information should not be unduly relied upon.*

### SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to conduct analysis and prepare a report (the “Frost & Sullivan Report”) on the leasing industry and markets in China and worldwide. Founded in 1961, Frost & Sullivan conducts industry research and corporate training in various industries, including the financial and leasing industries. We agreed to pay Frost & Sullivan a fee of RMB560,000 for the preparation and use of the Frost & Sullivan Report. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan’s view on the future development of the leasing industry in China and worldwide.

In preparing the report, Frost & Sullivan has relied on statistics and information obtained through both primary and secondary research. Primary research includes interviewing industry insiders and recognized third-party industry associations, while secondary research includes reviewing corporate annual reports, databases of relevant official authorities and professional agencies, independent reports and publications, as well as the proprietary database established by Frost & Sullivan during the past decades. Frost & Sullivan also cross-checked the information obtained from different sources to ensure such information is in line with the practice of the industry. The forecasts were made by Frost & Sullivan on the basis of following assumptions:

- The social, economic and political conditions in China and abroad are expected to remain stable during the forecast period from 2015 to 2020;
- The global economy and China’s economy are expected to continue to grow steadily during the forecast period from 2015 to 2020;
- The key drivers of the global and China’s leasing industry are expected to continue to drive the development of leasing market in the forecast period from 2015 to 2020; and

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## INDUSTRY OVERVIEW

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- The leasing markets in China and abroad are not expected to be materially and adversely affected by any extreme circumstances during the forecast period from 2015 to 2020.

Our Directors confirm that, after reasonable and due inquiry, there has been no adverse change in the market information since obtaining the data from Frost & Sullivan which may limit, contradict or affect the information in this section.

### OVERVIEW OF THE PRC ECONOMY

The PRC has sustained steady and rapid economic growth since 2009. According to Frost & Sullivan, the PRC's nominal GDP grew at a CAGR of 11.9%, from RMB34,562.9 billion in 2009 to RMB67,670.8 billion in 2015. The PRC's real GDP grew at a CAGR of 8.6% from RMB12,407.1 billion in 2009 to RMB18,706.9 billion in 2014. In terms of nominal GDP in 2014, the PRC is the second largest economy in the world. Despite the lower growth rate caused by the slowdown of global macroeconomic growth, the PRC's economic growth remained at a medium-to-high speed in recent years. According to Frost & Sullivan, the PRC's nominal GDP is expected to grow at a CAGR of 8.2% from 2015 to 2019, reaching RMB92,900.2 billion by 2019, and the PRC's real GDP is expected to grow at a CAGR of 6.3%, reaching RMB25,400.9 billion by 2019.

According to Frost & Sullivan, in terms of total investment, the PRC's fixed asset investment grew from RMB22,459.9 billion in 2009 to RMB56,200.0 billion in 2015, representing a CAGR of 16.5%. Total fixed asset investment of the PRC ranked first in the world in 2014. Such rapid expansion of fixed asset investment has been largely driven by accelerated urbanization in the PRC. According to Frost & Sullivan, the PRC's urban fixed asset investment grew from RMB19,392.0 billion in 2009 to RMB50,126.5 billion in 2014, representing a CAGR of 20.9%. Meanwhile, despite a lower growth rate resulting from the slowdown of global economy, the PRC's fixed asset investment is expected to sustain its rapid growth at a double-digit growth rate from 2015 to 2019. The PRC's fixed asset investment is expected to grow at a CAGR of 11.4% from 2015 to 2019, reaching RMB86,652.4 billion by 2019; while the PRC's urban fixed asset investment is expected to grow at a CAGR of 11.4% during the same period, reaching RMB85,981.9 billion by 2019.

Additionally, as the majority of their assets and liabilities of the finance lease business are denominated in Renminbi and also under finance leases with floating rate pricing, the businesses of most of the PRC's leasing companies are primarily affected by the fluctuations in Renminbi interest rate. For example, the PBOC reduced its benchmark rate five times in 2015, resulting in a decrease in the one-year benchmark lending rate from 5.60% on January 1, 2015 to 4.35% on December 31, 2015. In addition, the PBOC also reduced the deposit reserve ratio three times in 2015, resulting in ample liquidity in the market and a decrease in interbank borrowing costs. The significant decrease in benchmark rate led to decreases in the finance lease income and expenses of the leasing companies, and affected the net interest margin of their finance lease businesses. On the other hand, lower benchmark rate and deposit reserve ratio may also help to bring down the RMB funding costs for leasing companies. The table below sets forth the fluctuation of the PBOC benchmark leasing interest rates from February 21, 2002 to February 21, 2016:

## INDUSTRY OVERVIEW

### PBOC benchmark lending interest rates (%)

Adjustment Date	Less than 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years
2/21/2002 . . . . .	5.04	5.31	5.49	5.58	5.76
10/29/2004 . . . . .	5.22	5.58	5.76	5.85	6.12
4/28/2006 . . . . .	5.40	5.85	6.03	6.12	6.39
8/19/2006 . . . . .	5.58	6.12	6.30	6.48	6.84
3/18/2007 . . . . .	5.67	6.39	6.57	6.75	7.11
5/19/2007 . . . . .	5.85	6.57	6.75	6.93	7.20
7/21/2007 . . . . .	6.03	6.84	7.02	7.20	7.38
8/22/2007 . . . . .	6.21	7.02	7.20	7.38	7.56
9/15/2007 . . . . .	6.48	7.29	7.47	7.65	7.83
12/21/2007 . . . . .	6.57	7.47	7.56	7.74	7.83
9/16/2008 . . . . .	6.21	7.20	7.29	7.56	7.74
10/9/2008 . . . . .	6.12	6.93	7.02	7.29	7.47
10/30/2008 . . . . .	6.03	6.66	6.75	7.02	7.20
11/27/2008 . . . . .	5.04	5.58	5.67	5.94	6.12
12/23/2008 . . . . .	4.86	5.31	5.40	5.76	5.94
10/20/2010 . . . . .	5.10	5.56	5.60	5.96	6.14
12/26/2010 . . . . .	5.35	5.81	5.85	6.22	6.40
2/9/2011 . . . . .	5.60	6.06	6.10	6.45	6.60
4/6/2011 . . . . .	5.85	6.31	6.40	6.65	6.80
7/7/2011 . . . . .	6.10	6.56	6.65	6.90	7.05
6/8/2012 . . . . .	5.85	6.31	6.40	6.65	6.80
7/6/2012 . . . . .	5.60	6.00	6.15	6.40	6.55
Adjustment Date <sup>(1)</sup>	Less than 1 year	1 to 5 years	Over 5 years		
11/22/2014 . . . . .	5.60	6.00	6.15		
3/1/2015 . . . . .	5.35	5.75	5.90		
5/11/2015 . . . . .	5.10	5.50	5.65		
6/28/2015 . . . . .	4.85	5.25	5.40		
8/26/2015 . . . . .	4.60	5.00	5.15		
10/24/2015 . . . . .	4.35	4.75	4.90		

Source: the Frost & Sullivan Report

Note:

(1) Since November 22, 2014, the PBOC has been applying three benchmark interest rates rather than the previous five.

## OVERVIEW OF THE PRC LEASING INDUSTRY

The PRC's leasing industry has grown rapidly since 2009. According to Frost & Sullivan, in terms of the balance of leased assets, the market of the PRC leasing industry grew from RMB664.7 billion in 2009 to RMB2,633.9 billion in 2014, representing a CAGR of 31.7%. As of December 31, 2014, in terms of the balance of leased assets, the PRC had become the largest leasing market in the world. The PRC leasing industry also demonstrates significant growth potential, and the main drivers include:

*The penetration rate of the PRC leasing industry remains relatively low.* Despite rapid growth of the PRC financial leasing industry, there remains potential for its development as compared with the PRC banking industry. According to Frost & Sullivan, as of December 31, 2014, total loans in the PRC amounted to RMB81,677.0 billion, while the balance of leased assets of the PRC leasing industry was RMB2,633.9 billion. Meanwhile, as the PRC leasing



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## INDUSTRY OVERVIEW

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industry is still in the early stages of development, the penetration rate of the PRC leasing industry, which refers to the proportion of total leased assets in the total fixed asset investment, remains relatively low as compared with those of the developed countries. In 2014, among the top ten leasing markets in terms of total leased assets, the penetration rate of the PRC leasing industry was 5.14%, compared with 23.2% in the United States, 28.6% in the United Kingdom and 16.4% in Germany. In recent years, the rapid development of CBRC-regulated leasing companies, supported by the financial strength of their shareholders, increased customer awareness of leasing products, and a more developed regulatory environment, played important roles in helping increase the penetration rate of the PRC leasing industry. The aforementioned factors may continue to drive the increase of penetration rate of the PRC leasing industry going forward.

***The PRC government continues to facilitate the development of the PRC leasing industry.***

For example, the CBRC allowed commercial banks to conduct leasing services in 2007, providing them with significant development opportunities in the emerging leasing industry. In 2008, the PBOC, the CBRC, the CSRC and the CIRC announced the financial sector's opinions on supporting the development of the PRC's service sector. The opinions encouraged non-bank financial institutions, including financial leasing companies, to provide efficient financial leasing services to the PRC's service sector, which is expected to accelerate the development of the PRC leasing industry. In September 2015, the PRC State Council promulgated opinions to encourage financial leasing services to play a more important role in the development of real economy, industry upgrades and transformation, as well as industry capacity reallocation in the PRC. The PRC State Council also encouraged financial leasing companies to raise capital through various means, such as debt and equity financing, asset securitization and cross-border RMB financing, providing significant opportunities for the development of the PRC leasing industry.

***The restructuring of the PRC's economy is expected to stimulate the development of the PRC leasing industry.*** The main focus of the restructuring of the PRC's economy is to promote the optimization of economic structures, innovation-driven development and the effective allocation of economic resources. This encourages companies to invest more in equipment upgrading and replacement, and local governments to adopt flexible and commercial-oriented approaches to optimize their balance sheets and better manage their infrastructure asset portfolio. These reform efforts are expected to increase the demand of leasing services and further promote the future development of the PRC leasing industry.

### COMPETITIVE LANDSCAPE IN THE PRC LEASING INDUSTRY

According to Frost & Sullivan, as of December 31, 2014, there were a total of 2,077 leasing companies in the PRC. These leasing companies can be generally classified into two categories based on their regulatory regime:

- **CBRC-regulated leasing companies.** The CBRC-regulated leasing companies are usually established by banks, non-bank financial institutions or local governments in the PRC. The CBRC-regulated leasing companies are the major players in the PRC leasing industry, and generally have stronger shareholder backgrounds, higher licensing requirements, better financial and liquidity performance, and greater flexibility in financing. As of December 31, 2014, there were 32 CBRC-regulated leasing companies in the PRC, with an aggregate asset balance of RMB1,278.7 billion. The key players in this category mainly include, among others, CDB Leasing, ICBC Financial Leasing Co., Ltd. and Minsheng Financial Leasing Co., Ltd.

## INDUSTRY OVERVIEW

- MOFCOM-regulated leasing companies.** MOFCOM-regulated leasing companies can be divided into Chinese-funded MOFCOM-regulated leasing companies, and foreign-funded MOFCOM-regulated leasing companies based on the differences in their shareholder structures. The Chinese-funded MOFCOM-regulated leasing companies are established by PRC equipment manufacturers or independent parties, whereas the foreign-funded MOFCOM-regulated leasing companies are generally established by foreign equipment manufacturers or independent parties. As of December 31, 2014, there were 152 Chinese-funded financial leasing companies and 1,893 foreign-funded financial leasing companies in the PRC, with an aggregate asset balance of approximately RMB1,101.0 billion. The key players in this category mainly include, among others, Far East Horizon Limited, Bohai Leasing Co., Ltd. and Changjiang Leasing Limited.

The regulatory requirements for the CBRC-regulated leasing companies and the MOFCOM-regulated leasing companies are mainly different in terms of sources of funding and capital adequacy requirements, leverage ratio and minimum registered capital. In particular, compared with MOFCOM-regulated leasing companies, CBRC-regulated leasing companies can finance their businesses in the interbank lending market at a lower financing cost and with diverse sources of funding, while MOFCOM-regulated leasing companies are not allowed to finance their businesses by deposits or interbank lending. Meanwhile, CBRC-regulated leasing companies are regulated under more stringent CBRC regulations, and generally have greater capacities in financing availability and operation stability. Currently, the PRC leasing industry is dominated by CBRC-regulated leasing companies in terms of market share, industry influence and business size. However, in recent years, CBRC-regulated leasing companies are facing intense competition from key MOFCOM-regulated leasing companies. The following table sets forth the five largest leasing companies in the PRC in terms of total revenue in 2014:

**The five largest leasing companies in the PRC in terms of total revenue in 2014**

Rank	Company	Revenue (RMB in billions)	Market Share
1	CDB Leasing . . . . .	11.7	6.1%
2	ICBC Financial Leasing Co., Ltd. . . . .	10.5	5.5%
3	Far East Horizon Limited . . . . .	10.1	5.3%
4	Minsheng Financial Leasing Co., Ltd. . . . .	9.1	4.8%
5	Bohai Leasing Co., Ltd. . . . .	6.9	3.6%

*Source: the Frost & Sullivan Report*

## INDUSTRY OVERVIEW

CDB Leasing is a CBRC-regulated leasing company, and has the highest credit rating among all publicly listed leasing companies in the world. CDB Leasing also holds a leading position in terms of a variety of major financial indicators compared with its competitors. According to Frost & Sullivan, as of December 31, 2013, 2014 and 2015, in terms of the balance of operating lease assets, CDB Leasing was the largest CBRC-regulated leasing company in the PRC, and a number of its financial indicators, such as total assets, net assets and paid-in capital, also ranked highly in the PRC leasing industry. Meanwhile, in 2013, 2014 and 2015, CDB Leasing ranked first among all leasing companies in the PRC in terms of total revenue. The following table sets forth the five largest CBRC-regulated leasing companies in the PRC in terms of total revenue in 2014 and balance of operating lease assets as of December 31, 2014:

<b>The five largest CBRC-regulated leasing companies in the PRC in terms of total revenue in 2014</b>			<b>The five largest CBRC-regulated leasing companies in the PRC in terms of the balance of operating lease assets as of December 31, 2014</b>		
<b>Rank</b>	<b>Company</b>	<b>Revenue (RMB in billions)</b>	<b>Rank</b>	<b>Company</b>	<b>Balance of operating lease assets (RMB in billions)</b>
1	CDB Leasing . . . . .	11.7	1	CDB Leasing . . . . .	36.0
2	ICBC Financial Leasing Co., Ltd. . . . .	10.5	2	ICBC Financial Leasing Co., Ltd. . . . .	24.1
3	Minsheng Financial Leasing Co., Ltd.. . . . .	9.1	3	Minsheng Financial Leasing Co., Ltd. . . . .	24.1
4	Bank of Communications Financial Leasing Co., Ltd. . . . .	6.7	4	Bank of Communications Financial Leasing Co., Ltd. . . . .	11.9
5	CMB Financial Leasing Co., Ltd.. . . . .	6.2	5	CCB Financial Leasing Corporation . . . . .	4.7

*Source: the Frost & Sullivan Report*

### AIRCRAFT LEASING

#### The Global Airline Industry

The development of the global aircraft leasing market is largely dependent on market demand for air transportation. According to Frost & Sullivan, global revenue passenger kilometers (“RPKs”) grew from 4,540.8 billion in 2009 to 6,144.5 billion in 2014, representing a CAGR of 6.2%. As a result, in terms of the number of aircraft, the size of the global commercial aircraft fleet grew from 23,264 in 2009 to 26,653 in 2014. Meanwhile, according to Frost & Sullivan, the global airline industry is expected to continue to grow rapidly from 2014 to 2019 and in the long term, primarily because: (i) global market demand for air transportation is expected to continue its rapid growth rate from 2014 to 2019. The global RPKs are expected to grow at a CAGR of 5.1% from 2014 to 2019, reaching 7,887.0 billion by 2019, and the size of the global commercial aircraft fleet is expected to increase to 31,094 by 2019, respectively; and (ii) the global airline industry is expected to remain profitable primarily due to relatively low fuel prices. According to Frost & Sullivan, the fuel price is expected to remain at a low level, which is expected to help reduce the operating costs of airlines, increase consumer spending on air traffic brought about by lower air fares, and stimulate market demand for commercial aircraft.

### **The PRC Airline Industry**

Driven by rapid economic growth, the PRC airline industry grew rapidly from 2009 to 2014. According to Frost & Sullivan, the number of the PRC's air passengers grew from approximately 220.0 million in 2009 to approximately 360.0 million in 2014, representing a CAGR of 11.2%, and is expected to grow at a CAGR of 8.5% from 2014 to 2019, reaching approximately 530.0 million by 2019. During the same period, the PRC's RPKs grew from 334.8 billion in 2009 to 630.8 billion in 2014, representing a CAGR of 13.5%, and is expected to grow at a CAGR of 11.3% from 2014 to 2019, reaching 1,077.4 billion by 2019. The rapid growth of the PRC airline industry led to rapid growth in the number of commercial aircraft in service in the PRC. According to Frost & Sullivan, the number of commercial aircraft in service in the PRC grew from 1,417 in 2009 to 2,370 in 2014, representing a CAGR of 10.8%, and is expected to grow at a CAGR of 10.6% from 2014 to 2019, reaching 3,914 by 2019.

### **Introduction of Aircraft Leasing Industry**

#### ***The Role of Aircraft Operating Lessor***

The risks and rewards of the aircraft ownership generally sit with the operating lessor while the risks and rewards of operation remain with the lessee or airline in an aircraft operating lease. The lessee or airline operator pays the operating lessor for the benefit of operating the aircraft over an agreed fixed term in return for rental payments paid monthly or quarterly in advance. During the lease, an aircraft owner has the right to sell the aircraft with the lease attached to another owner, while the lessee is responsible for maintaining the aircraft in accordance with the lease requirements, as well as local and internationally recognized aviation safety standards, such as the airworthiness requirements of the FAA, the EASA or other applicable aviation authorities.

To mitigate the financial risks associated with aircraft operation and maintenance work, the operating lessor may also require the lessee to pay a security deposit in advance of delivery of the aircraft, and to collect maintenance reserves. In addition, an aircraft operating lessor will also actively manage their fleet with an in-house team of experts to undertake technical monitoring and remarketing of aircraft as the end of a lease approaches, or to manage any other issues.

#### ***Reasons for Airlines taking Aircraft on Operating or Finance Lease***

Operating leases can satisfy the diversified needs of funding for airlines in different stages of history and development. For more mature airlines, or airlines with high credit quality, which generally seek financing flexibility for their aircraft fleet, their decisions to procure aircraft on operating leases is driven by their relative cost competitiveness, their ability to manage capacity development, and to mitigate residual value risks. Also, aircraft operating lessors may offer better availability options for the delivery of new aircraft. For start-up or low-cost airlines, which generally prefer to utilize their available resources to finance working capital, operating leases generally allow them to use operating cash flows to secure capacity and retain capital to invest elsewhere in their businesses. Furthermore, airline lessees can keep their operating leases off-balance sheet unlike finance leases. Lease payments under operating leases are recorded in the lease expenses. Therefore, leased assets and lease payments under operating leases will not change lessees' reported assets and liabilities and hence the key financial metrics derived from them. However, this off-balance sheet treatment of operating leases may be affected by new accounting requirements effective in 2019. See "Risk Factors – Risks Relating to Our Business and Industry – We face risks related to changes in accounting standards."

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## INDUSTRY OVERVIEW

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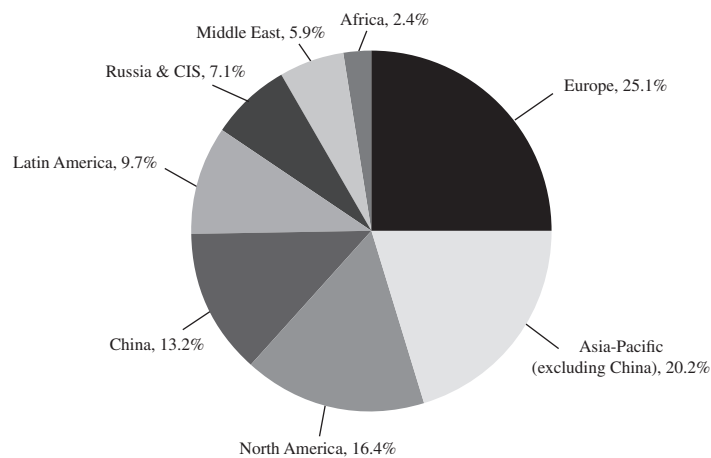
In contrast, airlines may prefer to take aircraft on finance leases if they have sufficient cash reverses, or where airlines expect strong recurring profits for which owned or depreciable assets provide tax shelter. Ultimately, the purchase decision will depend on a variety of factors such as the airline's cost of capital, balance sheet strength, credit standing, prevailing debt interest rates and spreads, as well as the cost, accounting and tax treatment of each asset finance option.

### *Operating Metrics of Leasing Aircraft Lessors*

Generally, the main operating metrics used to benchmark aircraft operating lessors include: current fleet size, mix of the fleet by aircraft type, committed orders and total aircraft value. For more information on the current fleet size and total aircraft value, see “– Aircraft Leasing – The Aircraft Leasing Industry” and “– Aircraft Leasing – Competitive Landscape of the Global and PRC Aircraft Leasing Markets” for details, respectively. Additionally, other important metrics also include the average fleet age and geographical distribution of the customers, as well as lease yield. Among these, the average fleet age is generally inversely related to the average remaining lease term.

### *Core Aircraft Lease Markets*

According to Frost & Sullivan, as of December 31, 2015, the global aircraft operating lessor fleet and backlog is currently dominated by the Asia-Pacific region with 33.4% of market share, of which China alone has 13.2%. Europe followed with 25.1%, and then North America with 16.4%. The following pie chart illustrates the respective share in the aircraft operating lessor fleet and committed orders by lessee region in 2015:



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Source: the Frost & Sullivan Report

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## INDUSTRY OVERVIEW

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### *Cost of Financing for Aircraft Leasing Companies*

Generally, an aircraft leasing company with a higher credit rating is able to finance its business development at lower interest rates. Aircraft leasing companies with lower credit ratings, on the other hand, may incur larger risk premiums and overall financing if committing to higher yields to maturity. Therefore, a higher credit rating constitutes an important comparative advantage in the capital intensive aircraft leasing market.

Meanwhile, a diversified funding source to match long-term assets is also a crucial factor in the financing cost for aircraft leasing companies. Long-term debt generally provides an aircraft leasing company taking aircraft on operating leases with the flexibility to take advantage of the market cycle. This is especially the case in the current low interest rate environment, where debt maturities can match the lease terms.

### *Outlook for the Aircraft Leasing Industry*

The growth of the global aircraft leasing industry largely depends on the development of the commercial aviation industry and the global economy, the growth of which further depends on various factors, including passenger demand, technological development, industry regulation, aircraft manufacturer supply and fuel costs. While these factors intertwine with each other, we face both the opportunities and challenges in the aircraft leasing industry.

Looking ahead, the global market demand for air transportation is expected to continue its rapid growth rate. Moreover, the expected relatively lower fuel price could help reduce the operating costs of airlines, increase consumer spending on air travel brought about by lower air fares, and further stimulate global market demand for commercial aircraft. Meanwhile, new aircraft technologies can generate operational and cost efficiencies, which are passed to passengers, hence driving air travel growth. These favorable factors may generate great aircraft leasing opportunities for our business.

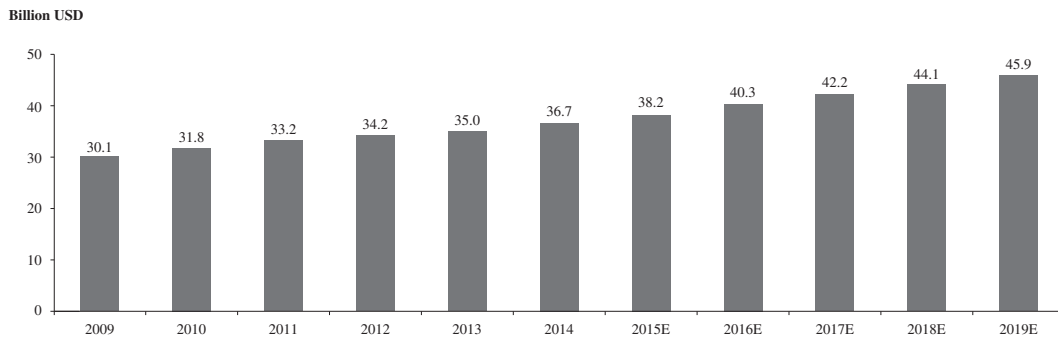
Nevertheless, there are potential factors that may adversely affect the commercial aviation industry in the future. The surge or fluctuations of fuel prices may affect the profitability of airlines customers and their decision to lease aircraft. Unfavorable global economic and market conditions as well as other factors beyond our control may discourage the use of air travel, such as the outbreak of epidemic diseases and severe weather conditions. See “Risk Factors – Risks Relating to Our Business and Industry – We may be subject to risks related to epidemics, acts of terrorism, wars, or other natural or man-made calamities globally.” In addition, we will also face challenges from heightened competition due to an increasing number of market participants.

### **The Aircraft Leasing Industry**

The robust growth of the global and PRC airline industries, along with the benefits brought by the accounting treatment of aircraft operating leases, has greatly promoted the development of the global and PRC aircraft leasing industries. For information on the benefits brought about by the accounting treatment of aircraft operating leases, see “– Aircraft Leasing – Introduction of Aircraft Leasing Industry – Reasons for Airlines Taking Aircraft on Operating or Finance Lease.” Aircraft operating leases allow airlines to maintain the operation of aircraft while at the same time lowering their operating costs. They also enable airlines to arrange their fleet and manage their balance sheets with more flexibility and not assume the responsibilities of managing the residual value of the aircraft. According to Frost & Sullivan, the global aircraft leasing penetration rate, which refers to the proportion of the total number of commercial aircraft

## INDUSTRY OVERVIEW

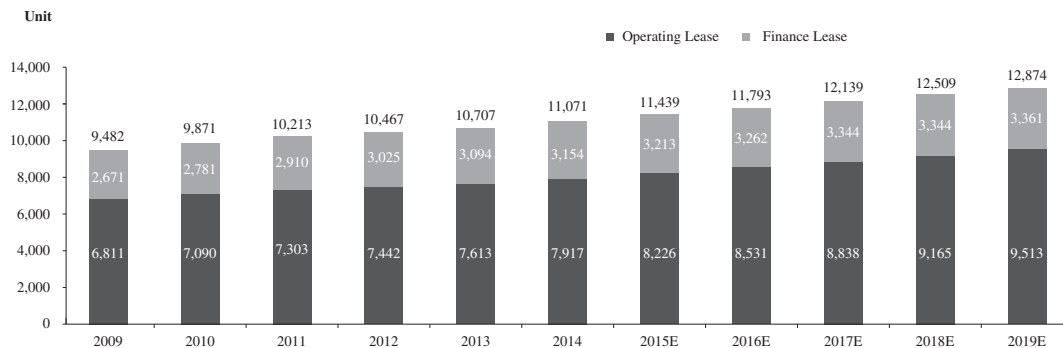
under lease within the total number of commercial aircraft in service, grew rapidly from 0.5% in 1970 to 29.7% in 2014, and is expected to grow to 31.0% by 2020. According to Frost & Sullivan, in terms of total revenue of aircraft leasing business, the size of the global aircraft leasing market grew at a CAGR of 4.0% from 2009 to 2014, and is expected to grow at a CAGR of 4.6% from 2014 to 2019, reaching USD45.9 billion in 2019. The following table sets forth the historical and forecast size of the global aircraft leasing market by revenue from 2009 to 2019:



**The historical and forecast size of global aircraft leasing market from 2009 to 2019**

*Source: the Frost & Sullivan Report*

Meanwhile, the size of the global aircraft leasing fleet grew at a CAGR of 3.1% from 2009 to 2014, and is expected to continue at that growth rate from 2014 to 2019, reaching 12,874 units in 2019. Within this, the number of global operating lease aircraft fleet grew at a CAGR of 3.4% from 2009 to 2014, and is expected to grow at a CAGR of 3.7% from 2014 to 2019, reaching 9,513 units in 2019; while the number of global financial lease aircraft fleet grew at a CAGR of 3.1% from 2009 to 2014, and is expected to grow to 3,361 units in 2019. The following table sets forth the historical and forecast numbers of the global aircraft leasing fleet from 2009 to 2019:

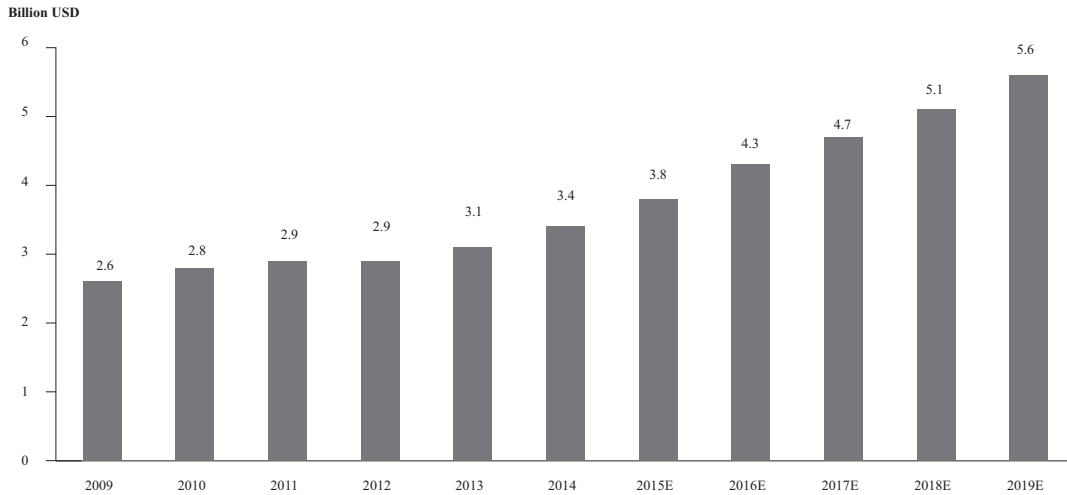


**The historical and forecast number of global aircraft leasing fleet from 2009 to 2019**

*Source: the Frost & Sullivan Report*

## INDUSTRY OVERVIEW

In particular, the PRC aircraft leasing industry experienced significant growth from 2009 to 2014. According to Frost & Sullivan, in terms of total revenue derived from PRC airlines, the size of the PRC aircraft leasing market grew at a CAGR of 5.6% from 2009 to 2014, and is expected to grow at a CAGR of 10.6% from 2014 to 2019, reaching USD5.6 billion in 2019. The following table sets forth the historical and forecast size of the PRC aircraft leasing market by revenue from 2009 to 2019:



**The historical and forecast size of the PRC aircraft leasing market from 2009 to 2019**

*Source: the Frost & Sullivan Report*

Meanwhile, according to Frost & Sullivan, the number of the PRC's aircraft leasing fleet grew at a CAGR of 4.7% from 2009 to 2014, and is expected to grow at a CAGR of 9.0% from 2014 to 2019, reaching 2,009 units in 2019. In particular, the number of the PRC's operating lease aircraft fleet grew at a CAGR of 9.3% from 2009 to 2014, and is expected to grow at a CAGR of 12.5% from 2014 to 2019, reaching 1,633 units in 2019. The following table sets forth the historical and forecast number of the PRC's aircraft leasing fleet from 2009 to 2019:



**The historical and forecast number of the PRC's aircraft leasing fleet from 2009 to 2019**

*Source: the Frost & Sullivan Report*



## INDUSTRY OVERVIEW

### Competitive Landscape of the Global and PRC Aircraft Leasing Markets

Competition is intense in the global aircraft leasing market. According to Frost & Sullivan, as of December 31, 2014, there were over 160 aircraft leasing companies in the world. In terms of total book value of aircraft fleet, CDB Leasing ranked tenth among all aircraft leasing companies in the world. The following table sets forth the 20 largest aircraft leasing companies globally in terms of the total book value of the aircraft fleet as of December 31, 2014.

Rank	Company	Total book value of both operating and finance lease aircraft fleet (USD in millions)	Rank	Company	Total book value of both operating and finance lease aircraft fleet (USD in millions)
1	AerCap Holdings N.V. . . . . .	32,487	11	Aviation Capital Group Corp. . . . .	6,266
2	GE Capital Aviation Services, Inc. . . . .	32,480	12	Avolon Holdings Limited . . . . .	6,069
3	BBAM Aircraft Leasing and Management LLC . . . . .	15,463	13	Doric GmbH . . . . .	4,383
4	SMBC Aviation Capital . . . . .	12,126	14	Standard Chartered Aviation . . . . .	4,263
5	BOC Aviation Pte. Ltd. . . . .	9,923	15	Aircastle Limited . . . . .	4,080
6	AWAS Aviation Capital Ltd. . . . .	9,263	16	Macquarie Air France Ltd. . . . .	3,840
7	Air Lease Corporation . . . . .	7,988	17	Jackson Square Aviation Ltd. . . . .	3,671
8	CIT Aerospace, Inc. . . . .	7,514	18	FLY Leasing Ltd. . . . .	2,997
9	ICBC Financial Leasing Co., Ltd. . . . .	6,721 <sup>(1)</sup>	19	Nordic Aviation Capital A/S . . . . .	2,848
10	<b>CDB Leasing</b> . . . . .	<b>6,299<sup>(1)</sup></b>	20	MC Aviation Partners, Inc. . . . .	2,842

Source: the Frost & Sullivan Report

Note:

(1) It is calculated on basis of the foreign exchange rate between the US Dollar and Renminbi by the PBOC (US\$1=RMB6.119) on December 31, 2014

There is also great competition in the PRC aircraft leasing market. Historically, the PRC aircraft leasing market was dominated by foreign aircraft leasing companies. In recent years, however, the market share of Chinese aircraft leasing companies has increased rapidly and is expected to remain at its rapid growth rate in the coming years. Meanwhile, Chinese airlines are exempt from paying withholding tax when leasing aircraft from Chinese aircraft leasing companies, which strengthens the competitiveness of the Chinese aircraft leasing companies in the PRC aircraft leasing market. According to Frost & Sullivan, as of December 31, 2014, there were over 50 Chinese and foreign aircraft leasing companies providing leasing services to Chinese airlines. The following table sets forth the five largest aircraft leasing companies operating in the PRC as of December 31, 2014 (in terms of number of aircraft leased to Chinese airlines).

Company	Market Share
AerCap Holdings N.V. . . . . .	18.3%
GE Capital Aviation Services, Inc. . . . .	13.4%
ICBC Financial Leasing Co., Ltd. . . . .	7.4%
<b>CDB Leasing</b> . . . . .	<b>6.3%</b>
Changjiang Leasing Co., Ltd. . . . .	5.8%

Source: the Frost & Sullivan Report

### **Entry Barriers of the Aircraft Leasing Market**

The crucial factors for an aircraft leasing company to stay competitive in the market mainly include: a diversified aircraft portfolio that is in constant revenue service, a broad geographical spread of airline lessees in major traffic generating regions, a strong relationship with the financing community (allowing the aircraft leasing company access to adequate capital at low financing cost with diversified and effective means through the demand cycle), strong negotiation power against aircraft manufacturers, suppliers and airlines to secure favorable pricing or costs, and an extensive customer base to maximize trading opportunities and returns. In addition, a competitive aircraft leasing company should also adopt an active aircraft portfolio management strategy to maximize residual value and minimize the risks through the use of diversified mitigating measures, such as maintenance reserves, robust return conditions or security deposits. In order to secure lease contracts with airlines, an aircraft leasing company should also monitor aircraft orders and fleet expansion plans in the market, and have expertise in aircraft asset management and the aircraft marketing and remarketing.

### **CDB Leasing's Competitive Advantages in the Global and PRC Aircraft Leasing Markets**

As of December 31, 2013, 2014 and 2015, CDB Leasing ranked first among all Chinese leasing companies in terms of aircraft operating lease assets. CDB Leasing has global aircraft leasing platforms in the PRC, the Cayman Islands and Ireland, and a global customer network. Meanwhile, CDB Leasing has the highest credit ratings among all publicly listed leasing companies in the world, which allows the Company to finance its aircraft leasing business at lower cost. As of December 31, 2015, CDB Leasing had 40 airlines customers with 12 in the PRC and 28 outside of the PRC.

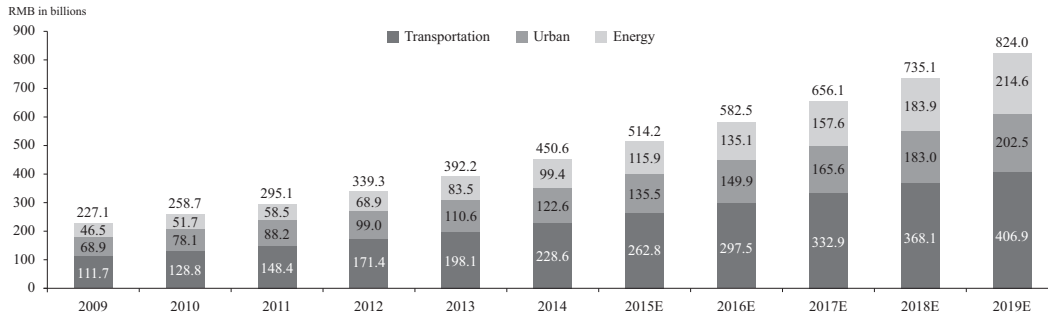
## **INFRASTRUCTURE LEASING**

### **The PRC Infrastructure Leasing Industry**

Infrastructure investment is a major driver of the PRC's economic growth. In the past three decades, sustained and increasing spending on infrastructure construction by the PRC government has produced significant infrastructure assets. According to Frost & Sullivan, the aggregate five-year infrastructure investment in the PRC between 2011 and 2015 was RMB48,117.8 billion, the largest in the world, compared with an aggregate investment of RMB17,376.3 billion between 2005 and 2009. In addition, the PRC government continues to consider infrastructure construction as a top priority during China's 13th five-year plan (2016-2020). According to Frost & Sullivan, the aggregate five-year infrastructure investment in the PRC between 2015 and 2019 is expected to reach RMB73,395.8 billion. Existing and increasing infrastructure assets have greatly promoted the development of the PRC infrastructure leasing industry.

Currently, the PRC infrastructure leasing industry mainly focused on completed and revenue-generating infrastructure assets such as toll roads, urban rail transit systems, power equipment, and urban water supply systems. In recent years, infrastructure leasing increased rapidly among PRC local governments and state-owned infrastructure construction companies, primarily because infrastructure leasing was more flexible in lease terms, interest rates and the use of proceeds compared with other means of financing. Such comparative advantages have provided PRC local governments and infrastructure construction companies with more options to better manage their infrastructure asset portfolios. According to Frost & Sullivan, in terms of total assets held under finance leases, the PRC infrastructure leasing market grew at a CAGR of 14.7% from 2009 to 2014, and is expected to reach RMB824.0 billion by 2019. The following table sets forth the historical and forecast growth of the PRC infrastructure leasing industry from 2009 to 2019:

## INDUSTRY OVERVIEW



**The historical and forecast growth of the PRC infrastructure leasing industry from 2009 to 2019**

*Source: the Frost & Sullivan Report*

### Transportation Infrastructure Leasing Industry

According to Frost & Sullivan, the total length of highways and railways in the PRC amounted to 4.5 million kilometers and 121.4 thousand kilometers in 2015, respectively, and are expected to grow to 4.9 million kilometers and 149.0 thousand kilometers by 2019, respectively. Benefiting from the significant volume of transportation infrastructure assets, the PRC transportation infrastructure leasing industry has grown rapidly in recent years. According to Frost & Sullivan, in terms of total assets held under finance leases, the PRC transportation infrastructure leasing market grew from RMB111.7 billion in 2009 to RMB228.6 billion in 2014, representing a CAGR of 15.4%, and is expected to grow at a CAGR of 12.2% from 2014 to 2019, reaching RMB406.9 billion by 2019.

### Urban Infrastructure Leasing Industry

The PRC's rapid urbanization produced increasing demand for urban infrastructure investment during the past three decades. According to Frost & Sullivan, urban infrastructure fixed investment in the PRC grew from RMB19,392.0 billion in 2009 to RMB50,126.5 billion in 2014, representing a CAGR of 20.9%, and is expected to reach RMB85,981.9 billion by 2019. Benefiting from the rapid development of PRC urban infrastructure fixed investment, the urban infrastructure leasing industry in the PRC has grown rapidly in recent years. According to Frost & Sullivan, in terms of total assets held under finance leases, the PRC urban infrastructure leasing market grew from RMB68.9 billion in 2009 to RMB122.6 billion in 2014, representing a CAGR of 12.2%, and is expected to grow at a CAGR of 10.6% from 2014 to 2019, reaching RMB202.5 billion by 2019. Meanwhile, as of December 31, 2014, the PRC's urbanization rate (urbanization rate refers to the proportion of the total urban population within the total population) was 54.4%, compared with 82.3% in the United Kingdom, 81.4% in the United States and 75.1% in Germany. Therefore, it is believed that the PRC's urban infrastructure investment and urban infrastructure leasing industry have considerable growth potential in the future.

### Energy Infrastructure Leasing Industry

The PRC government considers new energy as a main focus of development in the future, and has announced a series of policies to facilitate its development. As a result, a number of major PRC power companies have increased their investments in the new energy areas. Compared with other sources of funding, finance leasing provides customized solutions for energy equipment manufacturers to expand their market shares, and generate stable, risk-adjusted yields for various investors. According to Frost & Sullivan, the PRC energy

## INDUSTRY OVERVIEW

infrastructure fixed investment grew from RMB1,000.3 billion in 2009 to RMB1,632.7 billion in 2014, representing a CAGR of 10.3%, and is expected to grow at a CAGR of 22.3% from 2014 to 2019, reaching RMB4,472.5 billion by 2019. Meanwhile, in terms of total assets under finance lease, the PRC energy infrastructure leasing market grew from RMB46.5 billion in 2009 to RMB99.4 billion in 2014, representing a CAGR of 16.4%, and is expected to grow at a CAGR of 16.6% from 2014 to 2019, reaching RMB214.6 billion by 2019.

### Competitive Landscape of PRC Infrastructure Leasing Market

According to Frost & Sullivan, as of December 31, 2014, there were over 20 leasing companies providing infrastructure leasing services in the PRC. In terms of leased assets, CDB Leasing ranked first among all such leasing companies. Meanwhile, in terms of leased assets, among the leasing companies providing transportation infrastructure and urban infrastructure leasing services in China, CDB Leasing ranked first and third, respectively. The following table sets forth the five largest leasing companies offering infrastructure leasing services in the PRC, in terms of leased assets and their market shares, as of December 31, 2014:

Company	Market Share
<b>CDB Leasing</b> . . . . .	<b>10.7%</b>
Bank of Communications Financial Leasing Co., Ltd. . . . .	10.6%
ICBC Financial Leasing Co., Ltd. . . . .	9.3%
Minsheng Financial Leasing Co., Ltd. . . . .	8.8%
CMB Financial Leasing Co., Ltd. . . . .	8.3%

*Source: the Frost & Sullivan Report*

The following table sets forth the five largest leasing companies offering transportation infrastructure and urban infrastructure leasing services, respectively, in the PRC in terms of leased assets and their market shares as of December 31, 2014.

The five largest leasing companies offering transportation infrastructure leasing services in the PRC as of December 31, 2014			The five largest leasing companies offering urban infrastructure leasing services in the PRC as of December 31, 2014		
Rank	Company	Market Share	Rank	Company	Market Share
1	<b>CDB Leasing</b> . . . . .	<b>14.4%</b>	1	Bank of Communications Financial Leasing Co., Ltd. . . . .	10.0%
2	Bank of Communications Financial Leasing Co., Ltd. . . . .	13.2%	2	ICBC Financial Leasing Co., Ltd. . . . .	8.0%
3	ICBC Financial Leasing Co., Ltd. . . . .	9.7%	3	<b>CDB Leasing</b> . . . . .	<b>7.8%</b>
4	Minsheng Financial Leasing Co., Ltd. . . . .	9.1%	4	Minsheng Financial Leasing Co., Ltd. . . . .	7.6%
5	CMB Financial Leasing Co., Ltd. . . . .	8.6%	5	CMB Financial Leasing Co., Ltd. . . . .	7.0%

*Source: the Frost & Sullivan Report*

### Entry Barriers of the Infrastructure Leasing Market

Infrastructure construction generally requires large-scale investment and a long construction period, and investors are mostly large state-owned enterprises or other companies affiliated with local governments. As a result, the entry threshold for the infrastructure leasing business is generally higher than that of other leasing businesses. Crucial factors for a leasing company to stay competitive and increase its market share mainly include, among others, adequate capital, low financing cost and stable sources of financing. Well-managed relationships with the PRC local governments and large state-owned enterprises are also essential to leasing companies to secure their leasing contracts. Meanwhile, infrastructure leasing companies also need expertise in infrastructure asset management in order to diversify their revenue sources.

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## INDUSTRY OVERVIEW

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### Competitive Advantages of CDB Leasing in the PRC's Infrastructure Leasing Market

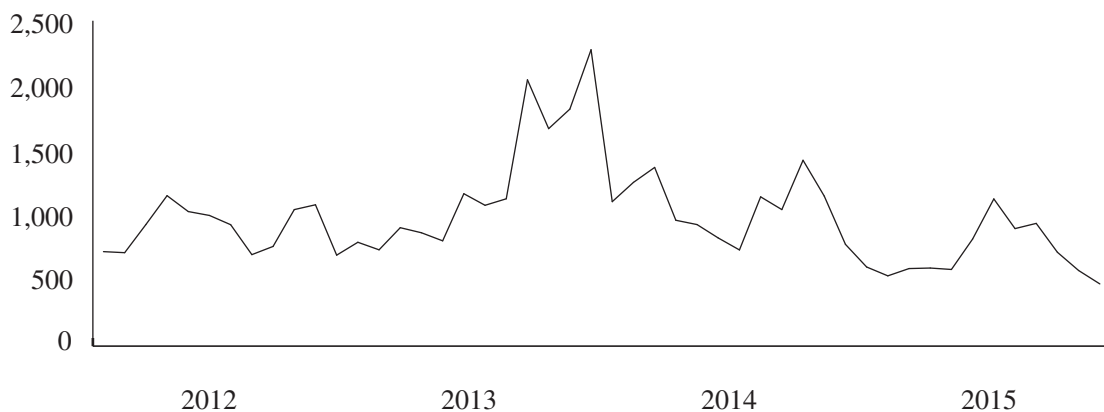
As the sole leasing business platform of CDB, CDB Leasing has benefited from CDB's high-quality industrial resources. CDB Leasing's industry focus is synergistic with that of CDB, and, similar to CDB, CDB Leasing serves infrastructure sectors with national strategic significance. CDB Leasing has extensive experience in providing leasing services involving a wide range of infrastructure assets in both direct finance leasing and sale-and-leaseback transactions. It has cultivated a broad customer base across infrastructure industry sectors, established a well-recognized brand name in the market, and maintained good, cooperative relationships with government authorities at various levels.

### SHIP, COMMERCIAL VEHICLE AND CONSTRUCTION MACHINERY LEASING

#### Ship Leasing Industry

Most of the vessels in the PRC are purchased by shipping companies through loans, project financing or other financing methods. Historically, the international ship financing market was dominated by traditional ship financing banks in the United States and Europe. In recent years, however, such banks have scaled back their ship financing businesses due primarily to financial difficulties and changes of business strategy.

In fact, according to Frost & Sullivan, in terms of ship prices and freight rates, the shipping industry is currently at a historical low point. The table below sets forth the Baltic Dry Index from 2012 to 2015, showing the currently challenging market environment in the global shipping industry:



**Baltic Dry Index from 2012 to 2015**

*Source: the Frost & Sullivan Report*

Under such circumstances, ship leasing has become the preferred choice for shipping companies. However, despite rapid development in recent years, the penetration rate of the global ship leasing industry (which refers to the proportion of the total number of vessels under leases in the total number of vessels in service), was still less than 30% as of December 31, 2014. Therefore, the global ship leasing industry still has considerable growth potential. CDB Leasing conducts its ship leasing business in both the PRC and overseas markets. As of December 31, 2015, CDB Leasing had a portfolio of 45 owned or leased vessels, with the average age of CDB's owned vessels at 6.6 years.

### **Commercial Vehicle Leasing Industry**

Benefiting from factors such as improvements in infrastructure, development of free trade zones and the extension of transportation networks in the PRC, the PRC automobile industry, especially the commercial vehicle segment, has grown rapidly in recent years. Meanwhile, urban infrastructure construction, real estate development, and the growth of the rail transportation network, have also provided significant development opportunities for various commercial vehicle leasing businesses. According to Frost & Sullivan, the number of vehicles in use in the PRC commercial vehicle leasing industry grew from approximately 1.6 million in 2009 to approximately 3.2 million in 2014, representing a CAGR of 14.8%, and is expected to grow at a CAGR of 7.4% from 2014 to 2019, reaching approximately 4.5 million by 2019. As of December 31, 2014, in terms of the number of leased commercial vehicles, CDB Leasing ranked second among all leasing companies providing commercial vehicle leasing services in the PRC.

### **Construction Machinery Leasing Industry**

Benefiting from rapid urbanization in the PRC and increases in fixed asset investment, the demand for construction machinery has grown rapidly in recent years. Meanwhile, the PRC government has announced a series of incentive policies to encourage the development of high-end construction machinery equipment industries, providing great opportunities for the development of the PRC construction machinery leasing industry. According to Frost & Sullivan, the number of construction machinery equipment units in the PRC construction machinery leasing industry grew from approximately 1.4 million in 2009 to approximately 3.3 million in 2014, representing a CAGR of 19.2%, and is expected to grow at a CAGR of 7.4% from 2014 to 2019, reaching approximately 4.4 million by 2019. As of December 31, 2014, CDB Leasing ranked fifth among all leasing companies providing construction machinery leasing services in the PRC.

### **Entry Barriers of the Ship, Commercial Vehicle and Construction Machinery Leasing Markets**

In the ship leasing market, a leasing company needs adequate capital to finance its businesses. Meanwhile, a leasing company should also establish stable, high-quality overseas client bases and service networks to support its international development. Furthermore, a leasing company needs expertise in macroeconomics, international finance, international law and shipping asset management to keep its competitiveness in the international market. In the commercial vehicle leasing market, unless a leasing company has adequate capital and low financing costs to support its business, it is difficult for the leasing company to develop economies of scale and succeed in this highly competitive market. In the construction machinery leasing market, a leasing company not only needs strong financing capacity, low financing costs and risk control capabilities, but also needs to provide flexible and stable leasing solutions that meet its customers' needs.

### THE PRC REGULATORY ENVIRONMENT

#### Summary

In general, financial leasing business in China is subject to direct regulation by the CBRC and regulation by the PBOC as well. Relevant regulatory requirements primarily cover licensing requirements, corporate governance, business operation and many other aspects. The CBRC is responsible for supervising and regulating banking financial institutions (including banks and non-bank financial institutions such as financial leasing companies) and their business activities, while the PBOC, as the central bank of China, is responsible for formulating and implementing monetary policies. Laws and regulations applicable to the regulation of financial leasing business in China primarily include Law of the People's Republic of China on Regulation of and Supervision over the Banking Industry (President Order [2006] No. 58) (《中華人民共和國銀行業監督管理法》(主席令[2006]第58號)), the Administrative Measures on Financial Leasing Companies (CBRC Order [2014] No. 3) (《金融租賃公司管理辦法》(中國銀監會令2014年第3號)), as well as other relevant regulations and rules. In addition, certain regulatory requirements on commercial banks stipulated by the CBRC also require financial leasing companies to abide by them by analogy and implement differentiated management to such financial leasing companies.

#### HISTORY AND DEVELOPMENT OF THE REGULATORY FRAMEWORK

In January 1986, the State Council issued the Provisional Regulations of the People's Republic of China on the Control of Banks (Guo Fa [1986] No. 1) (《中華人民共和國銀行管理暫行條例》(國發[1986]1號)), stating clearly for the first time that the PBOC was the central bank of China and the regulatory authority of the financial industry in China. The PBOC had issued the Administrative Measures of Financial Leasing Companies ([2000] No. 4 Order of PBOC)(《金融租賃公司管理辦法》(中國人民銀行令[2000]4號)) on June 30, 2000, which stipulated the basic operation principles for financial leasing company in China.

Since then, China's regulatory framework for the banking industry experienced further significant reform and development. In April 2003, the CBRC was established to take over the major role of regulating China's banking industry which was previously assumed by the PBOC, to supervise and administrate financial leasing companies, banks, financial asset-management companies, and other deposit-taking banking financial institutions, and to maintain the legitimate and steady operation of the banking industry. The Law of the People's Republic of China on Regulation of and Supervision over the Banking Industry(《中華人民共和國銀行業監督管理法》), officially launched on February 1, 2004 and revised in 2006, stipulated the CBRC's regulatory functions and responsibilities. On January 23, 2007, the CBRC issued its Measures on Financial Leasing Companies, which was amended on March 13, 2014.

#### Major Regulatory Authorities

##### *The CBRC*

##### *Functions and Power*

The CBRC is the regulatory authority of the banking sector directly under the State Council. Pursuant to the Provisions on the Main Functions, Interior Institutions and Staffing of the China Banking Regulatory Commission (Guo Ban Fa [2003] No.30) (《中國銀行業監督管理委員會主要職責內設機構和人員編製規定》(國辦發[2003]30號)) issued by the General Office of the

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## REGULATORY ENVIRONMENT

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State Council and effective from April 25, 2003 and the Resolution on the Assumption of the Regulatory Functions of the People's Bank of China by the China Banking Regulatory Commission (《關於中國銀行業監督管理委員會履行原由中國人民銀行監督管理職責的決定》) adopted by the Standing Committee of the National People's Congress and effective from April 26, 2003, the CBRC is authorized to centrally supervise and regulate financial leasing companies, banks, financial asset management companies and other financial institutions established in the PRC ("banking financial institutions") and ensure the lawful and healthy operation of the banking financial institutions and undertake aforesaid responsibilities previously performed by the PBOC.

Pursuant to the Banking Supervision Law of the People's Republic of China (《中華人民共和國銀行業監督管理法》), effective from February 1, 2004, amended by the Standing Committee of the National People's Congress and promulgated on October 31, 2006, the major responsibilities of the CBRC include the following:

- formulating and issuing rules and regulations on the supervision of banking financial institutions and their business activities;
- reviewing and approving the establishment, change, termination and business scope of banking financial institutions;
- regulating and supervising the business activities of banking financial institutions, including their products and services;
- approving and overseeing qualification requirements for directors and senior management of banking financial institutions;
- setting prudential guidelines and standards for risk management, internal control, capital adequacy, asset quality, allowance for impairment losses, risk concentration, related party transactions and asset liquidity requirements for banking financial institutions;
- conducting on-site inspection and off-site supervision over the operation and risk exposure of banking financial institutions;
- establishing emergency response system and emergency response plan together with relevant authorities;
- imposing corrective and positive measures for violations of applicable banking regulations;
- compiling and publishing statistics and reports on national banking financial institutions; and
- taking over or procuring reorganization of banking financial institutions which have seriously affected the legitimate rights and benefits of depositors and other clients, in the event of an actual or potential credit crisis.

The Banking Supervision Law of the People's Republic of China shall be applicable to the supervision over the financial leasing companies established within China and other financial institutions established within China upon approval of the banking supervision institution of the State Council.



### *Inspection and Supervision*

The CBRC regulates the operations of banking financial institutions and their branches through on-site inspection and off-site supervision by its headquarters in Beijing and local offices nationwide. On-site inspection includes supervision and inspection on the operation management sites and other relevant sites of banking financial institutions regarding corporate governance, risk management, internal control, business activities and risk status, which are conducted by means of reviewing and copying of documents, data information collection, reviewing materials, external investigation, interview, enquiry, assessment and testing. Off-site supervision generally includes reviewing business reports, financial statements and other reports regularly submitted by banking financial institutions to the CBRC.

The CBRC has the right to take corrective and punitive measures against banking financial institution failing to comply with applicable banking regulation, including imposing a fine, ordering to suspend certain businesses, ceasing to approve new business, restricting the distribution of dividends and other income and asset transfer, ordering the controlling shareholder to transfer equity interest or limit the rights of relevant shareholders, ordering the replacement of directors, senior management or limiting their rights, or ceasing to approve the establishment of branches. Under extreme circumstances or when a banking financial institution fails to rectify within the period specified by the CBRC, the CBRC may order the banking financial institution to suspend business for rectification and may revoke its business license. The CBRC may procure the reorganization of banking financial institutions which have seriously affected the legitimate rights and benefits of depositors and other clients, in the event of an actual or potential credit crisis.

### **The PBOC and the Inter-departmental Coordination Joint Meeting for Financial Supervision**

As the central bank of China, the PBOC is responsible for formulating and implementing monetary policies, and safeguarding the stability of the financial market in China. According to the PRC PBOC Law (President Order [2003] No. 12) (《中國人民銀行法》(主席令[2003]第12號)) and related regulations, the PBOC is authorized to perform the following primary duties:

- issuing and implementing orders and regulations related to its duties;
- formulating and implementing monetary policies in accordance with the law;
- issuing the Renminbi and administering the circulation of the Renminbi;
- regulating the interbank currency market and the interbank bond market;
- implementing foreign exchange control and regulating the interbank foreign exchange market;
- regulating the gold market;
- holding, administering and operating state foreign exchange reserves and gold reserves;
- managing the national treasury;
- safeguarding the normal operation of payment and clearing system;
- guiding and leading anti-money laundering measures in the financial industry and monitoring the fund flows related to anti-money laundering;

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## REGULATORY ENVIRONMENT

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- taking responsibilities for the statistics, surveys, analysis and forecasts of the financial industry; and
- engaging in international financial activities as the central bank of China.

On August 15, 2013, the State Council issued the Reply of the State Council on the Establishment of the Inter-departmental Coordination Joint Meeting System for Financial Supervision (Guo Han No. 91 [2013]) (《國務院關於同意建立金融監管協調部際聯席會議制度的批覆》(國函[2013]91號)), according to which the joint meetings are led by the PBOC with the CBRC, the CSRC, the CIRC, and the SAFE as the primary members. When necessary, ministries such as the NDRC and the MOF may also be invited.

### **The MOF**

The MOF is a ministry under the State Council which is responsible for performing related functions such as state finance, taxation, accounting and the management of state-owned financial assets, etc. The MOF regulates the performance assessment and remuneration system of senior management of state-owned banks, and supervises the compliance of banks with the China Accounting Standards for Business Enterprises (MOF Order No. 76) (《企業會計準則》(財政部令第76號)) and the Financial Rules for Financial Enterprises (MOF Order No. 42) (《金融企業財務規則》(財政部令第42號)). Pursuant to the Notice of the General Office of the State Council on Issuing the Provisions on the Main Functions, Internal Structure and Staffing of the Ministry of Finance (Guo Ban Fa [2008] No.65) (《國務院辦公廳關於印發財政部主要職責內設機構和人員編製規定的通知》(國辦發[2008]65號)) promulgated by the State Council and effective from July 10, 2008, the MOF's primary responsibilities include:

- formulating and implementing finance and tax development strategies, plans, policies and reform measures;
- drafting laws and administrative rules for fiscal, financial and accounting management, and formulating departmental regulations;
- managing state-owned assets of financial enterprises, administering the appraisal of state-owned assets, and participating in the formulation of management regulations for state-owned assets of financial enterprises; and
- supervising and inspecting the implementation of financial and tax regulations and policies, reporting major problems in the management of fiscal revenues and expenditures, and managing the offices of financial supervision commissioners, among others.

### **Other Regulatory Authorities**

Apart from the above authorities, financial leasing companies are also subject to the supervision and regulation by the SAFE, the SAT and other regulatory authorities.

### Licensing Requirements

#### *Establishment*

Pursuant to the Measures for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions of the China Banking Regulatory Commission (CBRC Order [2015] No.6) (《中國銀監會非銀行金融機構行政許可事項實施辦法》(中國銀監會令2015年第6號)) (the “Measures for the Implementation Concerning Non-bank Financial Institutions”), the establishment of financial leasing company shall comply with the following conditions: (i) the promoters shall satisfy the stipulated conditions; (ii) the capital contribution shall be one-off paid-up capital in money and the minimum registered capital shall be Renminbi 100 million or its equivalent in a freely convertible currency; (iii) the articles of association shall satisfy the provisions of the Company Law and the requirements of the CBRC; (iv) the directors and senior management shall satisfy the required qualifications and at least 50% of all the practitioners shall have more than three years of experience in the financial or financial leasing industry; (v) there shall be effective corporate governance, internal control and risk management systems; (vi) there shall be information technology systems suitable for its business operation and regulatory obligations, and necessary, safe and lawful information systems that can support business operation, and the techniques and measures to secure operation sustainability; (vii) there shall be business premises, security measures and other facilities suitable for business operation; and (viii) any other prudential conditions stipulated by the CBRC. Such conditions are also stipulated in the Measures on Financial Leasing Companies promulgated by the CBRC and effective from March 14, 2014.

#### **Significant Changes**

Pursuant to the Measure for the Implementation Concerning Non-bank Financial Institutions, significant changes of financial leasing companies shall be subject to the approval of the CBRC or its local offices, which include:

- change of company’s name;
- change of business scope;
- change of registered capital;
- alternation of directors and senior management;
- change of company domicile or place of business;
- alternation of equity interest or adjustment on shareholding structure;
- merger or spin-off;
- change of the articles of association;
- change of name, change of registered capital, alternation of equity interest or adjustment on shareholding structure of a specialized subsidiary and change of the articles of association of a domestic specialized subsidiary;
- dissolution and bankruptcy; and
- dissolution and bankruptcy of a specialized subsidiary.

### **Restriction on Shareholding by Foreign Investor**

Pursuant to the Administrative Measures for the Investment and Shareholding in Domestic-Funded Financial Institutions by Foreign Financial Institutions (CBRC Order [2003] No. 6) (《境外金融機構投資入股中資金融機構管理辦法》(中國銀監會令2003年第6號)) promulgated by the CBRC on December 8, 2003 and effective from December 31, 2003, the shareholding of a single foreign financial institution in a domestic-funded financial institution shall not exceed 20%. However, no specific restriction on the aggregate shareholding and indirect shareholding of financial leasing companies by foreign investors is set out under such measures and the Measures on Financial Leasing Companies.

### **Restrictions on the Pledge of the Shares**

The commercial banks of China should comply with the following requirements:

According to the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) (the “Guidelines”): (i) any shareholder of a commercial bank must give prior notice to the board of directors of the bank if it wishes to pledge the bank’s shares as collateral; and (ii) where the balance of loans extended by a commercial bank to a shareholder exceeds the audited net value of the bank’s shares held by such shareholder for the preceding year, the shareholder shall not pledge its shares in the bank.

In November 2013, the CBRC promulgated the CBRC Notice on Strengthening the Administration of Pledge of Equity Interest in Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》) (the “Notice”), pursuant to which commercial banks are required to clearly stipulate the following matters in their articles of associations in addition to those as stipulated in the above Guidelines: (i) where a shareholder, who has representative(s) on the board of directors or the board of supervisors, or directly, indirectly or jointly holds or controls more than 2% of the share capital or voting rights in the bank pledges its equity interests in the bank, it shall make a filing to the board of directors of the bank prior to the pledge. The filing shall state the basic information of the pledge, including the reasons for the pledge, the number of shares involved, the term of pledge and the particulars of the pledgee(s). Where the board of directors considers the pledge to be materially adverse to the stability of the bank’s shareholding structure, the corporate governance as well as the control of risk and connected transactions, the filing shall be rejected. The director(s) nominated by a shareholder proposing to pledge its shares in the bank shall abstain from voting at the meeting of the board of directors at which such proposal is considered; (ii) upon the registration of pledge of equity interests, the shareholder involved shall provide the bank with the relevant information in relation to the pledge of equity interests in a timely manner, so as to facilitate the Bank’s risk management and information disclosure compliance; and (iii) where a shareholder pledges 50% or more of its equity interests in the bank, the voting rights of such shareholder at the shareholders’ general meetings, as well as the voting rights of the director(s) designated by such shareholder at board meetings, shall be subject to restrictions.

As advised by our PRC legal advisors, according to the above regulations, the Guidelines and the Notice apply mutatis mutandis to other financial institutions under the supervision of the CBRC and the exact scope of its application to the financial leasing companies is subject to the discretion of the CBRC or its local offices.

Our Articles of Association has been reviewed and approved by the Shenzhen CBRC. As advised by our PRC legal advisor, the Shenzhen CBRC is the competent authority to monitor our compliance with, amongst others, the Guidelines and the Notice. According to our Articles of

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Association, we shall not accept our Shares as collateral and where our promoter pledges our Shares for its own or others' benefits, the promoter shall strictly comply with the laws and regulations and the requirements of regulatory authorities and give prior notice to the Board.

Our PRC legal advisor is of the view that our Articles of Association does not contravene any relevant PRC laws and regulations as of the Latest Practicable Date and our Shareholders shall follow our Articles of Association if they pledge our Shares, although there is a possibility that the regulatory authorities might impose more stringent requirements in the future. Please see "Risk Factors – Risks Relating to Our Business – We may become subject to certain restrictions relating to pledges of equity interests applicable to commercial banks." Our Directors have confirmed that we will monitor any new implementation rules or guidelines or regulatory opinion that may be issued by regulatory authorities in the future and ensure our ongoing compliance.

### **Restrictions on Holding of Outstanding Shares of Listed Financial Leasing Companies**

Pursuant to the Measures for the Implementation Concerning Non-bank Financial Institutions, if investors and their related parties hold the outstanding shares to more than 5% of total shares of listed non-banking financial institutions (including listed financial leasing companies), such investments shall be approved by the CBRC or its local offices.

### **Business Scope**

Pursuant to the Measures on Financial Leasing Companies, a financial leasing company may engage in part or all of the following businesses in Renminbi or foreign currencies with the approval by the CBRC: (i) financial leasing business; (ii) transferring and acquiring assets subject to financial leases; (iii) investing in fixed-income securities; (iv) accepting lease deposits from lessees; (v) accepting fixed deposits of three months or more from shareholders; (vi) interbank lending; (vii) taking loans from a financial institution; (viii) overseas borrowings in foreign currencies; (ix) realization and disposal of residual values of leased properties; and (x) economic consultancy. Subject to the approval of the CBRC, the financial leasing companies with proven track records which fulfill the required conditions are also allowed to the following businesses in Renminbi or foreign currencies: (i) bond issuance; (ii) establishment of project companies in domestic bonded zone to engage in financial leasing business; (iii) assets securitization; (iv) providing guarantee for external financing of holding subsidiaries and project companies; and (v) other businesses as approved by the CBRC.

Pursuant to the Notice of the CBRC on Notice on Financial Leasing Companies' Establishment of Project Companies in Domestic Bonded Zones to Carry Out Financial Leasing Business (Yin Jian Fa [2010] No. 2) (《關於金融租賃公司在境內保稅地區設立項目公司開展融資租賃業務有關問題的通知》(銀監發[2010]2號)) promulgated by the CBRC and effective from January 13, 2010, after obtaining business qualification as approved by the CBRC, a financial leasing company may establish project companies in domestic bonded zones to carry out financial leasing business. Such project companies may carry out financial leasing, import and export related to financial leasing, acceptance of deposits from lessees, acquisition and transfer of leases receivables, borrowing from financial institutions, borrowing in foreign exchange from abroad, sale and disposition of residual values of leased property, economic consultancy, and other businesses as approved by the CBRC.

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Pursuant to the Interim Provisions on the Administration of Specialized Subsidiaries of Financial Leasing Companies (Yin Jian Ban Fa [2014] No.198) (《金融租賃公司專業子公司管理暫行規定》(銀監辦發[2014]198號)) promulgated by the CBRC and effective from July 11, 2014, financial leasing companies may establish specialized leasing subsidiaries overseas and within the mainland free trade zones and bonded zones as approved by the CBRC to carry out financial leasing business in specific fields. Such specialized leasing subsidiaries may engage in aircraft, vessel and other fields of leasing business as approved by the CBRC.

### Major Business Qualification

Pursuant to the Measures for the Administration of Financial Licenses (CBRC Order [2007] No.8) (《金融許可證管理辦法》(中國銀監會令2007年第8號)) effective from July 1, 2003 and promulgated on July 3, 2007 after modification by the CBRC, a financial license is a legal document issued by the CBRC pursuant to law to permit financial institutions to engage in financial business, and shall apply to financial institutions that are subject to the regulation by the CBRC and have been approved to engage in financial business. The CBRC and its local offices are responsible for the license issuance and supervision of financial leasing companies.

Pursuant to the Notice of the General Office of Ministry of Transport on Improving Administration of Ship Financial Leasing (《交通運輸部辦公廳關於規範國內船舶融資租賃管理的通知》) issued by the Ministry of Communication of the PRC on March 28, 2008, a lessor engaged in ship financial leasing in China shall be legally qualified for dealing in the business by obtaining approval from the relevant government authority.

Pursuant to Regulations on the Supervision and Administration over Medical Devices (《醫療器械監督管理條例》), amended and promulgated by the State Council on March 7, 2014 and effective from June 1, 2014, where engaging in operation of Class II medical devices, an enterprise shall make a filing with the food and drug supervision and administration department of the people's government of the city where the enterprise is located; where engaging in operation of Class III medical devices, an enterprise shall apply for business license to the food and drug supervision and administration department of the people's government of the city where the enterprise is located.

Pursuant to the Measures for Supervision and Management of Medical Device Operation (《醫療器械經營監督管理辦法》), promulgated on July 30, 2014 by the State Food and Drug Administration and effective from October 1, 2014, the operation of Class I medical devices may be exempted from licensing and filing, while filing management shall be implemented for the operation of Class II medical devices and licensing management shall be implemented for the operation of Class III medical devices.

Pursuant to the Comments in Response to Some Regulatory Issues about Medical Equipment Financial Leasing (《關於融資租賃醫療器械監督問題的答覆意見》) promulgated on June 1, 2005 by the State Food and Drug Administration, medical equipment financial leasing business conducted by financial leasing companies shall be categorized as business dealing in medical equipment and subject to applicable relevant regulation regarding supervision and management on medical equipment.

### Supervision on Business with Specific Industries and Clients

The State Council, the CBRC and other related authorities have issued several rules and regulations on the provision of leasing service to some specific industries and clients. Below is a summary of some rules and regulations applicable to the Company:

- The Guiding Opinions of the General Office of the State Council on Promoting the Sound Development of Financial Leasing Industry (Guo Ban Fa [2015] No.69) (《國務院辦公廳關於促進金融租賃行業健康發展的指導意見》(國辦發[2015]69號)) promulgated and implemented by the General Office of the State Council on September 1, 2015 put forward to support the development of strategic emerging industries, such as new generation of information technology, high-end equipment manufacturing, new energy, new materials, environmental protection and biology; to further develop people's livelihood, including but not limited to education, culture and healthcare; to develop a number of financial leasing companies with international competitiveness in traditional sectors, such as aircraft, ship and engineering machinery; to encourage enterprises engaged in bus, taxi and government public vehicle to develop new energy vehicle and ancillary facilities through financial leasing; to encourage financial leasing companies to carry out financial leasing business and improve specialized operation service level through establishing specialized subsidiaries by leveraging the existing tax policies applied to domestic comprehensive bonded zones and pilot free trade zones and overseas preferential policies; to support financial leasing companies to explore overseas market, providing ancillary service in respect of international capacity and equipment manufacturing cooperation; to further support government procurement and encourage local governments at all levels to purchase financial leasing service in providing public service and promoting infrastructure construction and operation. Financial leasing companies which comply with conditions are permitted to go listing and issue preferred shares, subordinated bonds, enriching their channels to replenish capitals. Financial leasing companies which comply with conditions are permitted to raise funds through various channels including bond issuance and asset securitization. The Guiding Opinions also put forward to moderately loosen regulation requirement on foreign debt limit and simplify foreign debt approval procedures, and to encourage financial leasing companies to conduct cross-border Renminbi business and extend cross-border Renminbi financing limit for financial leasing companies.
- Pursuant to the provisions of the Notice of the CBRC on Circulating Green Loan Guidelines (Yin Jian Fa [2012] No.4) (《中國銀監會關於印發綠色信貸指引的通知》(銀監發[2012]4號)) promulgated and implemented by the CBRC on February 24, 2012, banking financial institutions must support energy conservation, emission reduction and environmental protection, and prevent clients from environmental and social risks. The non-banking financial institutions shall abide by the guidelines by analogy. According to the Guidelines, banking financial institutions shall identify, measure, supervise and control the environmental and social risks in the process of credit extension, and establish environmental and social risk management system. Banks shall clarify the direction and key fields for green loans, formulate specific credit extension guidelines to industries which are under strict regulation of the government and industries with significant environmental and social risks, implement differentiated and dynamic credit extension policy, and adopt risk exposure management system. In particular, banking financial institutions must consider

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characteristics of clients and conduct due diligence on the environmental and social risks. Banking financial institutions shall not extend credit to clients which do not comply with environmental and social performance requirements. For clients with major environmental and social risks, banking financial institutions shall require them to submit environmental and social risk reports, and include in the loan agreement specific clauses on the management of such risks. Moreover, banking financial institutions must take special measures on post-loan management against clients with potential significant environmental and social risks, promptly adopt related risk treatment measures, and report to regulatory authorities the potential influence on banking financial institutions.

- The Notice of the CBRC and the NDRC on Circulating the Guidance on Energy Efficiency Loans (Yin Jian Fa [2015] No.2) (《中國銀監會、國家發展和改革委員會關於印發能效信貸指引的通知》(銀監發[2015]2號)) promulgated and implemented by the CBRC and the NDRC on January 13, 2015 encourages banking financial institutions to provide credit financing to energy consumption entities to support energy consumption entities to improve energy utilization efficiency and reduce energy consumption. According to the Notice, banking financial institutions can extend credit to energy efficiency projects invested by energy consumption entities or energy performance contracting projects established by energy-saving companies. Banking financial institutions shall further improve their risk management capability for energy efficiency credit through multiple approaches, including (i) setting access requirements for energy efficiency projects, energy consumption entities and energy-saving service companies; (ii) reinforcing due diligence on energy efficiency credit extension and obtaining overall understanding and review on the information and risk point of energy consumption entities, energy-saving service companies, energy efficiency projects and energy-saving service contract; (iii) strengthening management of energy efficiency credit extension contract and post-loan management of energy efficiency credit; and (iv) establishing credit supervision and risk warning mechanism.
- Pursuant to the Opinions of the CBRC on Deepening Financial Services to Small and Micro Enterprises (《中國銀監會關於深化小微企業金融服務的意見》(銀監發[2013]7號)), the Guidelines of the General Office of the State Council on Providing Financial Services to Support Economic Structure Adjustment, Transformation and Upgrading (Guo Ban Fa [2013] No.67) (《國務院辦公廳關於金融支持經濟結構調整和轉型升級的指導意見》(國辦發[2013]67號)), the Implementation Opinions of the General Office of the State Council on Providing Financial Services to Support the Development of Small and Micro Enterprises (Guo Ban Fa [2013] No.87) (《國務院辦公廳關於金融支持小微企業發展的實施意見》(國辦發[2013]87號)), and the Guidelines of the CBRC on Further Improving Financial Service to Small and Micro Enterprises (Yin Jian Fa [2013] No. 37) (《中國銀監會關於進一步做好小微企業金融服務工作的指導意見》(銀監發[2013]37號)), banking financial institutions shall, strictly in the principles of business sustainability, focus on supporting the financing needs from small and micro enterprises which meet the national industrial and environmental policies, can promote the expansion of employment, and are willing to repay debt with good solvency. Banking financial institutions shall, under the premise of business sustainability and risk manageability, actively adjust credit structure and separately prepare annual plan for credit extension to small and micro enterprises.



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- Pursuant to the provisions of Notice of the State Council on Related Issues in Reinforcing the Management of Local Government Financing Vehicles (Guo Fa [2010] No.19) (《國務院關於加強地方政府融資平台公司管理有關問題的通知》(國發[2010]19號)), the Guidelines of the CBRC on Enhancing Risk Management of Loans to Financing Vehicles (Yin Jian Fa [2010] No. 110) (《中國銀監會關於加強融資平台貸款風險管理的指導意見》(銀監發[2010]110號)), the Notice on Earnestly Enhancing the Supervision of Risk Related to Loans to Local Government Financing Vehicles 2011 (Yin Jian Fa [2011] No. 34) (《關於切實做好2011年地方政府融資平台貸款風險管理工作的通知》(銀監發[2011]34號)), and the Guidelines of the CBRC on Enhancing the Supervision of Risks Related to Loans to Local Government Financing Vehicles in 2012 (Yin Jian Fa [2012] No. 12) (《中國銀監會關於加強2012年地方政府融資平台貸款風險監管的指導意見》(銀監發[2012]12號)), the CBRC requires that banking financial institutions must strictly carry out pre-lending investigation, in-process and post-loan inspection for loans to local government financing vehicles, prudently extend loans to local government financing vehicles, adopt precise classification and make dynamic adjustment to the relevant loans, to accurately reflect and evaluate risks of relevant loans. Banking financial institutions shall also consider in a unified way the debt burdens of local governments and the potential risks and expected losses of the loan to local government financing vehicles, so as to reasonably appropriate impairment loss and calculate the risk weight of capital adequacy ratio in cases of full coverage, basic coverage, half coverage and no coverage of cash flow.
- Pursuant to the Guidelines of the CBRC on Enhancing the Supervision of Risks Related to Loans to Local Government Financing Vehicles in 2013 (Yin Jian Fa [2013] No. 10) (《中國銀監會關於加強2013年地方政府融資平台貸款風險監管的指導意見》(銀監發[2013]10號)) issued and implemented by the CBRC on April 9, 2013, all banking financial institutions shall, by following the general principle of “control over the overall quantity, management by category, differentiated treatment, and gradual mitigation” and with a focus on controlling the overall quantity, optimizing the structure, isolating risks and clarifying responsibilities, continue to control the risks associated with debt financing to local government financing vehicle companies. In addition, all banking financial institutions shall continue to classify local government financing vehicle companies into either the “category still subject to platform management” or the “the exiting category,” and strengthen the uniform monitoring and differentiated management of these two categories. The exiting category refers to the financing vehicle companies that, upon verification, assessment and rectification, have met conditions for financing through commercial loans, possess their own adequate and stable operating cash flows, and are able to repay the loan principal and interest in full. All financing vehicle companies that do not meet the foregoing conditions or have not finished the exiting process shall still be subject to platform management.
- Pursuant to the Opinions of the State Council on Enhancing Local Government Debt Management (Guo Fa [2014] No. 43) (《國務院關於加強地方政府性債務管理的意見》(國發[2014]43號)) issued and adopted by the State Council on September 21, 2014, financial institutions shall not illegally provide financing to local governments or require local governments to illegally provide guarantees. Financial institutions shall comply with regulatory requirements when buying local government bonds, strictly standardize credit management when providing financing to corporate legal persons belong to the government or qualified for borrowing contingent debts, and earnestly enhance risk identification and management.

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- Pursuant to the Opinion on Properly Handle Subsequent Financing Problems for Projects under Construction by the Financing Vehicle Companies in Local Government(《關於妥善解決地方政府融資平台公司在建項目後續融資問題的意見》)(Guo Ban Fa [2015] No. 40) issued by the MOF, the PBOC and the CBRC on May 11, 2015, implemented as of the same day, banking financial institutions shall properly handle subsequent financing problems for projects under construction by the financing vehicle companies, distinguish existing loans and new loans and exercise management by category, and raise funds according to law, to earnestly satisfy the need for promoting economic development and preventing financial risks. They shall, in the principles of total quantity control and differentiated treatment, support the existing financing need for projects under construction by financing vehicle companies, and ensure the orderly progress of projects under construction. They shall promote development while preventing risks, strictly standardize credit management, and earnestly reinforce risk identification and risk management; for loans to ongoing projects of financing vehicles, banking financial institutions shall make their own decisions, take their own risk and optimize follow-up financing management based on prudent estimation of the repayment ability of financing vehicles, revenue from ongoing projects of financing vehicles and the repayment ability of the local government. Banking financial institutions shall be cautious when reviewing loans and place their focus on supporting irrigation and water conservation facilities, affordable housing projects, urban rail transit and other areas of ongoing projects of financing vehicles to ensure that the loans are in line with industrial development needs and industrial park development plans.
- Pursuant to the Guidelines on Further Improving Financial Services to Support Revitalization of Key Industries and Restrain the Overcapacity of Some Industries (《關於進一步做好金融服務支持重點產業調整振興和抑制部分行業產能過剩的指導意見》)(Yin Fa [2009] No.386) promulgated by the PBOC, the CBRC, the CSRC and the CIRC, banking financial institutions must actively collaborate with the State's industrial policies and financial control requirements, and the extended credit should indicated the principal of “differential treatment and maintaining pressure,” the consolidated management of asset and liabilities should better serve the promotion of scientific development of economy, by following the requirements of the Notice of the State Council on Approving and Forwarding Some Opinions of the NDRC and Other Departments on Guiding the Healthy Industrial Development by Restraining the Overcapacity and Repeated Construction of Some Industries (Guo Fa [2009] No.38) (《國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》). Credit shall be extended timely and efficiently to enterprises and projects that meet the requirements of restructuring and rejuvenation program in key industries, satisfy the market access and comply with credit principles of the banks. No credit shall be extended to projects that fail to meet industrial policies, market access, technical criteria and lack of funds. Credit can be extended to projects in industries with overcapacity only after rigorous review and approval.

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### SUPERVISION OVER CAPITAL ADEQUACY

On February 23, 2004, the CBRC promulgated the Administrative Measures for Capital Adequacy Ratio of Commercial Banks (CBRC Order [2014] No.2) (“Capital Adequacy Measures”), which became effective on March 1, 2004, and was amended on July 3, 2007.

Before January 1, 2013, we were always complied with the regulatory requirements for commercial banks under the Capital Adequacy Measures, according to the requirements of the CBRC and its local offices. Pursuant to the Capital Adequacy Measures, financial leasing companies were required to maintain a minimum capital adequacy ratio of 8%, minimum core capital adequacy ratio of 4%. In addition, pursuant to the requirements under the Capital Adequacy Measures, financial leasing companies are required to calculate and measure its capital adequacy ratio on the basis of adequate allowance for various impairment losses, including those associated with loans.

In accordance with the Capital Adequacy Measures, capital adequacy ratio and core capital adequacy ratio are calculated as follows:

Capital adequacy ratio = (Capital - Capital deductions) / (Risk-weighted assets + 12.5 × Capital charge for market risk)

Core capital adequacy ratio = (Core capital - Core capital deductions) / (Risk-weighted assets + 12.5 × Capital charge for market risk)

Since January 1, 2013, the Company has consistently followed the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), hereinafter referred to as the “Capital Administrative Measures”) issued by the CBRC on June 7, 2012 and took effect on January 1, 2013. According to the Capital Administrative Measures, core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio of financial leasing companies shall not be lower than 5%, 6%, and 8%, respectively. The Capital Administrative Measures also revised the risk weighting of various assets and adjusted the capital structure. Meanwhile, according to the Capital Administrative Measures, financial leasing companies should calculate and measure its capital adequacy ratio on the basis of adequate provision for various losses, including loan losses.

The new capital adequacy ratio is calculated as follows:

Capital adequacy ratio = (Total capital - Corresponding capital deductions) / Risk-weighted assets × 100%

Tier-1 capital adequacy ratio = (Tier-1 capital - Corresponding capital deductions) / Risk-weighted assets × 100%

Core tier-1 capital adequacy ratio = (Core tier-1 capital - Corresponding capital deductions) / Risk-weighted assets × 100%

In the formula mentioned above:

Total capital                                 Including core tier-1 capital, other tier-1 capital and tier-2 capital.

Tier-1 capital                                 Including core tier-1 capital and other tier-1 capital.

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Core tier-1 capital	Including paid-up capital or ordinary shares, capital reserves, surplus reserves, general risk reserves, undistributed profits and the part of minority shareholder's capital that can be included.
Other tier-1 capital	Including other tier-1 capital tools and premium, and the part of minority shareholder's capital that can be included.
Tier-2 capital	Including tier-2 capital tools and premium and provision for excess loan losses.
Risk-weighted assets	Including credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets.

Financial leasing companies can adopt the method of weighting or internal rating based approach to calculate credit risk-weighted assets.

Market risk-weighted asset should be 12.5 times of the requirements of capital charge for market risk. Calculation of capital charge for market risk should cover interest rate risk and stock market risk of trading accounts in financial leasing companies, as well as all the exchange rate risks and commodity risks. Financial leasing companies can adopt standardized approach and internal model approach to measure required capital charge for market risk.

Operational risk-weighted asset should be 12.5 times of the required operational risk capital. Financial leasing companies can adopt basic indicator approach, standardized approach or advanced measurement approach to measure the required operational risk capital.

### **Regulatory Requirements on Capital Adequacy Ratio**

Pursuant to the Capital Management Measures, regulatory requirements on capital adequacy ratio for commercial banks include minimum capital requirement, reserve capital requirement, counter-cyclical capital requirement, additional capital requirement of systemically important banks and capital requirement of the second pillar. The financial leasing companies shall abide by the requirements by analogy.

The commercial banks' capital adequacy ratio at each level should meet the following minimum requirements:

- capital adequacy ratio shall not be less than 8%
- tier-1 capital adequacy ratio shall not be less than 6%
- core tier-1 capital adequacy ratio shall not be less than 5%

Commercial banks should provision reserve capital on the basis of minimum capital requirement. Capital reserve requirements should be 2.5% of the risk-weighted assets, which is satisfied by core tier-1 capital. Under special circumstances, commercial banks should provision counter-cyclical capital based on the requirements of minimum capital and minimum reserve capital. The requirement of counter-cyclical capital is 0% to 2.5% of risk-weighted assets, which should be satisfied by core tier-1 capital.

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Meanwhile, the CBRC has the authority to put forward more prudent capital requirement under the framework of the second pillar, so as to ensure full coverage of risks by capital, including:

- specific capital requirement put forward with regard to specific parts of asset portfolio according to risk judgment; and
- specific capital requirement put forward with regard to specific single bank according to the supervision and inspection result.

### Time Limit for Meeting the Requirements

Pursuant to the requirements under the Capital Administrative Measures, commercial banks should meet the given regulatory requirement on capital adequacy ratio by the end of 2018. Qualified commercial banks are encouraged to meet the requirement in advance. The financial leasing companies shall abide by the requirements by analogy.

In order to ensure the successful implementation of the Capital Administrative Measures, the CBRC issued the Notice on Arranging Related Matters in the Transitional Period of Carrying out Capital Management Measures of Commercial Banks (Provisional) (《關於實施〈商業銀行資本管理辦法(試行)〉過渡期安排相關事項的通知》) on November 30, 2012. According to the Notice, it was stipulated that financial leasing companies should reach the minimum capital requirement before January 1, 2013. During the transitional period, reserve capital requirement (2.5%) should be applied gradually, and financial leasing companies should meet the schedule of annual capital adequacy requirement for “other banks” as follows:

Type of banks	Item	By the end of 2013	By the end of 2014	By the end of 2015	By the end of 2016	By the end of 2017	By the end of 2018
Other banks	Core tier-1 capital adequacy ratio	5.5%	5.9%	6.3%	6.7%	7.1%	7.5%
	Tier-1 capital adequacy ratio	6.5%	6.9%	7.3%	7.7%	8.1%	8.5%
	Capital adequacy ratio	8.5%	8.9%	9.3%	9.7%	10.1%	10.5%

Financial leasing companies that had complied with the requirement of capital adequacy specified in the Capital Administrative Measures by the end of 2012 are encouraged to keep their capital adequacy ratio above the required level in the Capital Administrative Measures during the transitional period.

### CBRC Supervision over Capital Adequacy Level

The CBRC is responsible for supervision over the capital adequacy level of banking financial institutions in China. Through on-site inspection and off-site supervision, the CBRC monitors and evaluates the capital adequacy situation of commercial banks in China on quarterly basis. According to the Capital Administrative Measures, the CBRC divides commercial banks into the following four types in accordance with the capital adequacy situation and takes relevant measures described below. The financial leasing companies shall abide by the requirements by analogy.

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Type	Capital adequacy situation	Measures of the CBRC
Type one	Capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio all meet the capital requirements at all levels	<ul style="list-style-type: none"> <li>• To require commercial banks to enhance analysis and forecast of the reasons for the decline in the level of capital adequacy ratio;</li> <li>• To require commercial banks to develop practical management plan for capital adequacy ratio; and</li> <li>• To require commercial banks to improve their abilities of risk control.</li> </ul>
Type two	Capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio do not meet capital requirements of the second pillar, but not less than other capital requirements at all levels	<ul style="list-style-type: none"> <li>• Regulatory measures taken by the first type of commercial banks;</li> <li>• To carry out prudent discussion with the commercial banks' board of directors and senior management;</li> <li>• To issue a regulatory opinion, with the content including: the existing problems of the capital management of commercial banks, the corrective measures to be taken and the advice on deadline for meeting the standards;</li> <li>• To require commercial banks to develop practical plans for capital replenishment and the plan of deadline meeting the compliance;</li> <li>• To increase the frequency of supervision and inspection over the capital adequacy of commercial banks; and</li> <li>• To require commercial banks to take risk mitigation measures with respect to specific risks.</li> </ul>

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Type	Capital adequacy situation	Measures of the CBRC
Type three	Capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio are all not less than the minimum capital requirement, but do not meet capital requirements at other levels	<ul style="list-style-type: none"> <li>• Regulatory measures for type one and type two commercial banks;</li> <li>• To restrict commercial banks from distributing dividends and other income;</li> <li>• To restrict commercial banks to award any form of incentives to director and senior management;</li> <li>• To restrict commercial banks to invest in stocks or repurchase capital tools;</li> <li>• To limit important capital expenditure of commercial banks; and</li> <li>• To require commercial banks to control the growth of risk assets.</li> </ul>
Type four	Any of capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio doesn't reach the minimum capital requirement	<ul style="list-style-type: none"> <li>• Regulatory measures for type one, type two and type three commercial banks;</li> <li>• To require commercial banks to significantly reduce the scale of the risk assets;</li> <li>• To instruct commercial banks to stop conducting all high-risk asset business;</li> <li>• To limit or prohibit the development of new institutions and new businesses;</li> <li>• To require commercial banks to write down tier-2 capital tools or convert to ordinary shares;</li> <li>• To instruct commercial banks to adjust the directors, senior management or restrict their rights;</li> <li>• To lawfully take over or facilitate the reorganization of commercial banks, until such measures are revoked; and</li> <li>• To comprehensively consider external factors and take other necessary measures.</li> </ul>

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### Introduction of New Leverage Requirements

In order to further meet the goals of supervision over capital adequacy ratio, the CBRC issued the Measures for Leverage Ratio (Amended) on January 30, 2015, effective from April 1, 2015. The financial leasing companies shall abide by the requirements by analogy.

Pursuant to the Measures for Leverage Ratio (Amended), both consolidated and unconsolidated leverage ratios of financial leasing companies shall be no less than 4%, and leverage ratio shall be calculated according to the following formula:

Leverage ratio = (Tier-1 capital - deduction of tier-1 capital) / Adjusted asset balance inside and outside the balance sheet × 100%

The computational formula of adjusted asset balance inside and outside the balance sheet is shown as follows:

Adjusted asset balance inside and outside the balance sheet = adjusted asset balance inside the balance sheet (excluding derivative products and securities financing transactions inside the balance sheet) + asset balance of derivative products + asset balance of securities financing transactions + adjusted asset balance outside the balance sheet - deduction of tier-1 capital

Deduction of tier-1 capital from adjusted asset balance inside and outside the balance sheet does not include unrealized gains or losses due to changes of the fair value of the liabilities of financial leasing companies caused by their own credit risk changes.

Financial leasing companies should submit reports of leverage ratio regularly in accordance with the requirements of the CBRC and its local offices on quarterly basis.

For the financial leasing companies with leverage ratio less than the minimum supervision requirements, the CBRC and its local offices can take the following corrective measures: (i) require to replenish tier-1 capital within a certain time limit; (ii) require to control the growth rate of asset inside and outside the balance sheet; (iii) require to lower the size of asset inside and outside the balance sheet. For overdue correction, or behaviors that seriously jeopardize their sound operation, cause damage to the legitimate interests of depositors and other clients, the CBRC and its local offices can take the following measures according to the PRC Banking Supervision and Regulatory Law under different circumstances: (i) suspend part of the business and stop developing new business; (ii) restrict the distribution of profits and other income; (iii) stop approving additional branches; (iv) instruct controlling shareholders to transfer shares or restrict the rights of relevant shareholders; (v) adjust the board of directors, senior management or restrict their rights; and (vi) other measures stipulated by law. In addition to the measures mentioned above, administrative punishment can also be given to them according to the law.

It is specified in the Measures For Leverage Ratio, non-systematically important banks shall meet the minimum regulatory requirements in the Measures by the end of 2016. Within to transition period, the banks which fail to meet minimum regulatory requirements shall establish plans to meet the standards and report to the CBRC or their local offices. According to regulatory requirements, the aforementioned requirements in respect of non-systemically important banks apply to financial leasing companies.

### The Obligation of Financial Leasing Companies' Promoters to Make Up the Capital

Pursuant to the requirements of the Measures on Financial Leasing Companies, the promoters of financial leasing companies should agree in the articles of association of leasing companies that they will give liquidity support when financial leasing companies have payment difficulties and make up the capital when the operating losses are eroding the capital.



### Basel Accords

Basel Capital Accords (also known as Basel I) is composed of a series of documents, including the metering system of bank capital made in 1988 by Basel Committee on Banking Supervision (also known as Basel Committee) and supplemental provisions of market risk issued in 1996. Basel I requires banks to carry out the framework of credit risk measurement, and stipulates the minimum capital adequacy ratio as 8%.

Since 1998, Basel Committee has released a number of bills in succession, which completed the composition of the Basel II. The Basel II retains some elements of Basel I, which includes the general provision that banks should maintain total capital at least 8% of the risk weighted assets. However, it attempts to improve the capital structure from the principal aspects, including (i) the establishment of the “three-pillar” framework, namely “minimum capital standard” as the first pillar, “regulation and oversight of regulators” as the second pillar and “information disclosure” as the third pillar; and (ii) substantially revised the calculation method of capital adequacy ratio.

The Capital Adequacy Measures was issued on February 23, 2004 and revised on July 3, 2007 by the CBRC. The CBRC pointed out that the Capital Adequacy Measures was formulated on the basis of Basel I, with reference from Basel II in many aspects. In March 2009, China officially joined the Basel Committee, and began to participate in the establishment of the international standards for banking supervision. It was conducive to improving the level and skill of China’s banking supervision.

In December 2010, Basel Committee officially released the latest capital accord (also known as Basel III), which established a new financial regulatory pattern combining micro prudential and macro prudential supervision, substantially increased the requirement of asset supervision of commercial banks, and established global unanimous quantitative liquidity supervision standards. In order to be consistent with the reform spirit of Basel Accords and promote the implementation of Basel III, Instruction of the CBRC on Carrying out Supervision Standards in China’s Banking Industry (《中國銀行業監督管理委員會關於中國銀行業實施新監管標準的指導意見》) was issued on April 27, 2011 by the CBRC. It included the main objectives and principles of regulatory framework reform in China. On June 1, 2011, the CBRC issued the Measures For Leverage Ratio. On June 7, 2012, The Capital Administrative Measures was issued by the CBRC and it was put into effect on January 1, 2013, replacing the Capital Adequacy Measures and related guidelines.

In order to enhance the effectiveness of capital supervision, as well as improving the risk management ability of banking financial institutions and strengthen the function of market discipline, on July 19, 2013, the CBRC further set out four policy documents, including the Central Counterparty Risk Exposure Capital Measurement Rules (《中央交易對手風險暴露資本計量規則》), the Regulatory Requirement on Information Disclosure of Capital Composition in Commercial Bank (《關於商業銀行資本構成信息披露的監管要求》), the Supplementary Regulatory Requirements on Carrying Based Approach in Commercial Banks (《關於商業銀行實施內部評級法的補充監管要求》) and the Questions and Answers on Capital Regulatory (《資本監管政策問答》).

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In January 2013, Basel Committee published the Third Edition of Monitoring Standards on Liquidity Coverage Ratio and Liquidity Risk of Basel Accords (《第三版巴塞爾協議流動性覆蓋率和流動性風險監測標準》). On January 17, 2014, the CBRC issued the Management Measure on the Liquidity Risk of Commercial Banks (Provisional) (《商業銀行流動性風險管理辦法(試行)》), revising the regulatory requirements on liquidity. In January 2014, Basel Committee issued the Third Version of Framework and Disclosure Requirements of Leverage Ratio of Basel Accords (《第三版巴塞爾協議槓桿率框架和披露要求》), further revising the international rules of leverage ratio. Based on the new rules of Basel Committee on leverage ratio, in 2015, the CBRC revised the Management Measures on the Leverage Ratio of Commercial Banks (《商業銀行槓桿率管理辦法》) which was promulgated on June 1, 2011 (the “Effective Measures For Leverage Ratio”), putting forward clearer and stricter requirements on leverage ratio disclosure by banking financial institutions.

### LOAN CLASSIFICATION, ALLOWANCE AND WRITE-OFFS

#### Loan Classification

At present, pursuant to the Guidelines on Loan Risk Classification (《貸款風險分類指引》) (Yin Jian Fa [2007] No. 54) promulgated and implemented by the CBRC on July 3, 2007, banking financial institutions in China should classify the loans by judging the possibility that the debtors could repay in full the loan principals and interests timely in accordance with the five-category loan classification system. The five-category loan classification refers to “normal,” “special mention,” “substandard,” “doubtful” and “loss.” The main factors of evaluating the possibility of repayment include the cash flow, financial condition of borrowers, and other non-financial factors that affect the loan repayment ability.

#### Loan Loss Provision

Pursuant to the Guidelines of Loan Risk Classification (《貸款風險分類指引》), loans categorized as subordinated, doubtful or loss would be regarded as non-performing loan, for which financial leasing companies shall prudently consider possible loss and reasonably estimate the provisions.

Pursuant to the Guidelines on Loan Loss Provisioning of Banks (《銀行貸款損失準備計提指引》) (Yin Fa [2002] No. 98) implemented by the CBRC on January 1, 2002, provisions for impairment loss include general provision, specific provision and special provision. General provision refers to provision that is put aside according to certain proportion of all loan balance and is to make up unrecognized possible losses. In accordance with the Guidelines of Loan Risk Classification (《貸款風險分類指引》), after the risk classification of loans, specific provision refers to provision that is set aside for specific losses based on loss severity of each loan. Special provision refers to provision set aside aiming at a certain country, region, industry or type of loan risk. On the basis of the Guidelines on Loan Loss Provisioning of Banks, financial leasing companies shall set aside general provision for loan loss every quarter. In addition, the balance of general provision at the end of year shall be no less than 1% of total outstanding loans at the same time. The Guidelines also guides the proportion of specific provision for each loan category as follows: 2% for special mentioned loan; 25% for substandard loan; 50% for doubtful loan; and 100% for loss loan. For the loss provisions for substandard and doubtful loans, the proportion can fluctuate up or down in a range of 20%. Financial leasing companies can set aside special provision based on special risk factors (including risks relating to some industries and countries), the probability of risk loss and the past experience.

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Pursuant to the Management Measures on the Loan Loss Provision of Commercial Banks (《商業銀行貸款損失準備管理辦法》) issued on July 27, 2011 by the CBRC and implemented on January 1, 2012, the adequacy ratio of commercial banks' loan loss provision is evaluated by two indicators, allowance to total loans and allowance to non-performing loans, of which the basic standards are 2.5% and 150% respectively. The higher of the two is the supervision standard. The Board of Directors of financial leasing companies is ultimately responsible for management of loan loss provision. According to the requirements of regulatory authorities, the requirements for non-systematically important banks apply to financial leasing companies. Financial leasing companies shall reach the standards by the end of 2016, and if they fail to meet the standard, they shall formulate plans of reaching the standard and report to the CBRC, and the standards shall be reached by the end of 2018 at the latest.

### **Supervision of the CBRC over Loan Classification and Loan Loss Provision**

Pursuant to the Guidelines of Loan Risk Classification (《貸款風險分類指引》), financial leasing companies shall formulate detailed internal procedures and clearly specify relevant departments' responsibilities in works including loan classification, examination and approval and review, etc. In addition, financial leasing companies shall regularly submit quarterly regulatory report of loan classification and loan loss provision to the CBRC. Based on examination on the above-mentioned regulatory report, the CBRC can require financial leasing companies to explain any major changes of their loan classification and loan loss provision level, or conduct further investigation. According to the Loan Loss Provision Management Measures (《商業銀行貸款損失準備管理辦法》), for financial leasing companies failing to reach regulatory standards of loan loss provision for continuous three consecutive months, the CBRC may give them risk warning and propose request rectification. For financial leasing companies fail to meet regulatory standards for six consecutive months, the CBRC can apply certain supervision measures based on the PRC Banking Supervision and Regulatory Law.

### **Loan Write-offs**

Pursuant to the Guidelines on the Provision for Loan Losses of People's Bank of China (《中國人民銀行關於貸款損失準備計提指引》) and the Guidelines regarding the Loan Loss Provisions of Banks (《銀行貸款損失準備計提指引》), financial leasing companies should establish strict loan loss write-off audit and approval system. Loans that fail to meet the standards stipulated by the MOF are not allowed to be written-off. The loss from the loan write-offs are tax deductible, but it must be reviewed and approved by the tax authorities, so as to determine whether the loan write-offs are in compliance with the standards set by the MOF.

### **Bulk Transfer of Non-performing Assets**

On January 18, 2012, the MOF and the CBRC issued the Management Measures on the Bulk Transfer of Non-performing Assets of Financial Enterprises (《金融企業不良資產批量轉讓管理辦法》). It stipulated that financial enterprise can make bulk transfer of the non-performing credit assets and non-credit assets formed during the process of operation. Assets that can be transferred mainly include: substandard, doubtful and loss loan identified according to the stipulated standards; written-off account recorded assets; mortgage asset and other non-performing assets. Bulk transfer represents the directional transfer to asset management companies after packetization of no less than 10 non-performing assets of a certain size by financial enterprises.

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### Reserves for Impairment Loss and Statutory General Reserve

On March 30, 2012, the MOF issued the Management Measures on the Provisioning by Financial Institutions (《金融企業準備金計提管理辦法》), which came effective on July 1, 2012. The MOF also abolished the Management Measures on the Withdrawal of Reserves for Non-performing Loans of Financial Enterprises (《金融企業呆賬準備提取管理辦法》). Based on the Management Measures on the Provisioning by Financial Institutions, the statutory general reserve shall be increased to no less than 1.5% of the total amount of risk assets on the balance sheet date. Financial enterprises who have adopted the standardized approach to calculate statutory general reserve shall temporarily use the following standard credit assets risk coefficients: normal loan at 1.5%; special mentioned loan at 3%; substandard loan at 30%; doubtful loan is 60%; loss loan at 100%. If the financial enterprise's proportion of general reserve balance to the closing balance of risk assets is difficult to reach 1.5% in one year, the general reserve balance could be withdrawn annually, but in principle the time needed should be no longer than 5 years.

### Special Regulatory Indicators of the Financial Leasing Company

Pursuant to the Measures on Financial Leasing Companies, the main regulatory indicators of financial leasing companies are as follows:

- (i) Capital adequacy ratio. The ratio of the net capital of a financial leasing company to its risk-weighted assets shall not be lower than the minimum regulatory requirements of the CBRC;
- (ii) Degree of concentration of single client financing. The balance of all financing leasing transactions provided by a financial leasing company for a single lessee shall not exceed 30% of its net capital;
- (iii) Degree of concentration of single group client financing. The balance of all financing leasing transactions provided by a financial leasing company for a single group shall not exceed 50% of its net capital;
- (iv) Ratio of a single related client. The balance of all financing leasing transactions provided by a financial leasing company for a single related party shall not exceed 30% of its net capital;
- (v) Ratio of all related parties. The balance of all financing leasing transactions provided by a financial leasing company for all related parties shall not exceed 50% of its net capital;
- (vi) Ratio of a single shareholder and its related parties. The balance of financing extended by a financial leasing company to a single shareholder and all its related parties shall not exceed the amount of contribution made by the shareholder to the financial leasing company, and shall also meet the requirements of these Measures on the ratio of a single related client;
- (vii) Ratio of interbank lending. The balance of interbank funds borrowed by a financial leasing company shall not exceed 100% of its net capital; and
- (viii) Fixed-income debt securities shall not exceed 20% of its net capital.

### Regulations on project companies and specialized subsidiaries

Pursuant to the Notice of the CBRC on Issues concerning Financial Leasing Companies' Establishment of Project Companies in Domestic Bonded Zones to Carry Out Financial Leasing Business (Yin Jian Fa [2010] No. 2) (《關於金融租賃公司在境內保稅地區設立項目公司開展融資租賃業務有關問題的通知》(銀監發[2010]2號)) promulgated and implemented on January 15, 2010, if a financial leasing company establishes a project company in domestic bonded zones after obtaining a business qualification, it is required to report to the CBRC or its local offices within 15 business days after the project company enters into leasing contracts. Financial leasing companies shall quarterly send a copy of special report to the CBRC or its local offices in respect of relevant information about establishing project companies and conducting financial leasing business.

Pursuant to the Interim Provisions on the Administration of Specialized Subsidiaries of Financial Leasing Companies (Yin Jian Ban Fa [2014] No.198) (《金融租賃公司專業子公司管理暫行規定》(銀監辦發[2014]198號)) promulgated and implemented on July 11, 2014, financial leasing companies shall quarterly send a copy of special report to the CBRC or its local offices in respect of relevant information about their specialized subsidiaries.

### CORPORATE GOVERNANCE

Pursuant to the Measures for the Implementation Concerning Non-bank Financial Institutions, the chairman and vice chairman of the board of directors, independent directors, other directors and the members of the board of a non-banking financial institution shall be subject to the licensing of qualifications. The general manager (chief executive officer or president), vice-general manager (vice-president), chief risk officer, chief financial officer, chief accountant, chief auditor (chief compliance officer), chief operating officer, chief technology officer of a non-banking financial institution, general manager assistant and board secretary as senior management of the company, general manager (director), deputy general manager (deputy director), general manager assistant of a branch, the chief representative of the China representative office of an overseas non-banking financial institution and other senior management shall be subject to the licensing of qualifications. Personnel that do not hold the above positions but perform the duties and functions of the directors or senior management listed above shall be subject to the qualifications administration in accordance with the relevant regulations of the CBRC.

Pursuant to the Guidelines on the Corporate Governance of Commercial Banks (Yin Jian Fa [2013] No.34) (《商業銀行公司治理指引》(銀監發[2013]34號)) promulgated by the CBRC and effective from July 19, 2013, financial leasing companies shall abide by the guidelines by analogy and observe the principle that shareholders' meeting, board of directors, board of supervisors, senior management, shareholders and such shall operate independently, balance effectively, cooperate with each other and work smoothly. Also, financial leasing companies shall establish reasonable incentive and restriction mechanism to perform effective decision-making, execution and supervision. Based on the principles above, the guidelines provide further regulations in relation to rights and responsibilities of shareholders, shareholders' meeting, board of directors, board of supervisors, senior management as well as selection procedure and obligations of directors, supervisors and senior management and corporate strategies, value standard, social responsibilities, risk management and internal control, incentive and restriction mechanism, information disclosure and supervision.

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Pursuant to the Measures for Evaluating the Performance of Directors of Commercial Banks (Provisional) (CBRC Order [2010] No.7) (《商業銀行董事履職評價辦法(試行)》(中國銀監會令2010年第7號)) promulgated by the CBRC and effective from December 10, 2010, financial leasing companies shall abide by the measures by analogy and establish a system for evaluating the performance of directors, and the board of supervisors shall assume the ultimate liability for the evaluation of performance of directors with reference to the measures. The CBRC shall supervise the evaluation of the performance of directors.

### INTERNAL CONTROL AND RISK MANAGEMENT

Pursuant to the Measures on Financial Leasing Companies, the financial leasing companies shall, in accordance with the principles of being comprehensive, prudent, effective and independent, establish and improve their internal control systems to prevent, control and mitigate risks and ensure their own safe and stable operations.

#### Internal Control

Pursuant to the Guidelines for the Internal Control of Commercial Banks (Yin Jian Fa [2014] No. 40) (《商業銀行內部控制指引的通知》(銀監發[2014]40號)), commercial banks shall establish and perfect internal control system, define internal control responsibilities, improve internal control measures, strengthen internal control guarantee, constantly conduct the evaluation of and supervision over internal control. The internal control of commercial banks shall follow the following basic principles: (i) full coverage principle. The internal control shall penetrate the whole process of decision-making, implementation and supervision, cover all business processes and management activities, and cover all departments, posts and staff. (ii) balance principle. The internal control shall form a mutual restriction and supervision mechanism in respect of governance structure, institutional setting, distribution of powers and responsibilities, business processes and so on. (iii) prudential principle. The internal control shall insist on the philosophies of risk focus and prudential operations, and the establishment of any institution or the launching of any business shall give the priority of internal control. (iv) matching principle. The internal control shall adapt to management mode, business scale, product complexity, risk conditions and so on, and be adjusted in time according to changes in circumstances. The financial leasing companies shall abide by the guidelines by analogy.

#### Compliance Risk Management

Pursuant to the Guidelines for Commercial Banks on Risk Management Compliance with the Relevant Regulations (Yin Jian Fa [2006] No. 76) (《商業銀行合規風險管理指引》(銀監發[2006]76號)), the commercial banks shall establish a compliance risk management system which shall apply to its business scope, organization structure and business scale. The compliance risk management system shall include the following basic components: (i) compliance policies; (ii) organization structure and resources of the compliance risk management department; (iii) compliance risk management plan; (iv) compliance risk recognition and management processes; (v) compliance training and education system. The financial leasing companies shall abide by the guidelines by analogy.

### **Operational Risk Management**

Pursuant to the Guidelines for Commercial Banks on Operational Risk Management (Yin Jian Fa [2007] No. 42) (《商業銀行操作風險管理指引》(銀監發[2007]42號)), the commercial banks shall establish an operational risk management system that is suitable for the nature, size and degree of complexity of its business in order to recognize, evaluate, supervise and control operational risk. Operational risk management systems are not required to be uniform, but shall include at least the following principal elements: (i) supervision and management by the board of directors; (ii) senior management responsibilities; (iii) appropriate organizational structure; (iv) operational risk management policies, methods and procedures; and (v) policies on operational risk reserve accrual. The financial leasing companies shall abide by the guidelines by analogy.

### **Market Risk Management**

Pursuant to the Guidelines for Commercial Banks on Market Risk Management (CBRC Order [2004] No. 10) (《商業銀行市場風險管理指引》(中國銀行業監督管理委員會令[2004]第10號)), the commercial banks shall establish a comprehensive and reliable market risk management system that corresponds to the nature, scale and level of complexity of its business. A market risk management system shall include the following components: (i) effective supervision and control by the board of directors and senior management; (ii) comprehensive market risk management policies and procedures; (iii) comprehensive market risk identification, measurement, monitoring and control procedures; (iv) sound internal controls and independent external audit mechanisms; and (v) an appropriate market risk capital allocation mechanism. The financial leasing companies shall abide by the guidelines by analogy.

### **Information Technology Risk Management**

Pursuant to the Guidelines for Commercial Banks on Management of Information Technology Risks (Yin Jian Fa [2009] No. 19) (《商業銀行信息科技風險管理指引》(銀監發[2009]19號)), the commercial banks shall establish an effective mechanism that can identify, measure, monitor, and control the risks of information system, ensure data integrity, availability, confidentiality and consistency, provide the relevant early warning, and thereby enable business innovations, uplift capability in utilizing information technology, improve core competitiveness and capacity for sustainable development. The financial leasing companies shall abide by the guidelines by analogy.

### **Anti-money Laundering**

In the capacity of financial institutions, financial leasing companies shall comply with the requirements of laws and regulations in respect of anti-money laundering.

Pursuant to the Anti-money Laundering Law of the People's Republic of China (President Order No.56) (《中華人民共和國反洗錢法》(主席令第56號)) promulgated by the Standing Committee of the National People's Congress on October 31, 2006 and effective from January 1, 2007, the relevant financial regulator under the State Council requires the financial institutions under its supervision and administration to establish and improve an internal control system of anti-money laundering.

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Pursuant to the Provisions on Financial Institutions Anti-money Laundering ((PBOC Order [2006] No.1) (《金融機構反洗錢規定》(中國人民銀行令[2006]第1號)) promulgated by the PBOC on November 14, 2006 and effective from January 1, 2007, financial institutions and their branch offices shall establish and improve an internal control system for anti-money laundering pursuant to the law, and set up an anti-money laundering department or designate an internal department in their branches to be responsible for anti-money laundering activities.

Pursuant to the Administrative Measures of Client Identification and Identity Materials and Transaction Recording of Financial Institutions (Order of the PBOC, the CBRC, the CSRC, the CIRC [2007] No.2) (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》(中國人民銀行、中國銀監會、中國證監會、中國保監會令[2007]第2號)) promulgated by the PBOC, the CBRC, the CSRC and the CIRC on June 21, 2007 and effective from August 1, 2007, financial institutions shall establish and implement effective client identification system and implement client identity information and a transaction archiving system.

Pursuant to the Administrative Measures on Reporting Large and Doubtful Transactions in Financial Institutions (PBOC Order [2006] No.2) (《金融機構大額交易和可疑交易報告管理辦法》(中國人民銀行令[2006]第2號)) promulgated by the PBOC on November 14, 2006 and effective from March 1, 2007, financial institutions shall set up a special position for anti-money laundering duty, assign a designated person to report large and doubtful transactions, formulate an internal management system and operating procedures for large and doubtful transactions according to such measures, and file with the PBOC.

Pursuant to the Administrative Measures for Anti-money Laundering Supervision over Financial Institutions (Provisional) (Yin Fa [2014] No.344) (《金融機構反洗錢監督管理辦法(試行)》(銀發[2014]344號)) issued by the PBOC and effective from November 15, 2014, the PBOC and its local offices shall conduct off-site anti-money laundering supervision over the implementation of anti-money laundering regulations by financial institutions through a series of supervision measures such as the adoption of periodic anti-money laundering reporting systems and the establishment of supervision files. Financial institutions shall designate specific staff to file anti-money laundering reports and other information that present its anti-money laundering work fairly to the PBOC or the competent local offices in accordance with the requirements of the PBOC. The institution reporting on anti-money laundering is responsible for the truthfulness, completeness and timeliness of the relevant information.

### Special Foreign Exchange Policies

Pursuant to the Reply of the General Affairs Department of the State Administration of Foreign Exchange on Issues concerning the Collection of Rents in Foreign Currency by Domestic Financial Leasing Companies When They Handle Financial Leasing (Hui Zong Fu [2012] No. 80) (《國家外匯管理局綜合司關於國內金融租賃公司辦理融資租賃收取外幣租金問題的批覆》(匯綜覆[2012]80號)), financial leasing companies or financial leasing project companies may collect rents in foreign currency as required if more than 50% of its funds for purchasing the lease are from its domestic foreign exchange loans or foreign currency debts. Financial leasing companies shall, in accordance with the Notice of the State Administration of Foreign Exchange on Reforming the Method of Foreign Exchange Administration of Domestic Foreign Exchange Loans (Hui Fa [2002] No. 125) (《國家外匯管理局關於實施國內外匯貸款外匯管理方式改革的通知》(匯發[2002]125號)) and the relevant documents, register creditors in a centralized manner. If the financial leasing adopts the leaseback structure, the leaser shall offer payment for leased equipment in Renminbi to the lessee. The domestic foreign exchange loans or the approved foreign debts borrowed by financial leasing companies or their financial leasing project companies shall not be used for foreign exchange settlement.



### Special Fiscal and Tax Policies

Pursuant to the Notice on Comprehensively Promoting the Pilot Program of Levying Value-added Tax in Lieu of Business Tax (Cai Shui[2016]No.36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號)) promulgated by the MOF and the SAT on March 23, 2016, starting from May 1, 2016, the VAT pilot program will be extended to the whole country. Business tax payers in the industries of construction, real estate, financial and consumer service will be included into the scope of the VAT pilot program.

Pursuant to the Announcement of SAT on Issues Concerning the Taxation Involved in Sales of Assets by Lessees in the Sale and Leaseback Financing Business (SAT Order [2010] No. 13) (《國家稅務總局關於融資性售後回租業務中承租方出售資產行為有關稅收問題的公告》(國家稅務總局2010年第13號)), selling assets by lessees in the sale and leaseback financing business does not fall within the scope collection of VAT and business tax, and therefore shall be exempted from VAT and business tax. Selling assets by lessees in the sale and leaseback financing business shall not be recognized as sales income. The original pre-sale book value of the assets under the financial leasing arrangement shall still be taken as the basis for taxation for accrual of the depreciation provision. During the lease period, the financing interest paid by a lessee shall be deducted as enterprise financial costs before tax.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Value-Added Tax During the Pilot Reform for Replacing Business Tax with Value-Added Tax (State Administration of Taxation Notice 2015 No. 90) (《國家稅務總局關於營業稅改徵增值稅試點期間有關增值稅問題的公告》(國家稅務總局公告2015年第90號)), for any taxpayer who provides finance lease services of tangible properties, if he transfers the creditor's right of any rent payable undue under a finance lease contract by factoring to banks or other financial institutions, the finance lease relationship between the taxpayer and the lessee will not be changed, and he shall continue to pay the VAT according to the current requirements and issue invoice to the lessee.

Pursuant to the Notice of the Ministry of Finance and SAT on the Stamp Tax Policy concerning the Airplane Lease Enterprises (Cai Shui [2014] No.18) (《財政部、國家稅務總局關於飛機租賃企業有關印花稅政策的通知》(財稅[2014]18號)), from January 1, 2014 to December 31, 2018, the stamp tax on the purchase and sales contracts for the purchase of airplanes by the airplane lease enterprises shall be temporally exempted.

Pursuant to the Circular on Stamp Duty Policies relating to Financial Leasing Contracts (Cai Shui [2015] No.144) (《關於融資租賃合同有關印花稅政策的通知》(財稅[2015]144號)), for financial leasing contracts on financial leasing businesses (including sale-and-leaseback transactions for financing purposes), the stamp duty will be calculated at the rate of 0.005% according to the taxable item "loan contract" based on the total lease indicated in the contracts. For the sales contracts between the lessor and the lessee on sale-leaseback financing businesses, the stamp duty will be exempted.

Pursuant to the Notice of the Ministry of Finance, the General Administration of Customs, and the SAT on Implementing Nationwide the Pilot Program of Export Tax Refund Policies for Goods under Financial Leasing (Cai Shui [2014] No. 62) (《財政部、海關總署、國家稅務總局關於在全國開展融資租賃貨物出口退稅政策試點的通知》(財稅[2014]62號)), the trial implementation of tax refund policies shall be conducted on exported goods under financial leasing. The trial implementation of tax refund policies shall be conducted on maritime engineering structures under financial leasing. Where the maritime engineering structures that

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## REGULATORY ENVIRONMENT

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are purchased by the lessor under financial leasing are leased to a domestic offshore petroleum and natural gas exploitation enterprise by means under financial leasing for a lease term of five years or longer, such maritime engineering structures shall be deemed as being exported, and the trial implementation of export tax refund policies on VAT and consumption tax shall be conducted.

Pursuant to the Notice on Amending of Relevant Regulations on Determination of Duty-paid Value of Amending Aircraft Operating Leasing (Announcement No. 8 [2016] of the General Administration of Customs) (海關總署公告2016年第8號), the overseas maintenance and repair fees to be borne by the lessees during the leasing period, shall take overseas repair fees and materials expenditure as basis to review and determine the duty-paid value. On returning aircrafts, the indemnification fees or compensation expenses paid by the lessees to the lessors due to the unsatisfactory of the conditions for delivering the aircrafts as agreed in aircrafts leasing transactions, or the fees generated by maintenance or repair to meet the conditions for delivering the aircrafts, no matter the fees or expenses incurs in domestic or at abroad, it shall be included in the duty-paid value based on the rent. The unreturned maintenance deposits from lessees at the end of aircrafts leasing will be included in duty-paid value based on the rent. For lessors who are taxpayers, the withholding tax, business tax and VAT beyond the rent stipulated in the contract paid by lessees for lessors pursuant to the contract are indirectly paid rents and should be included in duty-paid value. For the insurance costs paid by lessees related to airframe and spare parts in aircraft leasing transactions, no matter it takes place in domestic or at abroad, it is indirectly paid rent and should be included in duty-paid value. For the insurance costs related to ensuring normal operations during aircraft leasing period should not be included in duty-paid value.

### **Regulation and Shareholders' Approval**

We have obtained shareholders' approval in respect of the Listing, please see "Appendix VI – Statutory and General Information – 1. Further Information about Our Company – C. Our Company's Extraordinary General Meetings Held on November 24, 2015" in this prospectus.

We have also obtained the permissions from the Shenzhen CBRC and the CSRC in respect of the Global Offering and the listing of our H Shares on the Hong Kong Stock Exchange on January 15, 2016 and May 11, 2016, respectively.

### **THE IRISH REGULATORY ENVIRONMENT**

The leasing of aircraft on an operating lease basis is not a regulated activity in Ireland. For all Irish companies, including aircraft leasing companies, the principal legislation governing the incorporation of companies in Ireland is the Companies Act 2014 (the "Irish Companies Act"). The Irish Companies Act provides for the incorporation and regulation of companies incorporated thereunder.

The Irish Companies Act became operative on June 1, 2015. The principal changes under the Irish Companies Act relate to the private company limited by shares (the "private company"), which is the most common type of company in Ireland. From June 1, 2015, there are two types of private company, which replace the previous single form. These are: (i) a private company limited by shares ("LTD"); and (ii) a designated activity company ("DAC"). Under the Irish Companies Act, all existing private companies are required to convert to either an LTD or a DAC.

### **Company Limited by Shares – LTD**

The LTD is the new model form of private company limited by shares. It has the same unlimited legal capacity as an individual. It may have just one director but, in that case, must have a separate company secretary. It can adopt written procedures instead of holding an annual general meeting of shareholders (AGM). It has a one-document constitution (replacing its current memorandum and articles of association) and its internal regulations are set out in simplified form in that constitution. Its name will not change after conversion and it can continue to use the suffix “Limited” or “Ltd.” An LTD is prohibited from offering securities (equity or debt) to the public.

### **Designated Activity Company – DAC**

While technically a new type of company, the DAC is similar in many ways to the private company formed under the old Companies Acts (Companies Acts 1963 – 2013). A key distinction between a DAC and an LTD is the continued existence of an objects clause in the DAC constitution. A DAC may be a suitable vehicle where an objects clause is needed (e.g. to restrict the corporate capacity of a joint-venture vehicle) or for companies listing debt securities on a stock exchange. A DAC requires two directors. It must convene an AGM unless it is a single member company, in which case this requirement can be dispensed with. Its name must end with “designated activity company” or “DAC” which will mean changes to company stationery, websites, seals and registrations.

### **Conversion Period**

There is an 18 month transition period running to November 30, 2016 during which existing private companies must convert to either an LTD or a DAC. Private companies which have taken no action by the end of this transition period automatically convert to an LTD. Existing private companies can opt out of the default company scheme and re-register as a DAC by simply passing a shareholder resolution.

All of the Irish subsidiaries of our Group are established as private companies limited by shares. All Irish subsidiaries of our Group incorporated on or after June 1, 2015 have been incorporated as LTDs. Each Irish subsidiary of our Group incorporated prior to June 1, 2015 has yet to convert to an LTD or a DAC.

The following principles are relevant to Irish incorporated companies engaged in the leasing of aircraft on an operating lease basis:

- basic principles of Irish corporate law;
- Irish tax and stamp duty;
- Irish law insolvency procedures; and
- other Irish law issues.

### **Basic Principles of Irish Company Law**

#### ***Corporate Structure***

A private company limited by shares is a company which by its constitutional documents (known as its memorandum and articles of association/constitution) and is bound by the following restrictions:

- the right to transfer shares is restricted;
- the number of shareholders is limited to 149; and
- any offer of shares, debentures or other securities to the public is prohibited, subject to certain exceptions.

The primary characteristic of a company which is limited by shares is that the liability of the shareholders to contribute to the company's debts is limited to the amount (if any) which remains unpaid on their shares. Accordingly, therefore, if all of a company's issued shares are fully paid, the shareholders cannot be then held liable personally for the company's debts. In certain circumstances, the Irish courts have, however, chosen to ignore the separate corporate existence of companies, for instance:

- where that company has been formed for some fraudulent, illegal or improper purpose or for the evasion of legal obligations;
- (in the context of group companies) where a related company was clearly a mere constituent of a larger legal entity, and where they effectively carried on business as a "single economic entity" or where the acts of one company may be treated as those of another;
- where to do otherwise would allow a controller to avoid an existing legal obligation; and
- where it has been used to avoid a statutory obligation.

#### **Share Capital**

There is no minimum share capital requirements for an Irish private company limited by shares, although there must be at least one share in issue, i.e., only one shareholder is required.

Each company with a share capital has an authorized share capital amount which is stated in the memorandum and articles of the company with one exception. An LTD can, if it chooses, not have an authorized share capital figure. Where an authorized share capital is used, the company may not issue shares greater than this authorized capital, which can be increased by the resolution of the shareholder.

The authorized share capital can be denominated in any currency and can be as large or small as the company desires depending on how many shareholders are proposed. The shares' nominal value often bears little relationship to their actual worth.

### **Constitutional Documents of an Irish Company**

Existing Irish companies, which have not yet (during the transition period set out above) converted to either an LTD or a DAC, have two main constitutional documents, the memorandum of association and the articles of association.

- The memorandum of association sets out the purposes for which the company is being established and the parameters and boundaries of its corporate activity. The principal objects for which the company was formed are set out in the memorandum of association and the company is not empowered to do anything which is not in furtherance of its principal objects as stated in the memorandum of association.
- The articles of association are the publicly registered rules of a company which govern its internal regulations. The articles establish how the business of the company will be carried on and deal with such matters, for example, as the directors' power to allot shares, the transfer of shares, the convening and holding of general meetings and shareholder regulation, appointment and remuneration of directors, the powers and duties of directors, proceedings of directors, dividends and notices.

Under the Irish Companies Act, an LTD will have a simplified single-document constitution, replacing the current memorandum and articles of association. Significantly, an LTD's constitution will not have an objects clause and it will therefore have unlimited corporate capacity. A DAC will need a memorandum and articles of association.

In addition, any Irish company will have a certificate of incorporation, which confirms the date on which the company was incorporated.

### **Irish Tax and Stamp Duty**

Ireland's corporation tax system includes the following:

- 12.5% corporation tax rate on trading income. The 12.5% Irish corporation tax rate is available to all companies that are considered to be "trading" in Ireland. In general, a leasing company will be "trading" where it has suitably experienced directors and employees in Ireland who are actively engaged in leasing or lease management activities or has engaged an Irish lease manager. All of our SPCs in Ireland are considered trading;
- extensive network of double taxation agreements;
- no withholding tax on lease rentals;
- 20% withholding tax on interest payments, though there are number of broad domestic exemptions from this Irish withholding tax. Broadly, an exemption from Irish interest withholding tax applies where interest is paid by an Irish tax resident company:
  - to a company that is resident for tax purposes in any member state of the European Union (other than Ireland) or any country with which Ireland has signed a double taxation treaty, in each case which imposes a tax that generally applies to interest receivable in that country by companies from sources outside that country. This exemption does not apply if the interest is paid to the receiving company in connection with a trade or business carried on by it in Ireland through a branch or agency; and

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## REGULATORY ENVIRONMENT

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- where interest is paid on securities which are listed on a recognized stock exchange and certain other conditions are satisfied.
- no Irish Value Added Tax on lease rentals in most cross-border aircraft financing transactions; and
- no stamp duty payable on instruments for the sale or transfer of aircraft or any interest therein; in addition no stamp duty is payable in respect of a lease. Security agreements which may be entered into in connection with a lease transaction are not subject to Irish stamp duty, regardless of the location of the aircraft.

### **Irish Law Insolvency Procedures**

#### ***Liquidation***

Liquidation is the statutory process by which an Irish company is dissolved or wound-up. There are three methods of winding up a company by way of liquidation:

- members voluntary winding up;
- creditors voluntary winding up; and
- compulsory court winding up.

#### **Members' or Creditors' Voluntary Winding Up**

In a members' voluntary winding up or a creditors' voluntary winding up the process is initiated by the directors and shareholders of the company. However, in order to initiate a members voluntary winding up the company must be solvent which means that it must be able to pay its debts in full within one year of the commencement of the winding up.

#### **Compulsory Court Winding Up**

A compulsory court winding up will arise where the Irish High Court is petitioned by a creditor, contributor or the company itself to have the company compulsorily wound up. Where the court is of the view that the company should be wound up it will issue such an order and appoint a liquidator for the purposes of effecting the winding up and realizing the assets. Under a compulsory court winding up the liquidator's powers are subject to the control of the court.

The role and function of a liquidator in both a voluntary and court winding up, is to realize or liquidate the assets of a company with a view to satisfying in whole or in part all creditors' claims and wind up the company. Following the accumulation of all the assets of the company in a winding up, the liquidator has a duty to ensure distribution of the assets of the company to its creditors. The order of payment is as follows:

- remuneration, costs and expenses of an examiner (if appointed);
- secured creditors pursuant to a fixed charge;
- expenses certified by an examiner;
- the liquidator's expenses of the winding up;
- preferential creditors to include taxation/revenue payments and social payments due to employees;

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- secured creditors pursuant to a floating charge;
- unsecured creditors;
- subordinated creditors; and
- shareholders.

In collecting in the assets of the insolvent company, the liquidator may invoke certain statutory provisions to have transactions entered into by the company set aside. Such provisions include:

- the right to set aside contracts and other arrangements (including guarantees and security documents) where the effect of such arrangements is to prefer one creditor over the others. This right may only be exercised where the company is wound-up within six months of entering into the arrangements. This period is extended to two years for certain connected parties;
- the right to have arrangements entered into by the company set aside where they constitute a fraud on the company, its creditors or members. There are no time limits for the exercise of this power;
- the right to disclaim onerous property including unprofitable contracts. This right must be exercised within 12 months of the commencement of the liquidation proceedings or, if later, the date on which the liquidator becomes aware of the property; and
- the right to have a floating charge set aside if entered into within the 12 month period prior to the commencement of the liquidation if the company was insolvent at the time. Any invalidity of the charge will not extend to secured obligations which were advanced or paid on or after the charge.

### **Examinership**

Examinership is a corporate rescue/bankruptcy process designed to facilitate the survival of a company and the whole or any part of its undertaking through the appointment of an examiner and the formulation by the examiner of proposals for a compromise or scheme of arrangement. The process is similar to that of Chapter 11 in the United States. The examination process provides for an automatic stay or temporary relief from the claims of creditors including secured creditors. The examination process is a Court process rather than a voluntary process. It is initiated by a petition on the application of the company, the directors of the company, a creditor of the company or members of the company having not less than 1/10th of the paid up capital of the company having voting rights. In presenting the petition, it is necessary to show that the company is or is likely to be unable to pay its debts, no order has been made for the winding up of the company, and no resolution of the company has been passed to wind up the company.

The court will only make an order appointing an examiner if it is satisfied that there is a reasonable prospect of the survival of the company and the whole or any part of its undertaken as a growing concern. The petition to the High Court must be accompanied by a report on the company prepared by an independent accountant (the accountant can be either the auditor of the company or a person who is qualified to be appointed as an examiner of the company). The report must contain an opinion of the independent accountant as to the prospects for survival of the company and (if applicable) how its affairs can be restructured to ensure its survival.

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When the court has appointed an examiner the company will be protected by the court for an initial period of 70 days. This may be extended by a further 30 days to facilitate the preparation of proposals for a compromise or scheme of arrangements by the examiner, and the period may be further extended if any proposed scheme were the subject of an appeal to the Irish Supreme Court. During this protection period no proceedings may be commenced against the company, no execution may be made against the company's assets and no secured creditor may enforce its rights under its security (any exercise of rights of set-off is permitted).

### **Other Irish Law Issues**

#### *Duties of Directors*

The duties of directors of an Irish company originate from case law, legislation and related rules and codes. Some of the principal duties of directors include:

- to ensure that the company complies with the Irish Companies Act;
- to act in good faith and honestly towards the company;
- to attend board meetings with reasonable regularity;
- to exercise such skill and care as could reasonably be expected of the director given his experience and the circumstances;
- to act in what the director genuinely and reasonably believes to be in the best interests of the company;
- to avoid conflict with personal interests and to disclose any personal interest in any contract with the company and any shareholding held in the company;
- to maintain proper books of accounts; and
- to account to the company for any profits arising out of the position as director.

### **Cape Town Convention**

Ireland has ratified the Cape Town Convention on Interests in Mobile Equipment and Aviation Protocol (the “**Convention**”) and its terms have the force of law before the Irish courts. Accordingly, any security agreement constituting an international interest within the meaning of the Convention which has been created by an Irish mortgagor or created in respect of an Irish registered aircraft can be registered with the International Registry.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OUR HISTORY

Our history dates back to 1984, when our predecessor, Shenzhen Leasing Company Limited, was established in the PRC following approval by the Shenzhen government. Since then we have operated for more than 30 years, and are one of the first leasing companies in China. In 1985, we were approved by the PBOC Shenzhen Special Economic Zone Branch to engage in leasing business. In 1999, the Company was renamed Shenzhen Financial Leasing Company Limited.

In 2008, CDB became our Controlling Shareholder through share acquisition and capital increase, and has been our sole Controlling Shareholder throughout the Track Record Period. Since 2008, we have been the sole leasing business platform of CDB. As a development finance institution established by the PRC government, CDB provides strategic services for the medium to long-term development of the national economy, principally through the engagement of financial services such as medium to long-term credit lending and investment. CDB is a leading bank in China's medium to long-term credit lending, and the largest domestic bank for foreign currency loans in China. On May 22, 2008, the Company was renamed China Development Bank Financial Leasing Company Limited.

With the approval of our Shareholders, our Company was restructured into China Development Bank Financial Leasing Co., Ltd., a joint stock company with limited liability on September 28, 2015 (the "Reorganization") pursuant to the promoters' agreement dated August 11, 2015. At the time of its establishment, China Development Bank Financial Leasing Co., Ltd. had a registered share capital of RMB9,500,000,000, consisting of 9,500,000,000 Shares with a nominal value of RMB1.00 each; CDB, our sole Controlling Shareholder, held approximately 88.95% of our Shares. See "– Reorganization" in this section.

As of the Latest Practicable Date, the Company's principal businesses include providing comprehensive leasing services to high-quality customers in industries, including aviation, infrastructure, shipping, commercial vehicle and construction machinery.

### MILESTONES OF DEVELOPMENT

The following are our key milestones to date:

Year	Event
1984	Our predecessor, Shenzhen Leasing Company Limited, was established.
2002	We pioneered aircraft leasing business among PRC leasing companies by entering into a purchase agreement with Xi'an Aircraft Industry in respect of three MA60 aircraft.
2006	We pioneered the aircraft operating lease business among PRC financial leasing companies by entering into a leasing agreement with China Eastern Airlines Corporation Limited in respect of an A330 aircraft.

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Year	Event
2008	<p>CDB became our Controlling Shareholder, and the Company was renamed China Development Bank Financial Leasing Company Limited, which was then the largest leasing company in terms of registered capital in the PRC.</p>
2009	<p>The Company accomplished the first acquisition of an aircraft asset portfolio, accompanied by a leasing contract with GE Capital Aviation Services, which was rewarded as the Best International Transaction of the Year 2009 by Airfinance Journal. Since then, the Company has formally entered the international market for aircraft leasing business.</p> <p>The Company completed the sale-and-leaseback project of Kunming-Shilin Expressway in Yunnan. The Company has since fully entered into the infrastructure leasing sector.</p> <p>The Company entered into its first commercial vehicle strategic cooperation agreement with Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司), a leading manufacturer of commercial vehicles, making it the first PRC financial leasing company to carry out manufacturer leasing business.</p>
2010	<p>The Company entered into the national interbank lending market after obtaining approval from the PBOC.</p>
2012	<p>The total assets of the Company reached RMB100 billion, making it the first CBRC-regulated leasing company with total assets exceeding RMB100 billion.</p> <p>Witnessed by China's President Xi Jinping and Governor General of Canada David Johnston, the Company and Bombardier Aerospace entered into a purchase agreement in respect of 15 C Series aircraft with a total order amount of approximately US\$914 million.</p> <p>The Company completed the Japanese Taxation Financing Lease (JOLCO) structured financing in relation to three aircraft, which was recognized as the Best Taxation Financing Transaction of the Year 2012 by Airfinance Journal. This transaction was the Company's first successful tax financing business.</p> <p>The Company successfully issued bonds with a principal amount of US\$1.5 billion through an offshore SPC in the international capital market for the first time, which was awarded the Best Quasi-sovereign Bond of the Year 2012 by Asset Magazine.</p>
2014	<p>The Company completed the purchase of 130 mainstream narrow-body aircraft.</p> <p>The Company received international credit ratings of A+ from Fitch, A+ from Standard &amp; Poor's and A1 from Moody's.</p>
2015	<p>The Company was reorganized into a joint stock company with limited liability, and was renamed as China Development Bank Financial Leasing Co., Ltd.</p>

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Event
	The Company was approved by the PBOC to carry out foreign currency lending business in the national interbank lending market.
	The Company successfully entered into the credit information system of the PBOC.
	The Company was awarded the China Aircraft Finance Industry Promotion Award by the Fourth China Aircraft Finance Forum.

### CHANGES OF CDB'S EQUITY INTEREST IN OUR COMPANY

CDB became our Shareholder in 2008, and has been our sole Controlling Shareholder throughout the Track Record Period. Please see below for details of changes of CDB's equity interest in our Company:

Date	Reasons for changes of CDB's equity interest	CDB's contribution to our registered capital	CDB's equity interest
		(RMB)	(%)
April 2008	HNA Group transferred approximately 35.83% of its equity interest in our Company to CDB. In addition, CDB made a capital contribution of RMB6,769,293,000 to our Company.	7,025,733,000	93.86
	CDB became a Shareholder and the Controlling Shareholder of the Company after the above share transfer and capital contribution.		
September 2008	HNA Group transferred approximately 0.80% of its equity interest in our Company to CDB.	7,115,733,000	91.40
	HNA Group provided a capital increase of RMB215 million to our Company.	7,115,733,000	88.95
September 2015	The Company underwent the Reorganization. Please see “– Reorganization” of this section for details.	8,449,932,938	88.95

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Previous Issues of Bonds of the Company

As of the Latest Practicable Date, the Company has conducted two bond issuances, details of which are as follows:

In December 2012, the Company, through an offshore SPC Amber Circle Funding Limited, issued US\$500 million five-year and US\$1,000 million 10-year senior bonds due in 2017 and 2022, respectively. These bond issuances were guaranteed by CDB Hong Kong Branch, and received an international credit rating of Aa3 from Moody's as well as an international credit rating of AA- from Standard & Poor's.

In December 2014, the Company, through an offshore SPC CDBL Funding 1, issued US\$250 million five-year and US\$400 million 10-year senior bonds due in 2019 and 2024, respectively. These bond issuances were supported by the Keepwell and Asset Purchase Deed provided by the Company and guaranteed by our offshore SPC, SinoAero Leasing Co., Limited ("SinoAero"). This bond issuance represented the Company's first issue of offshore US dollar denominated bonds based on our own credit, and received an international credit rating of A+ from Fitch.

### REORGANIZATION

In August 2015, our promoters, namely CDB, HNA Group, Xi'an Aircraft Industry, Jiangsu Jia Yuan, Qitian Holding, Bank of Urumqi, Sichuan Financial Leasing and Huilian Assets Management, entered into a promoters' agreement, agreeing to convert China Development Bank Financial Leasing Corporation Limited into a joint stock company with limited liability. Pursuant to the Approval of the Management Plan of the State-owned Equity Interest in China Development Bank Financial Leasing Co., Ltd. (關於國銀金融租賃股份有限公司國有股權管理方案的批覆) (Caijin Han [2015] No. 161) issued by the Ministry of Finance dated September 21, 2015, and the Approval of the Change of Registered Capital of China Development Bank Financial Leasing Co., Ltd. (關於國銀金融租賃有限公司變更註冊資本的批覆) (Shen Yin Jian Fu [2015] No. 297) issued by Shenzhen CBRC dated September 25, 2015, our Company was converted into China Development Bank Financial Leasing Co., Ltd. on September 28, 2015 upon registration with the Market and Quality Supervision Commission of Shenzhen Municipality, and our registered capital was increased from RMB8,000 million to RMB9,500 million. Our shareholders and their respective shareholding percentages remained unchanged before and after the Reorganization and up to the Latest Practicable Date. Below is the shareholding structure of the Company before and after the Reorganization:

Name of promoters	Number of shares held	Percentage of shareholding	Contribution to our registered capital	Method of capital contribution
CDB	8,449,932,938	(%) 88.95	(RMB) 8,449,932,938	By conversion of net asset value into shares
HNA Group	795,625,000	8.38	795,625,000	By conversion of net asset value into shares

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of promoters	Number of shares held	Percentage of shareholding (%)	Contribution to our registered capital (RMB)	Method of capital contribution
Xi'an Aircraft Industry	154,375,000	1.63	154,375,000	By conversion of net asset value into shares
Jiangsu Jia Yuan	88,203,937	0.93	88,203,937	By conversion of net asset value into shares
Qitian Holding	4,500,625	0.05	4,500,625	By conversion of net asset value into shares
Bank of Urumqi	3,562,500	0.04	3,562,500	By conversion of net asset value into shares
Sichuan Financial Leasing	2,612,500	0.03	2,612,500	By conversion of net asset value into shares
Huilian Assets Management	1,187,500	0.01	1,187,500	By conversion of net asset value into shares
<b>Total</b>	<b><u>9,500,000,000</u></b>	<b><u>100</u></b>	<b><u>9,500,000,000</u></b>	

*Note: Any discrepancies in the above table between totals and the sums of amounts listed therein are due to rounding.*

As advised by our PRC legal advisors, DeHeng Law Offices, except for the name change registration for the Company's certain properties and lands (i.e. to change our registered name to China Development Bank Financial Leasing Co., Ltd.) are still in process, all necessary consents, approvals, authorizations and permissions required to be obtained for the Reorganization have been obtained; all the Reorganization steps have been duly completed pursuant to the applicable PRC laws, regulations and rules; corresponding changes have been made to other matters in connection with the Reorganization that are subject to the registration changes with the industry and commerce authorities; and the above name change registration is not subject to substantial legal impediment.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### OUR PROMOTERS

The table below sets forth a summary of our promoters:

Name of our Promoters	Number of Shares held after the Reorganization and as of the Latest Practicable Date	Percentage of Shareholding after the Reorganization and as of the Latest Practicable Date (%)	Background Information
CDB	8,449,932,938	88.95	A joint stock company incorporated in the PRC with limited liability on July 1, 1994, with registered capital of RMB421,248,365,382. Its business scope includes: taking public deposits other than saving deposits of residents; extending short, medium and long-term loans; conducting domestic and international settlement; accepting and discounting bills; issuance of financial bonds; acting as an agent for the issuance, payment and underwriting of government bonds; trading government bonds and financial bonds; conducting interbank lending; trading foreign exchanges and trading foreign exchanges as an agent; providing letters of credit service and guarantee; acting as an agent for collection and payment; providing safe-deposit box services; and any other business as approved by the banking regulatory authorities of the State Council.
HNA Group	795,625,000	8.38	A company incorporated in the PRC with limited liability on April 16, 1998, with registered capital of RMB11,151,800,000. Its business scope includes: investment in and the management of airports and air transportation; investment in and the management of hotels and golf courses; information technology services; the export and import trade of aircraft and aviation supplies; the investment and development of energy, transportation, new technologies and new materials, and equity operation; and agency for domestic labor and commercial services. (General operation items may be operated by autonomous management, and licensed operation items may be operated according to relevant licenses or approval documents. The operation of business items subject to approval by law shall not commence operation until approval from related authorities has been approved.)

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Name of our Promoters	Number of Shares held after the Reorganization and as of the Latest Practicable Date	Percentage of Shareholding after the Reorganization and as of the Latest Practicable Date (%)	Background Information
Xi'an Aircraft Industry	154,375,000	1.63	<p>A company incorporated in the PRC with limited liability on August 22, 1996, with registered capital of RMB2,954,074,400. Its business scope includes: the design, testing and manufacture of aircraft and aeronautical parts and components; the export of its own products and relevant technology, and the import of raw materials, equipment and technology for production; undertaking sino-foreign joint venture operations, cooperative production, "Three-plus-one" trading-mix, the wholesale and retailing of civilian products, mechanical products, electronic equipment, instruments, electronic products, household appliances, aviation equipment, building materials, tools and measures; transportation (to be operated by branches only), gas installation works, aluminum and related products, real estate, labor service, warehousing service, physical asset leasing; the tertiary industry, culture and entertainment industry (to be operated by branches only), the production and sale of domestically made civilian modified vehicles; property management; and urban heating. (The operation of business items subject to approval by law shall not commence until approval from related authorities has been approved.)</p>
Jiangsu Jia Yuan	88,203,937	0.93	<p>A company incorporated in the PRC with limited liability on February 27, 2003, with registered capital of RMB10,000,000. Its business scope includes: industrial investment; the sale of metal materials, fuel, chemical products, building materials, decorative materials (excluding paint), hardware and electronic parts (excluding mopeds); and the provision of labor service.</p>

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of our Promoters	Number of Shares held after the Reorganization and as of the Latest Practicable Date	Percentage of Shareholding after the Reorganization and as of the Latest Practicable Date (%)	Background Information
Qitian Holding	4,500,625	0.05	A company incorporated in the PRC with limited liability on June 17, 2008, with registered capital of RMB100,000,000. Its business scope includes: services: industrial investment, the development of high and new technologies and the transfer of achievements, the planning of corporate mergers, acquisitions and reorganization, corporate management consultation; property management consultation and wholesale management; wholesale and retail: stationery; and all other legal items not subject to submission for approval. (The operation of business items subject to approval by law shall not commence until approval from related authorities has been approved.)
Bank of Urumqi	3,562,500	0.04	A joint stock company incorporated in the PRC with limited liability on December 19, 1997, with registered capital of RMB3,000,000,000. Its business scope includes: licensed businesses: taking public deposits; extending short, medium and long-term loans; conducting domestic and international settlement; bill discounting; acting as an agent for the issuance, payment and underwriting of government bonds; trading government bonds; conducting interbank lending; the issuance of financial bonds; providing guarantees; acting as an agent for collection, payment and insurance business; providing safe-deposit box services; undertaking entrusted deposit and loan business for the revolving use of funds in local financial credit; and other businesses as approved by the PBOC (the above-mentioned businesses are limited to RMB businesses); and foreign exchange business. (The operation of business items subject to approval according to law shall not commence until approval from related authorities has been approved.)



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of our Promoters	Number of Shares held after the Reorganization and as of the Latest Practicable Date	Percentage of Shareholding after the Reorganization and as of the Latest Practicable Date (%)	Background Information
Sichuan Financial Leasing	2,612,500	0.03	A joint stock company incorporated in the PRC with limited liability on March 12, 1994, with registered capital of RMB501,230,000. Its business scope includes: financing lease business such as direct lease, back lease, sublease and entrusted lease; operating lease business; accepting the entrusted lease funds of legal persons or body corporates; accepting rental deposits from leasing parties; providing liquidity loans under the lease for the lessees; investment in marketable securities, equity investment in financial institutions; issuing financial bonds with the approval of the PBOC; borrowings from financial institutions; interbank lending; the sale and disposal of the residual value of leased products; economic consulting and provision of guarantees; and other businesses as approved by the PBOC. As of the Latest Practicable Date, Sichuan Financial Leasing was in the process of liquidation. As advised by our PRC legal advisors, DeHeng Law Offices, as of the Latest Practicable Date, Sichuan Financial Leasing is a joint stock company incorporated legally under PRC laws, and is qualified to hold our Shares.
Huilian Assets Management	1,187,500	0.01	A company incorporated in the PRC with limited liability on January 18, 2001, with registered capital of RMB180,000,000. Its business scope includes: entrusted asset management (excluding insurance, securities and banking); business registration agency service; and entrusted management of equity investment funds.

### OUR SPCs

In line with the industry practice of the international leasing industry, SPCs are used by us mainly as the registered owners of our aircraft and vessels. Part of our SPCs' shares were pledged as collateral for the purpose of aircraft or vessel asset financing after delivery. We primarily use our SPCs for owning and leasing aircraft and vessels, and most of these SPCs have entered into aircraft or vessel leasing agreements with our customers. Each SPC is managed separately by us and each SPC usually corresponds to one or more aircraft or vessel leasing agreements. As a result, the assets of each of the SPCs are separated from the assets of other SPCs and other assets of our Group.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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As of the Latest Practicable Date, the Company had 65 directly wholly owned SPCs in China. All of them are SPCs engaged in aircraft leasing. Their main scope of business includes leasing services such as purchase, sale, leasing and subleasing of aircraft in the PRC.

As of the Latest Practicable Date, the Company had 94 directly and indirectly owned overseas SPCs. Of these SPCs, 38 were incorporated in Ireland, 40 were incorporated in Hong Kong, 12 were incorporated in the Cayman Islands and the other four were incorporated in other countries, namely France, Malta, Bermuda and Norway. Save for Amber Circle Funding Limited and CDBL FUNDING 1, the two Cayman Islands SPCs used for bond issuance, other offshore SPCs are mainly used as the registered owners of our aircraft or vessels, and their main scope of business includes leasing services such as purchase, sale, leasing and subleasing of aircraft and vessels.

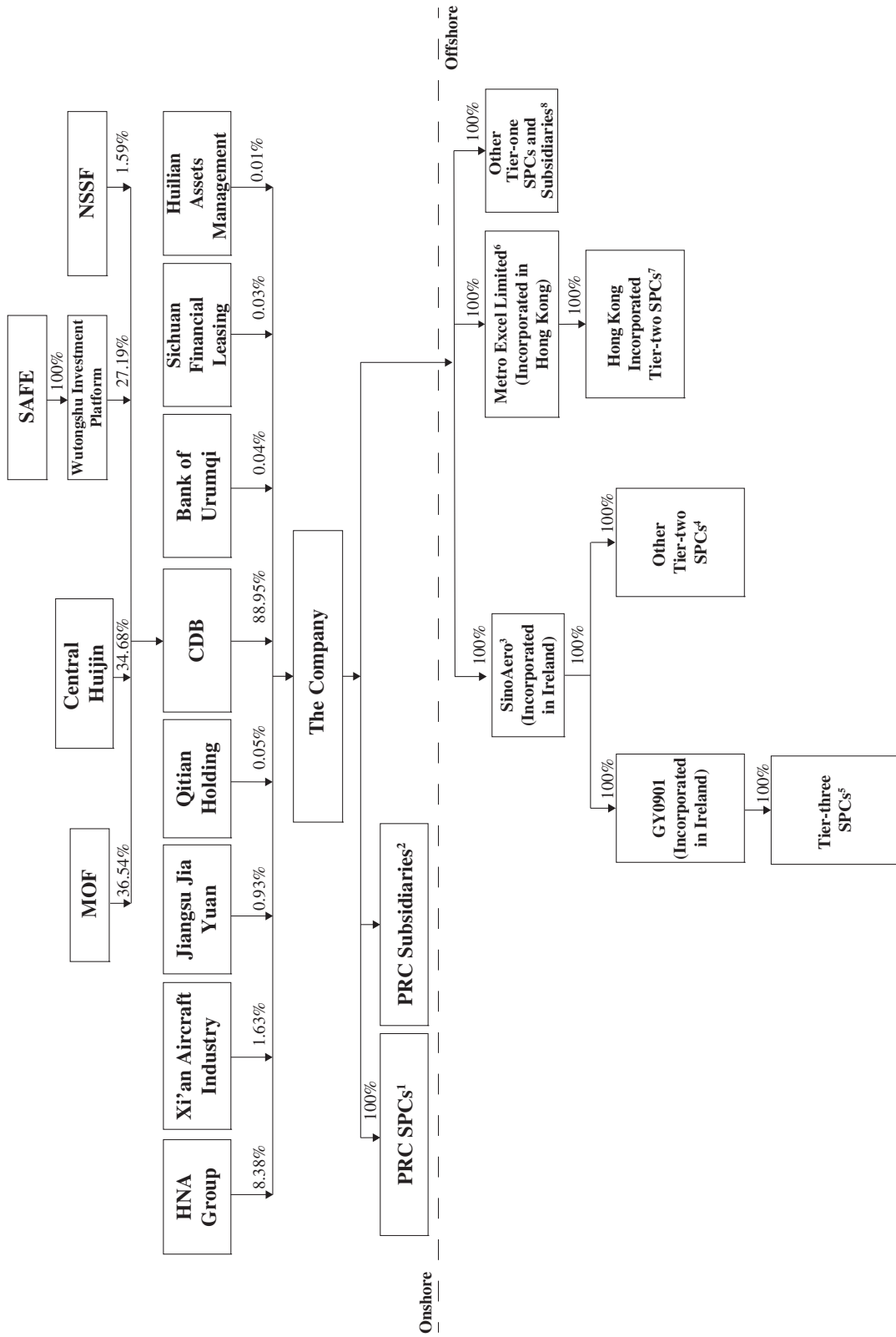
When we started our overseas leasing business in 2006, we were unable to establish our overseas SPCs through a direct ownership structure, since PRC laws and regulations at that time were silent on the procedures for the establishment and registration of overseas SPCs by a CBRC-regulated leasing company. With the aim of seizing the overseas leasing market, we established a number of overseas SPCs through a trustee or a nominee shareholder, which was endorsed by the Shenzhen CBRC and also in line with internationally accepted practice in the aircraft leasing and vessel leasing industries. We were unable to register our SPCs with the SAFE because they were not incorporated directly as our overseas subsidiaries. Although we did not register these overseas SPCs with the SAFE, the Shenzhen CBRC, the competent authority for supervising our business, has further confirmed that it was not aware of any breach of laws or regulations by us in respect of the establishment of our overseas SPCs. Furthermore, we had not received any penalty or regulatory warning from the Shenzhen office of the SAFE or the Shenzhen branch of the PBOC for our lack of registration. Meanwhile, as advised by our Irish and Cayman Islands legal advisors, there are no legal restrictions on the holding of shares of a SPC incorporated in the respective jurisdictions through a trustee or a nominee shareholder for a PRC company. Also see “Risk Factors – Risks Relating to Our Business and Industry – We may not be able to timely repatriate profits from our overseas SPCs to China, and may be subject to tax in relation to our restructuring of overseas SPCs and repatriation of overseas profits to China.”

In addition, as approved by our Board in July 2015, we plan to use a subsidiary incorporated in Ireland as the holding company for our overseas SPCs, in order to restructure our overseas business and repatriate our overseas profits back to China. See “Risk Factors – Risks Relating to Our Business and Industry – We may not be able to timely repatriate profits from our overseas SPCs to China, and may be subject to tax in relation to our restructuring of overseas SPCs and repatriation of overseas profits to China.” As of the Latest Practicable Date, our submission to the CBRC in relation to the incorporation of a subsidiary in Ireland is pending approval, which we expect to obtain by August 31, 2016. Meanwhile, as advised by our PRC counsel, DeHeng Law Offices, approval from the SAFE is not required for the incorporation of such subsidiary.

Other information about our SPCs is set out in “– Corporate Structure” in this section and “Note 23: Investments in subsidiaries” set out in Appendix I “Accountants’ Report” to this prospectus.

**CORPORATE STRUCTURE**

The following chart sets forth our condensed corporate structure following completion of the Reorganization and immediately prior to the Global Offering:

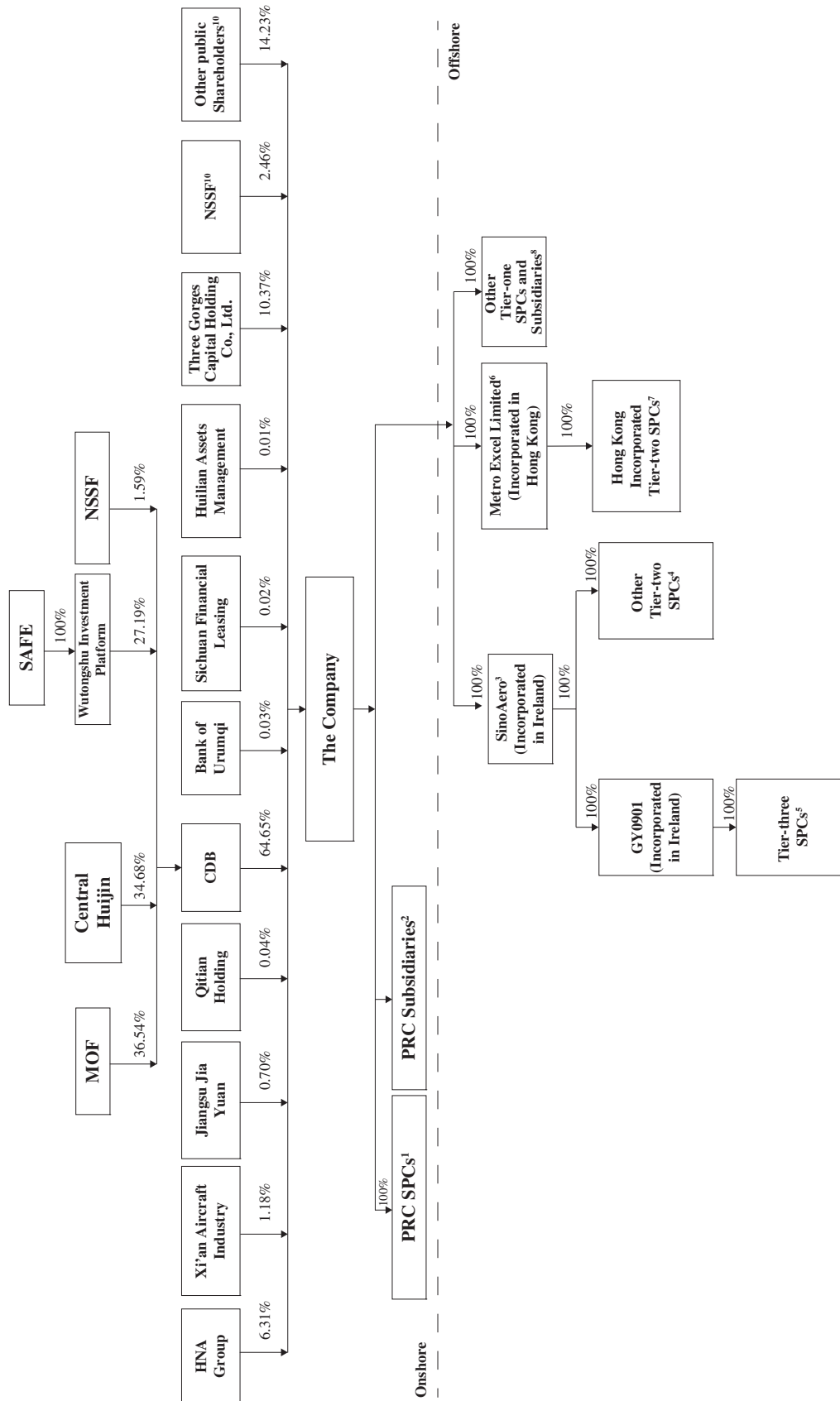


## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Notes:

1. The Company's PRC SPCs include (1) CDB Aircraft Leasing (Shanghai) Co., Ltd., (2) CDB Xintian Aircraft Leasing (Shanghai) Co., Ltd., (3) CDB Huitian Aircraft Leasing (Shanghai) Co., Ltd., (4) CDB Haotian Aircraft Leasing (Shanghai) Co., Ltd., (5) CDB Hongtian Aircraft Leasing (Shanghai) Co., Ltd., (6) CDB Xutian Aircraft Leasing (Shanghai) Co., Ltd., (7) CDB Ruitian Aircraft Leasing (Shanghai) Co., Ltd., (8) CDB Yitian Aircraft Leasing (Shanghai) Co., Ltd., (9) CDB Zetian Aircraft Leasing (Shanghai) Co., Ltd., (10) CDB Kangtian Aircraft Leasing (Shanghai) Co., Ltd., (11) CDB Huatian Aircraft Leasing (Shanghai) Co., Ltd., (12) CDB Hantian Aircraft Leasing (Shanghai) Co., Ltd., (13) CDB Rongtian Aircraft Leasing (Shanghai) Co., Ltd., (14) CDB Guotian Aircraft Leasing (Shanghai) Co., Ltd., (15) CDB Hongtian Aircraft Leasing (Shanghai) Co., Ltd., (16) CDB Yangtian Aircraft Leasing (Shanghai) Co., Ltd., (17) CDB Aircraft Leasing (Tianjin) Co., Ltd., (18) CDB Tengfei Aircraft Leasing (Tianjin) Co., Ltd., (19) CDB Xiangtian Aircraft Leasing (Tianjin) Co., Ltd., (20) CDB Chenfei Aircraft Leasing (Tianjin) Co., Ltd., (21) CDB Hongfei Aircraft Leasing (Tianjin) Co., Ltd., (22) CDB Hangfei Aircraft Leasing (Tianjin) Co., Ltd., (23) CDB Xiaofei Aircraft Leasing (Tianjin) Co., Ltd., (24) CDB Bofei Aircraft Leasing (Tianjin) Co., Ltd., (25) CDB Pengfei Aircraft Leasing (Tianjin) Co., Ltd., (26) CDB Yifei Aircraft Leasing (Tianjin) Co., Ltd., (27) CDB Zhuofei Aircraft Leasing (Tianjin) Co., Ltd., (28) CDB Guanfei Aircraft Leasing (Tianjin) Co., Ltd., (29) CDB Jiefei Aircraft Leasing (Tianjin) Co., Ltd., (30) CDB Xinfei Aircraft Leasing (Tianjin) Co., Ltd., (31) CDB Shengfei Aircraft Leasing (Tianjin) Co., Ltd., (32) CDB Zhenfei Aircraft Leasing (Tianjin) Co., Ltd., (33) CDB Yufei Aircraft Leasing (Tianjin) Co., Ltd., (34) CDB Hangxi Aircraft Leasing (Tianjin) Co., Ltd., (35) CDB Hangxuan Aircraft Leasing (Tianjin) Co., Ltd., (36) CDB Hanghui Aircraft Leasing (Tianjin) Co., Ltd., (37) CDB Hangyu Aircraft Leasing (Tianjin) Co., Ltd., (38) CDB Hangjin Aircraft Leasing (Tianjin) Co., Ltd., (39) CDB Hangkai Aircraft Leasing (Tianjin) Co., Ltd., (40) CDB Hangchen Aircraft Leasing (Tianjin) Co., Ltd., (41) CDB Hangyun Aircraft Leasing (Tianjin) Co., Ltd., (42) CDB Hanghao Aircraft Leasing (Tianjin) Co., Ltd., (43) CDB Hangjie Aircraft Leasing (Tianjin) Co., Ltd., (44) CDB Hangbo Aircraft Leasing (Tianjin) Co., Ltd., (45) CDB Hangchuan Aircraft Leasing (Tianjin) Co., Ltd., (46) CDB Hangkun Aircraft Leasing (Tianjin) Co., Ltd., (47) CDB Hanglong Aircraft Leasing (Tianjin) Co., Ltd., (48) CDB Hangqing Aircraft Leasing (Tianjin) Co., Ltd., (49) CDB Hangrui Aircraft Leasing (Tianjin) Co., Ltd., (50) CDB Hangshuo Aircraft Leasing (Tianjin) Co., Ltd., (51) CDB Hangxiang Aircraft Leasing (Tianjin) Co., Ltd., (52) CDB Hangxu Aircraft Leasing (Tianjin) Co., Ltd., (53) CDB Hangyuan Aircraft Leasing (Tianjin) Co., Ltd., (54) CDB Hangzhi Aircraft Leasing (Tianjin) Co., Ltd., (55) CDB Hangchang Aircraft Leasing (Tianjin) Co., Ltd., (56) CDB Hangji Aircraft Leasing (Tianjin) Co., Ltd., (57) CDB Hangjin Aircraft Leasing (Tianjin) Co., Ltd., (58) CDB Hangpeng Aircraft Leasing (Tianjin) Co., Ltd., (59) CDB Hangsheng Aircraft Leasing (Tianjin) Co., Ltd., (60) CDB Hangtong Aircraft Leasing (Tianjin) Co., Ltd., (61) CDB Hangxin Aircraft Leasing (Tianjin) Co., Ltd., (62) CDB Hangyi Aircraft Leasing (Tianjin) Co., Ltd., (63) CDB Hangyu Aircraft Leasing (Tianjin) Co., Ltd., (64) CDB Huitian (Xiamen) Aircraft Leasing Co., Ltd., and (65) CDB Chentian (Xiamen) Aircraft Leasing Co., Ltd.
2. PRC Subsidiaries include Zhuhai Jinyihua Trade Co., Ltd. (directly wholly owned by the Company), Foshan Meifo Industrial Development Co., Ltd. (indirectly wholly owned by the Company through Zhuhai Jinyihua Trade Co., Ltd.) and Changsha Jichuang Toll Management Co., Ltd. (in which the Company and Shenzhen Yigong Industrial Development Co., Ltd., an Independent Third Party, respectively held 90% and 10% of its equity interest).
3. SinoAero is wholly owned by the Company through a trust agreement entered into between WILMINGTON TRUST SP SERVICES (DUBLIN) LIMITED, an Independent Third Party as trustee, and the Company as trustor.
4. Other tier-two SPCs are all indirectly wholly owned by the Company through SinoAero, including (1) GY AVIATION LEASE 102 CO., LIMITED, (2) GY AVIATION LEASE 104 CO., LIMITED, (3) GY AVIATION LEASE 105 CO., LIMITED, (4) AERO POWER LEASING CO., LIMITED, (5) COMPASS AVIATION LEASING CO., LIMITED, (6) APONE AVIATION LEASING CO., LIMITED, (7) APTREE AVIATION TRADING 1 CO., LIMITED, (8) APTREE AVIATION TRADING 2 CO., LIMITED, (9) APTREE AVIATION TRADING 3 CO., LIMITED, (10) APTREE AVIATION TRADING 4 CO., LIMITED, (11) APTREE AVIATION TRADING 5 CO., LIMITED, (12) GY AVIATION LEASE 106 CO., LIMITED, (13) GY AVIATION LEASE 1501 CO., LIMITED, (14) GY AVIATION LEASE 1502 CO., LIMITED, (15) GY AVIATION LEASE 1503 CO., LIMITED, (16) GY AVIATION LEASE 1504 CO., LIMITED, (17) GY AVIATION LEASE 1505 CO., LIMITED, which are all incorporated in Ireland, (18) GY Aviation Lease (Malta) Limited (incorporated in Malta), (19) SinoAero Leasing (Hong Kong) Co., Ltd. (incorporated in Hong Kong), (20) CDBL FUNDING 1, (incorporated in Cayman Islands) and Amber Circle Funding Limited ("Amber") (incorporated in Cayman Islands). Amber is included in the consolidated financial statements of SinoAero, as the proceeds from Amber's issue of bonds have been loaned to SinoAero. SinoAero does not directly or indirectly hold shares in Amber.
5. Tier-three SPCs are all indirectly wholly owned by the Company through GY AVIATION LEASE 0901 CO., LIMITED ("GY 0901," which is wholly owned by SinoAero), including (1) GY AVIATION LEASE 101 CO., LIMITED, (2) GY AVIATION LEASE 103 CO., LIMITED, (3) GY AVIATION LEASE 0902 CO., LIMITED, (4) GY AVIATION LEASE 0903 CO., LIMITED, (5) GY AVIATION LEASE 0904 CO., LIMITED, (6) GY AVIATION LEASE 0905 CO., LIMITED, (7) GY AVIATION LEASE 0906 CO., LIMITED, (8) GY AVIATION LEASE 1201 CO., LIMITED, (9) GY AVIATION LEASE 1202 CO., LIMITED, (10) GY AVIATION LEASE 1203 CO., LIMITED, (11) GY AVIATION LEASE 1204 CO., LIMITED, (12) GY AVIATION LEASE 1205 CO., LIMITED, (13) GY AVIATION LEASE 1207 CO., LIMITED, (14) GY AVIATION LEASE 1301 CO., LIMITED, (15) GY AVIATION LEASE 1302 CO., LIMITED, (16) GY AVIATION LEASE 1303 CO., LIMITED, (17) GY AVIATION LEASE 1304 CO., LIMITED, (18) GY AVIATION LEASE 1305 CO., LIMITED, and (19) GY AVIATION LEASE 1306 CO., LIMITED, which are all incorporated in Ireland; and (20) GY AVIATION LEASE (FRANCE) SARL (incorporated in France), (21) GY AVIATION LEASE (NORWAY) CO. AS (incorporated in Norway), and (22) GY Aviation Lease (Bermuda) Co., Limited (incorporated in Bermuda).
6. METRO EXCEL LIMITED is wholly owned by the Company through a Nominee Shareholder Agreement entered into between CFAS SERVICES LIMITED, an Independent Third Party as nominee shareholder and trustee, and the Company as beneficiary.
7. Hong Kong incorporated tier-two SPCs are all indirectly wholly owned by the Company through METRO EXCEL LIMITED, including (1) CLCMPPSHIP-1 CO., LIMITED, (2) WELL FAR LIMITED, (3) CLC SHIP CHARTERING-I CO., LIMITED, (4) CLC SHIP CHARTERING-II CO., LIMITED, (5) CLC SHIP CHARTERING-III CO., LIMITED, (6) CLC SHIP CHARTERING-IV CO., LIMITED, (7) CLC SHIP CHARTERING-V CO., LIMITED, (8) CLC SHIP CHARTERING-VI CO., LIMITED, (9) CLC SHIP CHARTERING-VII CO., LIMITED, (10) CLC SHIP CHARTERING-VIII CO., LIMITED, (11) CLC SHIP CHARTERING-IX CO., LIMITED, (12) CLC SHIP CHARTERING-X CO., LIMITED, (13) CLC SHIP CHARTERING-XI CO., LIMITED, (14) CLC SHIP CHARTERING-XII CO., LIMITED, (15) CLC Maritime Container Leasing Co., Limited, (16) KINGHOOD VESSEL LEASING CO., LIMITED, (17) TOP VOYAGE ENTERPRISE LIMITED, (18) TOP SALING ENTERPRISE LIMITED, (19) NINE WEST MARINE LIMITED, (20) AMPLE POINTER LIMITED, (21) BEXTON LIMITED, (22) CYBER WAVE LIMITED, (23) HUIJIN LPG CARRIER LIMITED, (24) GUANG JIU LPG CARRIER LIMITED, (25) CLC Glowing Development Co., Limited, (26) EASE BEST LIMITED, (27) Bendery Maritime Limited, (28) Bermuda Maritime Limited, (29) Bear Maritime Limited, (30) Sherlock Maritime Limited, (31) Franklin Maritime Limited, (32) Rome Shipping Limited, (33) BELL MARITIME LIMITED, (34) GOLD MARITIME LIMITED, (35) SILVER MARITIME LIMITED, (36) VENUS MARITIME LIMITED, (37) SINO OFFSHORE 1 LIMITED, and (38) SINO OFFSHORE 2 LIMITED.
8. Other tier-one SPCs and subsidiaries include (1) SFL-1 Limited, (2) SFL-2 Limited, (3) SFL-3 Limited, (4) SFL-4 Limited, (5) SFL-5 Limited, (6) SFL-6 Limited, (7) SFL-7 Limited, (8) CLC-1 Limited, (9) CLC-2 Limited and (10) Aviation Capital Limited, which are all incorporated in Cayman Islands, and are indirectly wholly owned by the Company through a trust agreement entered into between an Independent Third Party MaplesFS Limited (as trustee) and the Company (as beneficial owner); and (11) G-FORCE TECHNOLOGY LIMITED (incorporated in Hong Kong), indirectly wholly owned by the Company through a Nominee Holding Agreement, according to which Mr. Kong Fanjin and Mr. Shi Yongkun, both Independent Third Parties, each held 50% of the shares in G-FORCE TECHNOLOGY LIMITED, respectively, as nominee shareholders, and the Company as beneficiary.
9. As of the Latest Practicable Date, and save as to their respective shareholdings in our Company, to our best knowledge, we are not aware of any other relationships among our Shareholders.

The following chart sets forth the shareholding and corporate structure of the Group following the Global Offering, assuming the Over-allotment Option is not exercised:



Notes 1-9: See “- Corporate Structure” under this section.

Note 10: The H Shares held by NSSF and other public Shareholders will be counted towards public float of the Company.

### OVERVIEW

We are the sole leasing business platform and one of the key strategic business segments of CDB, dedicated to providing comprehensive leasing services to high-quality customers in industries, including aviation, infrastructure, shipping, commercial vehicle and construction machinery. We are a pioneer and a leader in the PRC leasing industry. Founded in 1984, we were among the first leasing companies in the PRC and the first CBRC-regulated leasing companies. According to Frost & Sullivan, we were the largest CBRC-regulated leasing company in the PRC in terms of total revenue in 2013, 2014 and 2015, respectively. Our business segments are:

- ***Aircraft Leasing:*** We mainly engage in the acquisition, leasing, management and disposal of commercial aircraft;
- ***Infrastructure Leasing:*** We mainly engage in the leasing of transportation, urban and energy infrastructure;
- ***Ship, Commercial Vehicle and Construction Machinery Leasing:*** We mainly engage in the leasing of vessels, commercial vehicles and construction machinery; and
- ***Other Leasing Business:*** We mainly engage in the leasing of commercial property and manufacturing equipment in various sectors such as chemical, electronics, papermaking, textile, coal and steel.

In 2015, our Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business accounted for 44.8%, 32.1%, 11.0% and 12.1% of our revenue and other income, respectively.

As one of the first leasing companies in the PRC, we have witnessed and participated in the development of the PRC leasing industry. With a more diverse range of leasing products and a continually improving regulatory environment, the leasing industry has been playing an increasingly important role in the PRC financial system. We have weathered economic and industry cycles and regulatory reforms, and gained experience through continual improvement in our business operations, product innovation and exploration of new sectors. We have identified key sectors, namely, the aircraft and infrastructure leasing businesses, which have well-developed business model, good asset quality and growth potential, and key customer groups, namely, large and medium-sized, high-quality corporate customers, as the primary focus of our business.

The continued market-oriented reform of the PRC financial industry, increasing demand for customized leasing products and services, the internationalization of the Renminbi and favorable government policies have brought by important opportunities in the leasing industry. We believe that our market leading position, long operating history, well-developed business model and premier brand name will enable us to seize such opportunities. The extensive experience we gained through economic and industry cycles in the PRC enables us to achieve sustained growth in the next stage of China's economic transformation and continue to maintain our leading position in the fast developing PRC leasing industry. In addition, we have higher international credit ratings than all listed leasing companies globally, and one of the highest international credit ratings among PRC financial institutions. Our superior funding capabilities provide strong support to our business development and help us generate attractive financial returns.

## BUSINESS

We have a market leading position and a premier brand. In recognition of our expertise and experience earned from over 30 years in the leasing business, we have received a number of awards, including:

Year	Awards	Organizers/Media
2015	Most Innovative Leasing Company of the Year (年度最具創新力租賃公司)	Institute of Finance and Banking, Chinese Academy of Social Sciences (中國社會科學院金融研究所) and <i>Financial News</i> (金融時報)
	Industrial Promotion Award of the China Air Finance Wan Hu Awards (中國航空金融萬戶獎 – 產業促進獎)	General Aviation Committee of China Air Transportation Association (中國航空運輸協會通用航空委員會) and Tianjin Dongjiang Free Trade Port Management Committee (天津東疆保稅港區管理委員會)
	Ship Leasing Deal of the Year	<i>Marine Money</i>
2014	PRC Financial Leasing Company of the Year (中國融資租賃年度公司)	China Financial Leasing Annual Conference (中國融資租賃年會)
	30-Year Award for Contribution to the Financial Leasing Industry (融資租賃30年最佳行業貢獻獎)	<i>Financial News</i> (金融時報)
	China Aircraft Leasing International Financing Structure Innovation Award (中國飛機租賃國際融資結構創新獎)	General Aviation Committee of China Air Transportation Association (中國航空運輸協會通用航空委員會) and Tianjin Dongjiang Free Trade Port Management Committee (天津東疆保稅港區管理委員會)
2013	PRC Financial Leasing Company of the Year (中國融資租賃年度公司)	China Financial Leasing Annual Conference (中國融資租賃年會)
	Outstanding Financial Leasing Company of the Year (年度卓越金融租賃公司)	<i>People.cn</i> (人民網)
	Most Influential Financial Leasing Company of the Year (年度最具影響力金融租賃公司)	Institute of Finance and Banking, Chinese Academy of Social Sciences (中國社會科學院金融研究所) and <i>Financial News</i> (金融時報)

### COMPETITIVE STRENGTHS

We are a pioneer and a leader in the PRC leasing industry and the sole leasing business platform of CDB, dedicated to providing comprehensive leasing services to high-quality customers in aviation, infrastructure and other industries.

**We are a pioneer in the PRC leasing industry, with a leading market position and a premier brand name**

*We are one of the largest leasing companies in the PRC.* According to Frost & Sullivan, we were the largest leasing company in the PRC both in terms of total revenue in 2013, 2014 and 2015 and in terms of operating lease assets as of December 31, 2013, 2014 and 2015, respectively.

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## BUSINESS

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***We were one of the first companies to engage in the leasing business in the PRC.*** We were established in 1984. Shenzhen Leasing Company Limited, our predecessor, was one of the first companies to conduct leasing business in the PRC and also one of the first leasing companies to obtain the “financial permit” in the PRC. We were also one of the first CBRC-regulated leasing companies in the PRC. Since our inception in 1984, we have witnessed and participated in the development of the PRC leasing industry. With a more diverse range of leasing products and a continually improving regulatory environment, the leasing industry has been playing an increasingly important role in the PRC financial system.

***We are a pioneer in the leasing industry in the PRC.*** Through navigating industry and macroeconomic cycles and regulatory reforms, we have maintained our market leading position and gained experience through continual innovation and exploration. In this process, we have been playing an important role in driving the development of the PRC leasing industry. We have achieved a number of “firsts” in our operating history, including but not limited to:

- the first CBRC-regulated leasing company to lease aircraft under finance and operating leases, respectively;
- the first CBRC-regulated leasing company to set up an overseas business platform to conduct overseas aircraft leasing;
- the first CBRC-regulated leasing company to conduct the leasing of toll roads and rail transit; and
- the first CBRC-regulated leasing company to launch commercial vehicle leasing through the manufacturer credit model.

***We have a well-established business presence built around our core strengths.*** Through continual improvement in our business operations and product innovation, we have expanded our business scope to new sectors and identified several growth sectors as our focus. We have four business segments and primarily focus on Aircraft Leasing and Infrastructure Leasing, which have well-established business model, good asset quality and strong growth potential. We also opportunistically grow our Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business. We have one of the broadest geographic coverage among PRC leasing companies. As of December 31, 2015, our assets in the Aircraft Leasing, Infrastructure Leasing, and Ship, Commercial Vehicle and Construction Machinery Leasing business accounted for 36.0%, 39.2% and 12.9% of our total segment assets, respectively. As of December 31, 2015, the balance of our leased assets located in the PRC and overseas accounted for 76.9% and 23.1%, respectively, of our total assets. Our business in the PRC covers 29 provinces, direct-controlled municipalities and autonomous regions, and our overseas business covers 24 countries and regions.

***We have a market leading position and a premier brand.*** Our expertise and experience in the leasing business have been well recognized. We have received a variety of awards, including the “PRC Financial Leasing Company of the Year (中國融資租賃年度公司)” by the China Financial Leasing Annual Conference (中國融資租賃年會) for three consecutive years from 2012 to 2014, and the “Most Innovative Leasing Company of the Year (年度最具創新力租賃公司)” by the *Financial News* (金融時報) in 2015. We possess a premier brand name in the PRC and our brand is an important intangible asset that is not replicable by our competitors.



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## BUSINESS

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The continued market-oriented reform of the PRC financial industry, increasing demand for customized leasing products and services, internationalization of the Renminbi and favorable government policies have brought by important opportunities in the leasing industry. We believe that our market leading position, long operating history, well-developed business model and premier brand name will enable us to seize such opportunities. In addition, the extensive experience we gained through economic and industry cycles in the PRC enables us to achieve sustained growth in the next phase of China's economic transformation and continue to maintain our leading position in the fast developing PRC leasing industry.

### **We have an industry leading, highly specialized Aircraft Leasing business with increasing profitability**

We have the largest aircraft fleet, in terms of net book value, under operating leases among the PRC leasing companies and one of the largest aircraft leasing businesses in the PRC with a global presence. As of December 31, 2014, the leased assets of our owned aircraft portfolio amounted to US\$6.3 billion (or RMB38.5 billion, as calculated by the exchange rate published by PBOC on December 31, 2014), ranking tenth among global aircraft leasing companies, according to Frost & Sullivan. As of December 31, 2015, we had 40 airlines customers, with 12 in the PRC and 28 outside of the PRC. Furthermore, we have professional aircraft leasing business platforms around the world to support our international business development, including our headquarters in Shenzhen, as well as business platforms in the Tianjin Free Trade Zone, the Shanghai Free Trade Zone, Xiamen Area of the Fujian Free Trade Zone, Ireland and the Cayman Islands.

We focus on building and maintaining a portfolio of young, modern and fuel-efficient commercial aircraft. As of December 31, 2015, our Airbus A320 family and Boeing 737-800 aircraft accounted for a majority of our owned portfolio of commercial aircraft by number of aircraft. Airbus A320 family and Boeing 737 are both narrow-body aircraft that are broadly appealing to airlines around the world, and are considered to offer higher liquidity in aircraft transactions. In addition, as of December 31, 2015, we had 208 aircraft through direct orders from manufacturers, including 126 Airbus 320 family and Boeing 737 aircraft that were scheduled for delivery from 2016 to 2021, providing strong support to our future business development. As of December 31, 2015, the average age of our owned aircraft on operating lease was only 4.5 years.

We have an experienced and dedicated aircraft leasing team and a sound organizational structure for our aviation department. Employees in our aviation department come from a wide range of professional backgrounds, including airlines, aircraft manufacturers, aircraft maintenance service providers and other aircraft leasing companies, and had on average 12 years of work experience as of the Latest Practicable Date. In over ten years of aircraft leasing operations, we have acquired aircraft through direct orders from manufacturers, sale-and-leaseback transactions and portfolio acquisitions, and have also executed a range of aircraft transactions including lease extensions, re-leases and aircraft disposals. Our aviation department comprises marketing, structured finance, technology, assets management and risk management divisions, which together manage the full "life cycle" of our aircraft leasing business, including the purchase, leasing and disposal of aircraft. In addition, we use the globally renowned ICMS aircraft leasing management system, which significantly enhanced the efficiency and effectiveness of our aircraft asset management.

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Our leading aircraft leasing capabilities, extensive customer relationships and dedicated professionals had contributed to a 100% fleet utilization of our owned portfolio under operating leases and no unscheduled lease terminations, delivery failures or credit losses during the Track Record Period, bringing us a stable and predictable source of income and profit. During the Track Record Period, the pre-tax return on assets of our Aircraft Leasing business increased from 1.39% in 2013 to 1.87% in 2014, and further to 2.01% in 2015. As of December 31, 2015, the weighted average remaining lease term by asset balance of our Aircraft Leasing segment was 5.9 years. We receive fixed lease payments under a majority of our aircraft operating leases, and the substantial majority of the corresponding liabilities are on fixed interest rates or hedged through interest rate swaps. In addition, we adopt a prudent aircraft depreciation accounting policy, which helps lower the residual value risk of our aircraft.

### **We have strong capabilities in our Infrastructure Leasing business, focusing on sectors in which CDB specializes**

CDB, our Controlling Shareholder, is the world's largest development finance institution. It is also a major bank in PRC infrastructure financing. As the sole leasing business platform and one of the key strategic business segments of CDB, we have inherited high-quality resources and professional expertise in infrastructure financing from CDB. Similar to CDB, we serve the infrastructure sectors with national strategic significance.

We have extensive experience in providing leasing services involving a wide range of infrastructure assets in both sale-and-leaseback and direct finance leasing transactions. We have a broad customer base across infrastructure industry sectors. As of December 31, 2015, in terms of assets, our transportation, urban and energy infrastructure leasing accounted for 61.0%, 28.1% and 10.9% of our Infrastructure Leasing business, respectively. We operate our infrastructure leasing business on a nationwide basis. As of December 31, 2015, our infrastructure leased assets located in Yangtze River Delta, Pearl River Delta, Bohai Rim, Western China, Central China and Northeastern China accounted for 15.8%, 6.0%, 5.9%, 35.8%, 31.9% and 4.6% of our total infrastructure leased assets in the PRC, respectively.

We have gained extensive experience in infrastructure leasing and have industry leading capabilities. We have achieved a number of industry “firsts” in terms of business structuring, including the first toll road and rail transit financial leasing projects in the PRC. Our expertise in business structuring enables us to provide our customers with more customized leasing service. We also provide our customers with comprehensive consulting services, especially on overall financing arrangement for infrastructure project. In addition, in terms of customer acquisition, we are a well recognized brand name and have established cooperative relationships with state-owned enterprises. As of December 31, 2015, we have established cooperative relationships with 29 enterprises controlled by the central government, provincial governments, provincial capital cities and cities specifically designated in the state plan (計劃單列市).

We conduct our Infrastructure Leasing business in collaboration with CDB regional branches and benefit from CDB's resources in terms of customer selection, marketing, due diligence and projects review. Our collaboration with CDB in providing infrastructure leasing services also facilitates CDB's fulfillment of its promise of “comprehensive financial services” to its customers and enhances customer loyalty, creating a “win-win” situation.

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We have effectively managed the risks associated with our Infrastructure Leasing business, and there were no non-performing assets in our Infrastructure Leasing business during the Track Record Period. We believe our strong infrastructure leasing capabilities distinguish us from other leasing companies and financial institutions.

### **Our unique business model focuses on high-quality, large and medium-sized enterprises both in China and globally**

We focus on establishing cooperative relationships with high-quality, large and medium-sized enterprises both in China and globally. In view of the brand image, operational excellence, managerial efficiency and manageable risks of this target customer segment, we have built a customer base comprising many high-quality, large and medium-sized enterprises and identified their demand for leasing services in collaboration with CDB in customer development and retention. The number of our corporate customers grew by 15.8% from 260 as of December 31, 2013 to 301 as of December 31, 2015. The average leased assets balance of our corporate customers was RMB462.7 million as of December 31, 2015.

As of December 31, 2015, we had 187 corporate customers with a leased assets balance of RMB100.0 million or above, representing 62.1% of all our corporate customers. As of the same date, our leased assets with a balance of RMB1.0 billion or above accounted for 65.4% of our total leased assets and had an average balance of RMB1.94 billion. We seek to enter into long-term lease contracts with our customers.

We have a large number of corporate customers with a leading market position in their respective industries, including but not limited to:

- ***Aircraft Leasing:*** our PRC airlines customers include China Southern Airlines, Air China, Hainan Airlines, China Eastern Airlines, and our overseas customers include flag carriers such as Emirates, Air France and Singapore Airlines, as well as leading local budget airlines such as IndiGo, Cebu Pacific and Pegasus;
- ***Infrastructure Leasing:*** our customers include large state-owned enterprises such as Fujian Funing Highway Co., Ltd. (福建省福寧高速公路有限責任公司), Hubei Inter-city Railway Co., Ltd. (湖北城際鐵路有限責任公司), Shaanxi Communication Construction Group (陝西省交通建設集團公司), Ningbo Metro Group Co., Ltd. (寧波市軌道交通集團有限公司) and CGN Lufeng Nuclear Power Co., Ltd. (中廣核陸豐核電有限公司). As of December 31, 2015, in terms of leased asset balance, leasing projects directly or indirectly owned or with financial support provided by provincial governments, governments of provincial capital cities and cities specifically designated in the state plan and enterprises controlled by the central government accounted for 66.8% of our Infrastructure Leasing business; and
- ***Ship, Commercial Vehicle and Construction Machinery Leasing:*** our customers include well-known international corporations such as Costamare Inc., and PRC enterprises controlled by the central government, state-owned enterprises and their subsidiaries, such as China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), Sinotrans & CSC Holdings Co., Ltd. (中國外運長航集團有限公司), Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司), XCMG Construction Machinery Co., Ltd. (徐州工程機械集團有限公司) and Sany Heavy Industry Co., Ltd. (三一重工股份有限公司).

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We have established an effective customer acquisition, services, management and retention mechanism that focuses on large and medium-sized enterprises. This business model has saved us the setup costs and high operating expenses associated with a large number of business outlets, and enhanced the efficiency of our business operations. We believe that we enjoy a significant advantage over other financial institutions in terms of cost-income ratio. Benefiting from this unique business and customer service model, we are able to achieve economies of scale and long-term and sustainable growth, ensure the quality of our assets and effectively reduce overall risks.

**We have higher international credit ratings than all listed leasing companies globally, as well as strong funding capabilities**

We have “quasi-sovereign” level international credit ratings, namely, “A+” by Standard & Poor’s, “A1” by Moody’s and “A+” by Fitch, and are one of the PRC financial institutions with the highest international credit ratings. Our international credit ratings surpass those of any listed leasing company in the world. Our superior creditworthiness has enabled us to lower our financing costs and further diversify our financing channels, ensuring our liquidity.

We have the ability to access a diverse range of funding sources, including interbank market, bank credit facilities, asset financing, syndicated loans and bonds. As of December 31, 2015, we had RMB102.5 billion of bank borrowings, RMB13.8 billion of notes payable, RMB5.9 billion of financial assets sold under repurchase agreements and RMB4.9 billion of due to banks and other financial institutions. We have established cooperative relationships with most of the major banks in the PRC and many major international banks. As of April 30, 2016, we had business relationships with approximately 80 banks, which provided a total of approximately RMB330 billion of uncommitted bank facilities, approximately RMB210 billion of which was unutilized. As of December 31, 2015, the bank borrowings from our largest lending bank only accounted for 15.7% of our total bank borrowings.

In addition to our bank financings, we have also achieved a number of industry “firsts” in the course of diversifying our financing channels. For example, we were the first CBRC-regulated leasing company to issue bonds on the international markets on the strength of our own credit ratings.

We have a global funding management system at the group level, where we centrally manage the financings of our global SPCs. We have two overseas funding platforms in Hong Kong and Ireland, which support our international operations.

We enjoy considerable advantages in financing cost based on our good creditworthiness, prudent planning and effective liability management. The average cost of our interest-bearing liabilities decreased from 5.02% in 2013 to 4.32% in 2015.

Our strengths in credit ratings, sources of funding and liability management capabilities enabled us to maintain adequate liquidity and gain access to funds at lower cost and with higher stability, which supports the continuous development of our business, enhances the competitiveness of our product offerings and improves our overall profitability.

### **As the sole leasing business platform and one of the key strategic business segments of CDB, we enjoy strong shareholder support**

As the sole leasing business platform and one of the key strategic business segments of CDB, we enjoy strong support from CDB. Our overall business positioning and development strategies are fully backed by CDB. As China's premier development finance institution, CDB is able to participate in the formulation of the development plans at national, provincial and local levels, which informs the development strategies of CDB and its subsidiaries, including us. In addition, CDB also provides us with important support in terms of customer management, balance sheet management and risk management.

We gain access to customer resources more efficiently through collaboration with CDB headquarters and its local branches. We have established strategic cooperative relationships with industry-leading customers, most of which have business relationships with CDB. In terms of project selection and review, we maintain an independent decision-making process and also benefit from the support and advice from CDB.

CDB's sovereign-level credit rating and liquidity commitment to us per regulatory requirement enable us to better manage our balance sheet. Our international credit ratings benefits considerably from the sovereign-level credit rating of CDB. In the early stage of our Aircraft Leasing business, CDB extended a significant amount of loan to us, which ensured the rapid development of our aircraft fleet. As of December 31, 2015, the funding support we received from CDB amounted to approximately RMB22.4 billion, consisting of the equivalent of RMB12.7 billion of bank borrowings and the equivalent of RMB9.7 billion of bond guarantee. According to regulatory requirement and our Articles of Association, CDB is required to provide us with liquidity support and capital injection under certain circumstances specified by the CBRC.

We are well-positioned to draw on CDB's wealth of experiences in managing the risks in large and medium-sized, medium and long-term financing projects in the PRC. As the major bank providing infrastructure financing in China, CDB is privy to the fiscal condition of governments at various levels in China. In terms of project review and approval, advice from CDB is valuable to the development and risk management of our Infrastructure Leasing business.

### **We have prudent and robust internal control and risk management systems**

We began to develop our comprehensive risk management system in 2010. We strive to balance business development, risk management and operation efficiency. Meanwhile, we prioritize risk control and implement independent risk management at each stage of our business operations.

We proactively identify and control potential risks in Aircraft Leasing and Infrastructure Leasing, two of our core business segments. In our Aircraft Leasing business, we mitigate residual value risk by carefully managing the key terms of the aircraft leasing contracts, such as leasing rate, leasing term, maintenance cost, security deposit and insurance, and monitoring the financial condition and creditworthiness of our airlines customers. In addition, we appraise the fair market value of our aircraft and conduct impairment tests in each fiscal year. In our Infrastructure Leasing business, we focus on cash flow risk management. We carefully analyze the expected cash flow of each infrastructure project to ensure that the expected cash flow is sufficient to cover the lease payments and other debt repayment obligations that the lessee may be subject to. In addition, we have rich experience in forecasting cash flows and scheduling lease payments, which include principal and interest.

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We attach great importance to the development of risk management systems and the use of risk management instruments. We have established a comprehensive, three-level risk management system at the level of the Board of Directors, the senior management and business departments. Meanwhile, we have adopted stringent risk management standards. As a financial institution regulated by the CBRC, we have implemented risk guidelines and rules with standards higher than or equal to those applicable to commercial banks.

In respect of credit risk management, we assess the credit risks of our lessees by using CDB's quantitative credit risk rating model, and implemented a five-category asset classification method in our business operations. In addition, we are one of the first CBRC-regulated leasing companies to connect to the Credit Reference System of the PBOC (中國人民銀行徵信系統), according to Frost & Sullivan. In respect of market risk, we have hedged most of our exchange rate and interest rate exposures by using derivative instruments. For liquidity risk, we have introduced various risk control instruments to continuously monitor our risk exposures. We have incorporated risk-related indicators into our employee appraisal system, which is linked to their evaluation and compensation, and enhanced our employees' risk management awareness.

We continually improve our risk management and internal control system, which are integral to our prudent operations and provide adequate safeguard to our business growth.

### **We have a visionary, highly effective and market-oriented management team**

Throughout our over 30 years of development, our management team has adhered to market principles, cultivated our core competitiveness and strengthened our risk management. The visionary, holistic, systematic approach of our management has made us a large financial leasing company focusing on aircraft and infrastructure leasing businesses, and firmly established our position as a pioneer and leader in the PRC leasing industry.

Led by Mr. Wang Xuedong (王學東先生), our Chairman, and Mr. Fan Xun (范珣先生), our Vice Chairman and President, our senior management team has a wealth of experience in the banking, leasing and securities sectors, and covers front, middle and back office management functions. Our senior management team has on average over 20 years of experience in the financial sectors. Both Mr. Wang and Mr. Fan have held important positions in key departments in CDB, which laid a solid foundation for the deepening of our comprehensive cooperation with CDB and the strengthening of our comprehensive resources advantages.

Our mid-level management team, which consists of the head of each of our business departments, has on average over 15 years of experience in the financial and leasing sectors. These employees are well grounded in economic and financial theories and policies, and have strong management capabilities in areas such as industry research, business planning and development, financing, asset liability management, internal control and risk management and human resources. They lead the formulation and innovation of our business models and are instrumental in the sustainable development of our business and the improvement of our customer services.

We have a highly effective professional team. In 2014, our net profit per employee was over RMB10.0 million, ranking us first among the CBRC-regulated leasing companies, according to Frost & Sullivan.

**BUSINESS STRATEGIES**

Our vision is to become a leading international leasing company based in the PRC market. Building on our competitive advantages accumulated from the leasing industry, we strive to strengthen our specialties and business development capabilities. Leveraging the new opportunities arising from the transformation and upgrade of the Chinese economy and from the industries in which China enjoys leading positions in international markets, we plan to continually optimize our business mix, solidify our leading position in the PRC and enhance our presence in international leasing markets, in order to achieve sustained and rapid growth and generate greater shareholder return.

**Seize opportunities in the golden age of the fast developing PRC leasing market by leveraging our leading market position**

The PRC leasing industry is in a stage of rapid development. In September 2015, the State Council promulgated the *Guidance on Promoting the Healthy Development of the Financial Leasing Industry* (國務院辦公廳關於促進金融租賃行業健康發展的指導意見), which set out the national strategy to encourage the development of the leasing businesses in areas such as aircraft, infrastructure, shipping and construction machinery. We believe that both the PRC and the global aircraft leasing markets will maintain positive momentum, which will enable the continued growth of our Aircraft Leasing business. Meanwhile, as PRC local governments' financing channels become more market oriented, it is expected that a lot of opportunities will arise from the financing needs of high-quality infrastructure assets. We intend to seize favorable industry trends to strengthen our leading market position through the following initiatives:

- Focus on the placement of our 208 aircraft on direct orders from manufacturers as of December 31, 2015. We primarily target flag carriers, mainstream airlines and leading low-cost airlines around the globe as our prospective lessees, by strengthening existing customers relationships and developing new customers;
- Strengthen our advantage in transportation, urban and energy infrastructure leasing, and prudently explore new and emerging sub-sectors. We will primarily focus on the leasing business in relation to rail transit, urban pipeline networks, water treatment and clean energy infrastructure;
- Seize opportunities that may arise from the expected recovery in the international shipping market by focusing on vessel types with higher market demand and profitability; further our cooperation with large and medium-sized commercial vehicle and construction machinery manufacturers and actively develop the leasing of new-energy buses; and
- Adjust our business mix and customers positioning, optimize our credit enhancement measures and explore new growth opportunities with respect to our Other Leasing Business.

### **Expand our business scale through both organic growth and acquisitions, and continue to enhance our international operational capabilities**

In our primary business areas such as aircraft and infrastructure leasing, we plan to continually improve our expertise and capabilities, and grow our business scale organically. At the same time, we seek to identify and acquire undervalued assets or assets that hold the potential of generating superior risk-adjusted returns. In addition to continually strengthening our competitive advantage in the PRC market, we also intend to enhance our international operations. Specific strategies include:

- Continue to rely on organic growth. In our Aircraft Leasing business, we intend to expand our overseas teams and enhance our capabilities in lease extensions, re-leases and other aircraft transactions. In our Infrastructure Leasing business, we intend to explore new transaction structures and optimize our cooperation with CDB, in line with government-promoted financing reform. In our Ship Leasing business, we intend to leverage the advantageous position of the shipbuilding industry in China and other Asian countries, and expand our business through closer cooperative relationship with shipbuilders. In our manufacturer leasing business model, we intend to initiate cooperation with insurance companies to improve credit enhancement measures; and
- In terms of asset acquisition, prioritize and focus on asset types with high liquidity, especially aircraft and vessels. We intend to acquire aircraft and vessels that are in line with our business strategies, risk preferences and customer portfolio, in order to optimize the structure of our aircraft and vessel portfolios.

### **Further enhance our management of leased assets, particularly, leased asset trading capabilities, provide value-added services and increase the proportion of revenue from intermediary businesses**

We intend to improve our leased assets management capabilities and provide value-added services. With the effective management of our capital, we intend to generate revenue from intermediary services in our core business areas and increase our overall earning capacity. Specific initiatives include:

- Actively engage in aircraft acquisition and sale in the PRC and globally, enhance the management of our aircraft portfolio, and generate revenue by providing value-added services;
- Engage in the sale of assets to small- and medium-sized leasing companies and other investors which often have limited asset acquisition channels in the infrastructure leasing area, and gradually establish our position as a primary provider of wholesale services in the infrastructure leasing market in China;
- Explore off-balance sheet transactions, such as asset securitization; and
- Increase our fee income by enhancing our ability to provide customers with comprehensive and value-added services in our core business areas, including advisory services in fleet management, infrastructure management and infrastructure asset restructuring.



### **Further expand our financing channels and reduce financing costs**

Considering the ongoing financing needs of our business, we plan to further diversify our sources of funding and reduce our financing costs by leveraging our superior international credit ratings and utilizing a wider range of financial instruments. Specific strategies include:

- Further expand financing channels through the issue of domestic financial institution bonds;
- Raise our profile in international capital markets and establish reliable overseas bond issue channels to support the international development of our business, following the strengthening of our capital base pursuant to the Global Offering;
- Further our cooperation with a diverse range of PRC and global financial institutions and utilize more diversified financial instruments, such as export credit agency financing, tax structured financing and asset securitization; and
- Optimize the management of our financing costs by closely monitoring and forecasting domestic and global interest rate trends.

### **Continue to enhance our risk management capabilities**

We will continually improve our management of credit risk, market risk and liquidity risk and place risk management at the center of our business operations. We will continue to increase our investment in information technologies related to risk management and internal controls. Main measures include:

- Further enhance the management of risks associated with our leased assets, in particular, improve the management of the valuation and disposal of leased assets, and mitigate credit risk;
- Improve the quantitative management of credit risk and ensure the efficacy of our medium-to-long term credit risk management by improving our risk-based pricing capabilities. Building on our current customer credit rating system, we plan to establish a quantitative, post-lease risk monitoring system, conduct regular stress tests on our main financial and business parameters, and adjust our business strategies and pricings according to the results of the stress tests;
- For market risk management, continue to use derivative instruments such as interest rate and exchange rate swaps to hedge against the volatility in market rates; maintain relatively prudent accounting policies with respect to operating lease assets, monitor volatilities in the market value of operating lease assets and reduce residual value risks;
- For liquidity risk management, increase the percentage of long-term debt and optimize the duration match between our assets and liabilities and reduce liquidity risk exposures through new financing channels; and
- We are in the process of setting up a specialized division responsible for post-lease management, including the centralized management of our creditor rights and ownership with respect to leased assets.

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### **Establish a high-performing and professional team through an effective incentive mechanism**

To build a first-tier team of professionals and ensure the sustainable development of our business, we will further optimize our human resources management by introducing a long-term, market-based incentive mechanism, which is more closely linked to performance.

- Improve our appraisal and performance review, make our remuneration system more market based, and gradually establish a long-term, performance-linked incentive mechanism;
- Improve our human resource management and continue to select, develop, motivate and retain a talented and professional workforce; and
- Build a professional and international team with a diverse range of professional and educational background, and in particular, recruit and retain talented professionals trained in the aircraft and infrastructure related industries.

### **OUR BUSINESS**

We provide a wide range of leasing services to our clients in the PRC and globally. Our principal business segments are:

<b>Business Segments</b>	<b>Business Areas</b>
Aircraft Leasing	<ul style="list-style-type: none"><li>• Aircraft</li></ul>
Infrastructure Leasing	<ul style="list-style-type: none"><li>• Transportation infrastructure (toll roads, rail transit)</li><li>• Urban infrastructure (municipal facilities, affordable housing)</li><li>• Energy infrastructure (energy and electric power equipment)</li></ul>
Ship, Commercial Vehicle and Construction Machinery Leasing	<ul style="list-style-type: none"><li>• Ship</li><li>• Commercial vehicle</li><li>• Construction machinery</li></ul>
Other Leasing Business	<ul style="list-style-type: none"><li>• Manufacturing equipment</li><li>• Commercial property</li></ul>

## BUSINESS

The following table sets forth our segment revenue and other income for the periods indicated:

	Year ended December 31,					
	2013		2014		2015	
(RMB in millions, except percentages)						
<b>Revenue and other income</b>						
Aircraft Leasing . . . . .	3,834.3	32.8%	4,607.8	39.6%	4,916.6	44.8%
Infrastructure Leasing . . . . .	4,469.3	38.3	4,087.4	35.0	3,520.2	32.1
Ship, Commercial Vehicle and Construction Machinery Leasing . . . . .	1,266.4	10.8	1,404.2	12.0	1,211.7	11.0
Other Leasing Business . . . . .	2,107.2	18.1	1,565.7	13.4	1,332.8	12.1
<b>Total . . . . .</b>	<b>11,677.2</b>	<b>100.0%</b>	<b>11,665.1</b>	<b>100.0%</b>	<b>10,981.3</b>	<b>100.0%</b>

### Finance Lease and Operating Lease

Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Leases are classified as operating leases if substantially all the risks and rewards of ownership remain with the lessor.

During the Track Record Period, we derived finance lease income from all of our business segments. Our finance leases are generally priced at an interest rate floating at a predetermined spread over a base interest rate. The base interest rate references PBOC benchmark interest rates or LIBOR, and the predetermined spread is negotiated on a case-by-case basis with the specific customer based on its risk profile. Our finance lease contracts typically have monthly, quarterly or semi-annual payment periods. The floating interest rate is typically reset following a change in benchmark interest rates. In 2013, 2014 and 2015, our finance lease income was RMB6,679.4 million, RMB7,014.9 million and RMB5,994.8 million, respectively. As of December 31, 2013, 2014 and 2015, our total finance lease related assets were RMB85,595.7 million, RMB90,953.4 million and RMB93,790.7 million, respectively.

During the Track Record Period, we derived our operating lease income primarily from our Aircraft Leasing business, and to a much lesser extent, from our urban infrastructure leasing and Other Leasing Business. Under an operating lease, the lessee is responsible for the maintenance and servicing of the leased asset during the lease term and the lessor receives the benefit, and assumes the risk, of the residual value of the leased asset at the end of the lease. We generally receive fixed lease payments under operating leases, and set accounting policy for the recognition and depreciation of operating lease assets based on asset class. In 2013, 2014 and 2015, our operating lease income was RMB4,370.0 million, RMB4,310.0 million and RMB4,646.2 million, respectively. As of December 31, 2013, 2014 and 2015, our total operating lease assets were RMB32,158.7 million, RMB36,385.4 million and RMB42,247.2 million, respectively.

In addition, finance leases and operating leases differ from each other with respect to the concept of average utilization rate, which is typically defined as the total number of on-lease days as a percentage of available lease days. The average utilization rate is generally only applicable to operating leases, where substantially all the risks and rewards of ownership remain with the lessor, which assumes the residual value risk at the end the lease and faces the uncertainties associated with the re-leasing of the asset. During the Track Record Period, we maintained a 100% utilization rate of our owned aircraft portfolio under operating leases and of

our non-aircraft assets under operating leases. By contrast, for finance leases, a lessee is prerequisite to the formation of a finance lease and precedes the commencement of the lease term. This is true regardless of whether it is a direct lease or a sale-and-leaseback. Therefore, the average utilization rate for finance leases is always 100% by definition.

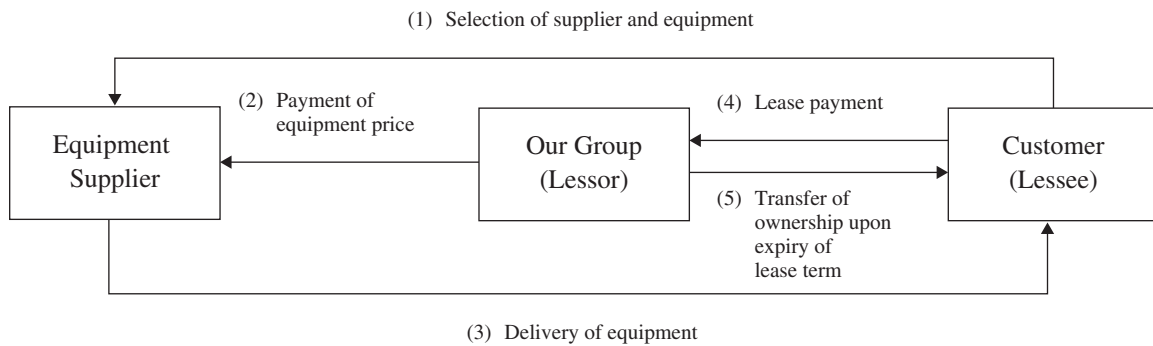
**Direct Lease and Sale-and-Leaseback**

We offer two types of leasing services: (i) direct leases; and (ii) sale-and-leasebacks.

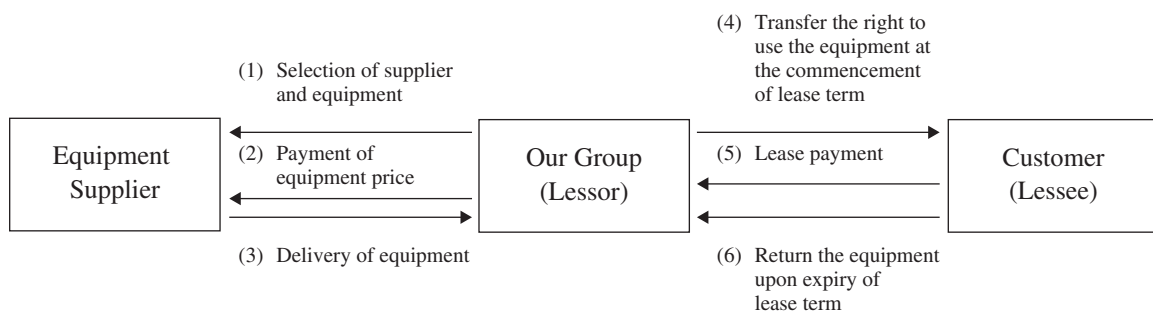
*Direct lease*

In a direct lease, we purchase an asset from an equipment supplier and then lease it to a customer for use in return for periodic lease payments. A typical direct leasing transaction is a tri-party arrangement that involves a lessor, a lessee and an equipment supplier. The following diagrams illustrate the relationship among the three parties:

Under finance leases:

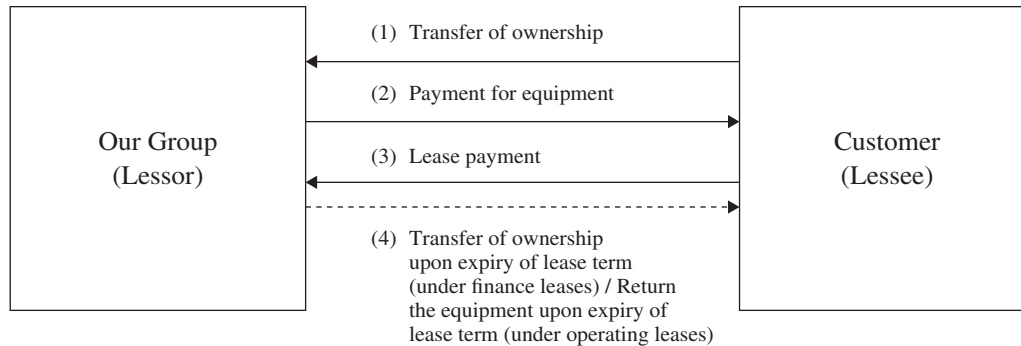


Under operating leases:



***Sale-and-leaseback***

In a sale-and-leaseback transaction, our customer sells the relevant asset to us for a negotiated purchase price, and we then lease the asset back to our customer in return for periodic lease payments, so that our customer may cover its funding needs and continue to use the asset as a lessee. A typical sale-and-leaseback transaction involves a lessor and a lessee. The following diagram illustrates the relationship between the two parties:

**Aircraft Leasing*****Overview***

We have a leading global aircraft leasing business focused on acquiring, leasing, managing and selling commercial aircraft. We focus on building and maintaining a portfolio of young, modern and fuel-efficient commercial aircraft, with a view to maximizing long-term earnings growth and delivering superior risk-adjusted returns through the aviation industry cycle. Since our inception, we have continually expanded our owned aircraft portfolio and grown our business scale, customer network and industry experience. As of December 31, 2013, 2014 and 2015, the aggregate leased assets of our owned aircraft portfolio was RMB34,758.9 million, RMB38,546.9 million and RMB43,911.2 million, respectively.

As of December 31, 2015, we had a portfolio of 415 aircraft, consisting of 180 owned aircraft, 11 managed aircraft and 224 committed aircraft. According to Frost & Sullivan, as of December 31, 2014, our owned portfolio of 169 aircraft was the tenth largest fleet globally by net book value. Our owned portfolio consists primarily of narrow-body aircraft, including the Airbus A320 family and the Boeing 737-800, and select wide-body aircraft, including the Airbus A330 and the Boeing 777. As of December 31, 2015, our committed portfolio from direct orders included 66 Airbus A320 and 60 Boeing 737 aircraft. We select aircraft that we believe will retain a high residual value and will be less susceptible to asset impairment risk. As of December 31, 2013, 2014 and 2015, the average age of our owned aircraft fleet on operating lease was 3.4, 4.1 and 4.5 years, respectively.

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We lease a majority of our aircraft to airlines under long-term operating leases, which provide a high level of predictability and stability to revenues. As of December 31, 2015, the weighted average remaining lease term by asset balance of our Aircraft Leasing segment was 5.9 years. In 2013, 2014 and 2015, the revenue and other income generated from our Aircraft Leasing business was RMB3,834.3 million, RMB4,607.8 million and RMB4,916.6 million, respectively. Payments under our lease contracts are predominantly in US dollars, the same currency used in our aircraft acquisition and disposal transactions.

We commenced our aircraft leasing business in 2002 and, in particular, our aircraft operating lease business in 2006. Since CDB became our Controlling Shareholder in 2008, our owned portfolio has experienced rapid growth, from 28 aircraft as of December 31, 2008 to 180 aircraft as of December 31, 2015. We operate our business on a global scale, leasing aircraft to airlines both in the PRC and elsewhere in Asia, Europe, Africa and Latin America. In addition to our Shenzhen headquarters, we have five aircraft leasing business platforms in the Tianjin Free Trade Zone, the Shanghai Free Trade Zone, Xiamen Area of the Fujian Free Trade Zone, Ireland and the Cayman Islands. As of December 31, 2015, we had 12 airlines customers in the PRC and 28 in 22 other countries and regions.

We believe that by applying our expertise through an integrated business model, we will be able to identify and execute on a broad range of market opportunities that may arise in the aircraft life cycle. We have the infrastructure, expertise and resources to execute diverse aircraft transactions in a variety of market conditions. We acquire aircraft through various channels, including direct orders from manufacturers, sale-and-leaseback transactions and portfolio acquisitions from other lessors, to grow our business. We maintain relationship with airlines, aircraft leasing companies and aircraft investors globally and seek to sell assets strategically to optimize our portfolio in response to market conditions. We have a team of professionals dedicated to our Aircraft Leasing business. The combination of a young and modern aircraft portfolio, proven industry expertise and robust risk management had contributed to a 100% fleet utilization of our owned portfolio under operating leases without unscheduled lease terminations, delivery failures or credit losses during the Track Record Period.

### *Aircraft Portfolio*

As of December 31, 2013, 2014 and 2015, we owned 155, 169 and 180 aircraft, respectively, and managed 8, 11 and 11 aircraft, respectively.

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The following table provides details regarding our aircraft portfolio by type as of December 31, 2015. In terms of net book value, Airbus and Boeing aircraft accounted for 91.4% of our owned portfolio.

Aircraft type	Owned portfolio						Managed portfolio <sup>(10)</sup>	Committed portfolio <sup>(11)</sup>	Total portfolio
	Number	Percentage	Net book value						
			Operating lease <sup>(8)</sup>	Finance lease <sup>(9)</sup>	Total	Percentage			
(RMB in millions)									
<b>Airbus</b>									
A320 family . . . . .	54 <sup>(1)</sup>	30.0%	11,234.0	1,369.7	12,603.7	28.7%	1	80 <sup>(2)</sup>	135
A330 family . . . . .	26 <sup>(3)</sup>	14.4	12,227.5	885.6	13,113.1	29.9	1	–	27
<b>Subtotal . . . . .</b>	<b>80</b>	<b>44.4</b>	<b>23,461.5</b>	<b>2,255.3</b>	<b>25,716.8</b>	<b>58.6</b>	<b>2</b>	<b>80</b>	<b>162</b>
<b>Boeing</b>									
737 . . . . .	41 <sup>(4)</sup>	22.8	9,193.1	496.7	9,689.8	22.1	9 <sup>(5)</sup>	62 <sup>(6)</sup>	112
747-400SF . . . . .	3	1.7	–	461.8	461.8	1.1	–	–	3
777-300ER . . . . .	5	2.8	4,273.9	–	4,273.9	9.7	–	–	5
<b>Subtotal . . . . .</b>	<b>49</b>	<b>27.2</b>	<b>13,467.0</b>	<b>958.5</b>	<b>14,425.5</b>	<b>32.9</b>	<b>9</b>	<b>62</b>	<b>120</b>
<b>Embraer</b>									
E190-100LR . . . . .	20	11.1	3,530.9	–	3,530.9	8.0	–	–	20
<b>Bombardier</b>									
C Series . . . . .	–	–	–	–	–	–	–	15	15
Global 6000 . . . . .	–	–	–	–	–	–	–	2	2
<b>Subtotal . . . . .</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>17</b>	<b>17</b>
<b>COMAC</b>									
ARJ21 . . . . .	–	–	–	–	–	–	–	20	20
C919 . . . . .	–	–	–	–	–	–	–	15	15
<b>Subtotal . . . . .</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>35</b>	<b>35</b>
<b>AVIC Aircraft Co., Ltd.</b>									
MA700 . . . . .	–	–	–	–	–	–	–	30	30
<b>Others<sup>(7)</sup> . . . . .</b>	<b>31</b>	<b>17.2</b>	<b>–</b>	<b>238.0</b>	<b>238.0</b>	<b>0.5</b>	<b>–</b>	<b>–</b>	<b>31</b>
<b>Total . . . . .</b>	<b>180</b>	<b>100.0%</b>	<b>40,459.4</b>	<b>3,451.8</b>	<b>43,911.2</b>	<b>100.0%</b>	<b>11</b>	<b>224</b>	<b>415</b>

- (1) Consisting of seven A319-100, 41 A320-200 and six A321-200.
- (2) Consisting of 29 A320ceo, 47 A320neo and 4 A321.
- (3) Consisting of eight A330-200 and 18 A330-300.
- (4) Consisting of 41 737-800.
- (5) Consisting of two 737-700 and seven 737-800.
- (6) Consisting of 32 737NG and 30 737 Max.
- (7) Consisting of 30 Diamond trainers (two DA20, 23 DA40 and five DA42) and one Dassault Falcon 7X business jet. All 31 aircraft here were under finance leases.
- (8) Net book value of operating lease assets represents the carrying amount of equipment held for operating lease businesses.
- (9) Net book value of finance leased assets represents the carrying amount of accounts receivable – advances for finance lease projects and finance leases receivables.
- (10) Our managed portfolio refers to the aircraft we manage on behalf of other aircraft investors or parties by contributing personnel and other administrative resources.
- (11) Our committed portfolio refers to the aircraft for which we have entered into binding contracts or non-binding letters of intent to acquire through direct orders from manufacturers and sale-and-leaseback transactions.

As of December 31, 2013, 2014 and 2015, 114, 125 and 140 of our owned aircraft were held under operating leases, respectively, and 41, 44 and 40 of our owned aircraft were under finance leases.

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### *Aircraft on Order*

Our aircraft on order mainly comprise aircraft ordered from Airbus and Boeing. In March 2014, we entered into an agreement with Airbus to purchase 70 aircraft, with a total catalog price of US\$6.8 billion. Four of such aircraft had been delivered as of December 31, 2015. In March 2014, we also entered into agreements with Boeing to purchase 60 aircraft with a total catalog price of US\$5.8 billion.

As of December 31, 2015, our committed portfolio consisted of 224 aircraft, 208 of which were ordered directly from manufacturers and 16 were to be acquired under sale-and-leaseback transactions. The following table sets forth the scheduled delivery dates for our Airbus and Boeing aircraft through direct orders as of December 31, 2015:

Aircraft type	2016	2017	2018	2019	2020	2021	Total
A320ceo . . . . .	12	9	–	–	–	–	21
A320neo . . . . .	–	–	6	11	14	14	45
B737NG . . . . .	9	12	9	–	–	–	30
B737 Max . . . . .	–	–	2	16	12	–	30
<b>Total . . . . .</b>	<b>21</b>	<b>21</b>	<b>17</b>	<b>27</b>	<b>26</b>	<b>14</b>	<b>126</b>

The delivery schedule was determined based on our discussion with the relevant aircraft manufacturer, and careful analysis and forecast of the development trend of the aviation industry and aircraft demand was performed by a third-party commercial advisor engaged by us in the process of determining this delivery schedule.

In addition, we have ordered 20 ARJ21 and 15 C919 aircraft from COMAC, 30 MA700 aircraft from AVIC Aircraft Co., Ltd., and 15 Bombardier C Series aircraft and two Bombardier Global 6000 business jets. As of the Latest Practicable Date, the delivery schedules of these aircraft have yet to be determined.

We typically secure lease commitment, by way of letters of intent or lease agreement, for our aircraft on direct orders from manufacturers at least one year in advance of the scheduled delivery of the aircraft. As of the Latest Practicable Date, we have secured lease commitment for all of the 21 aircraft scheduled for delivery in 2016, 12 aircraft scheduled for delivery in 2017 and six aircraft scheduled for delivery between 2018 and 2021.

During the Track Record Period, we did not experience any failure to secure lease commitments for new aircraft deliveries. In the event that we fail to secure additional lease commitment from airline operators one year before the scheduled delivery, we have formulated a series of contingency plans with four commercially viable options:

- (i) Transfer the aircraft delivery slot to a third party through the aircraft manufacturer (with the manufacturer’s consent). Due to the long production cycle of an aircraft, an aircraft purchaser generally secures the delivery slot at least two years in advance, and it becomes progressively more difficult to secure a delivery slot as the scheduled delivery approaches. A secondary market for transferring aircraft delivery slots has developed, in particular in response to demand from new airlines and institutions that are eager to acquire aircraft assets, and aircraft manufacturers are generally perceived as being prepared to permit the transfer of aircraft delivery slots if a customer is unable to take a scheduled aircraft delivery slot.



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- (ii) Defer delivery of aircraft. Alternatively, we may discuss with aircraft manufacturers for deferred delivery of aircraft. Aircraft manufacturers recognize a global environment with constantly changing aircraft demand and the need for adjustments in aircraft delivery time that may arise from time to time. Based on publicly available information, our Directors confirm that there were many cases in which the aircraft manufacturers, such as Airbus and Boeing, would accept deferred delivery of committed aircraft requested by their customers rather than pressing for inventory holding costs, provided that the customers discuss with the aircraft manufacturers in advance of the scheduled delivery date, although the actual costs incurred by the aircraft leasing companies varied depending on the results of their negotiations with the aircraft manufacturers.
- (iii) Aircraft type conversion. All our aircraft on direct orders as of December 31, 2015 were A320 and B737 aircraft. Based on customer demand and subject to prior consent from the aircraft manufacturer, we may convert the originally ordered aircraft to another type within the same family of the aircraft. For instance, we have successfully secured lease commitment for an aircraft after substituting an A320 on the original order with an A321, which shares a common design with but has larger passenger capacity than the A320.
- (iv) Leverage the resources of our shareholders, to secure lease commitment of our aircraft on order.

Our Directors consider that our contingency plans are formulated based on industry practice and believe that, based on our past experience, the implementation of such contingency plans will not have any material adverse effect on our operations and financial condition, despite the possible costs to us associated with such implementation. However, despite our contingency plans, there can be no assurance that we will be able to secure lease commitment for all of our new aircraft deliveries in the future. See “Risk Factors – Risks Relating to Our Business and Industry – Our Aircraft Leasing business depends on the lease extension and continual re-leasing of our aircraft and the placement of new aircraft on order, and we may not be able to do so on favorable terms or operate our business smoothly.”

In addition to the 208 aircraft committed through direct orders from manufacturers, we had entered into binding contracts or non-binding letters of intent to acquire 16 aircraft through sale-and-leaseback transactions and secured lease commitment for all of them as of December 31, 2015.

The following table sets forth the scheduled delivery dates for our aircraft acquired through sale-and-leaseback transactions as of December 31, 2015:

Aircraft type	2016	2017	2018	Total
A320 family . . . . .	6	6	2	14
B737-800 . . . . .	2	–	–	2
<b>Total</b> . . . . .	<b>8</b>	<b>6</b>	<b>2</b>	<b>16</b>

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### *Financing Arrangements*

As of December 31, 2015, we had 224 aircraft committed for purchase. The table below sets forth an aging analysis of our commitment amounts for such purchases, which includes pre-delivery payments, as of December 31, 2015:

	<u>Less than one year</u>	<u>One to five years</u>	<u>More than five years</u>	<u>Total</u>
	(RMB in millions)			
Aircraft purchase commitments . . .	8,110.6	31,251.3	3,116.9	42,478.7

Our aircraft purchase commitments as of December 31, 2015 are expected to be financed through a diverse range of funding sources, including (i) revenue generated from our aircraft operating lease business, (ii) proceeds from our debt capital markets issues, (iii) borrowings from domestic and overseas banks, and (iv) net proceeds from sales of our owned aircraft.

### *Major Terms of Aircraft Purchase Agreements*

The major terms of an aircraft purchase agreement include the purchase price, the scheduled delivery timetable, the delivery conditions and the consequences in the event of manufacturer's delay in delivery. Our primary obligations as a purchaser under an aircraft purchase agreement are to make the payments and to take delivery of the aircraft delivered by manufacturers in accordance with the agreement.

Aircraft purchase price is usually paid to manufacturers in installments before delivery of the aircraft, and the purchaser will obtain the title to an aircraft upon payment of the final installment to the manufacturer. Aircraft manufacturers periodically announce the catalog price of certain models of aircraft manufactured by them, and manufacturers also adjust the purchase price based on the change of the relevant consumer price index or other variables, and the detailed price adjustment mechanism is set out in the aircraft purchase agreement. During the Track Record Period, our actual purchase price of aircraft was lower than the quoted catalog price. In addition, depending on the actual order and the then prevailing market conditions, the purchaser and the manufacturer may agree on other adjustments to the purchase price.

Aircraft manufacturing is a complex process and may involve hundreds of suppliers of materials, parts and components. Aircraft manufacturers usually differentiate delivery delays caused by factors beyond their control from other delays. The aircraft purchase agreements between us and Airbus and Boeing have each provided for delays that may arise and the rights and remedies available to us as the purchaser in the event of such delays. The aircraft manufacturer typically warrants to us that each aircraft and its warranted parts at delivery conform to the agreed specifications and are free from defects in material, workmanship and design, and undertakes to be responsible for the repair of defects and to indemnify us against losses arising from defects for certain years from the date of delivery, generally ranging from three to four years, in accordance with the purchase agreement.

Our Directors confirm that we are subject to a confidentiality obligation under which none of the terms of the aircraft purchase agreement can be disclosed to any third party unless with the prior written consent of the relevant aircraft manufacturer. Any breach of the confidentiality obligation would subject us to relevant contractual liabilities and adversely affect our business relationship with the aircraft manufacturer and our ability to negotiate for our future aircraft acquisition, none of which is in our best interest and the interest of our shareholders as a whole.

Having considered our confidentiality obligation under the aircraft purchase agreements and the level of information generally expected by potential investors and those disclosed by other aircraft leasing companies in Hong Kong and overseas, we have obtained consent from both Airbus and Boeing for disclosing the date, the type and number of aircraft purchased, the delivery schedule and the total catalog price of our major aircraft purchase agreements. In addition, we also provided some generic disclosures on the payment methods, catalog price, price adjustment mechanism, delivery delays and manufacturer warranties above. We have approached aircraft manufacturers with which we have entered into aircraft purchase agreements during the Track Record Period for their consent to our disclosure of additional terms of the aircraft purchase agreements. As of the Latest Practicable Date, none of the aircraft manufacturers had granted the permission to disclose such terms of their respective aircraft purchase agreements. Having considered the practices of comparable listed companies on the Hong Kong Stock Exchange for contracts of similar nature, our Directors and the Joint Sponsors believe that such level of disclosure is sufficient for potential investors to understand the nature of these agreements and our material obligations under them, and consistent with the requirements of the Hong Kong Stock Exchange under Guidance Letter GL21-10. On this basis, our Directors confirm, and the Joint Sponsors concur, that there will be no omission of any material information that may render the contents of this prospectus misleading.

### ***Aircraft Acquisitions***

We originate acquisitions through well-established relationships with aircraft manufacturers, airlines, other aircraft lessors, financial institutions and brokers, as well as other sources. We believe that sourcing such transactions both globally and through multiple channels provides us with a broad and relatively consistent set of opportunities.

Our portfolio consists of aircraft ordered directly from manufacturers or acquired through sale-and-leaseback transactions and aircraft portfolios purchased from other lessors.

#### ***Direct Orders from Manufacturers***

As of December 31, 2015, our committed portfolio from direct orders included 21 A320ceo, 45 A320neo, 30 737-800 and 30 737 MAX aircraft, which were scheduled for delivery between 2016 and 2021. These orders are strategically important as they give us access to highly sought-after, next generation, fuel-efficient aircraft. We anticipate strong leasing demand from airlines due to the attractiveness of these aircraft. We believe these delivery slots are strategically timed and have the potential to generate significant returns for us. Direct order acquisitions typically require significantly longer lead times than sale-and-leaseback transactions, generally ranging from one to seven years from the time of order to the scheduled delivery of the aircraft.

#### ***Sale-and-leaseback***

As of December 31, 2015, our committed portfolio from sale-and-leaseback transactions included eight A320ceo, two A320neo, four A321 and two 737-800, which were scheduled for delivery between 2016 and 2018. In a typical sale-and-leaseback transaction, we commit to acquiring new aircraft that an airline has ordered directly from the manufacturer, and then lease the aircraft to the airline. The sale-and-leaseback transactions help us achieve higher transaction certainty and minimize placement risk. This channel also provides us with flexibility to manage cyclical risk and be responsive to market opportunities and conditions. Sale-and-leaseback transactions are generally completed within two to 12 months from the contract signing date to the scheduled delivery of the aircraft. During the Track Record Period, our sale-and-leaseback transactions achieved a 100% success rate of deliveries, which demonstrated our creditworthiness.

### *Portfolio Acquisitions*

Portfolio acquisitions typically involve multiple aircraft and multiple airlines and, as such, the transactions are more diversified than single sale-and-leaseback opportunities. Moreover, because the aircraft are already on lease or committed for near-term delivery on lease, such transactions typically generate cash flow more quickly than aircraft acquired through new sale-and-leaseback or direct order channels. We commenced our portfolio acquisition from GECAS in 2009, which was the first time that a PRC leasing company acquired on-lease aircraft portfolios, with all lessees from outside of the PRC and through an Ireland SPC.

We have mainly relied on sale-and-leaseback transactions and portfolio acquisitions in the early development stage of our Aircraft Leasing business, as these two channels enable us to quickly grow our fleet. In recent years and with more experience, we have focused more on direct orders from aircraft manufacturers, which provide us with more flexibility in managing the mix of our aircraft fleet and customers. With direct orders from aircraft manufacturers, we typically secure lease commitment for an aircraft at least 12 months prior to its scheduled delivery.

### *Due Diligence Prior to Leasing and Portfolio Acquisition*

Before making any decision to lease an aircraft, we perform a review of the prospective lessee, which generally includes reviewing financial statements, business plans, cash flow projections, maintenance records (if applicable), operational performance histories and relevant regulatory approvals and documentation. We also perform credit reviews for prospective lessees which typically include extensive discussions with the prospective lessee's management before we enter into a new lease. Depending on the credit quality and financial condition of the lessee, we may require the lessee to obtain guarantees or other financial support from an acceptable financial institution or other third parties.

Before making any decision to purchase aircraft portfolios, in addition to conducting due diligence on the prospective lessees, we also conduct due diligence on the aircraft and leasing contracts, including performing technical inspections on the use and maintenance of the aircraft and reviewing the aircraft leasing contracts.

### *Aircraft Leases and Transactions*

Over the life of the aircraft, we manage a range of aspects of the aircraft lease, such as certificates, lease rates, maintenance costs, security deposits and insurance, and seek to ensure that the aircraft, engines and related equipment are continuously maintained in proper condition. In the meantime, we actively reach out to potential aircraft buyers and realize returns on our aircraft investments by strategically timing their sale.

We lease a majority of our aircraft under operating leases. Under an operating lease, the lessee is responsible for the maintenance and servicing of the equipment during the lease term and the lessor receives the benefit, and assumes the risk, of the residual value of the equipment at the end of the lease. Rather than purchasing their aircraft, many airlines operate their aircraft under operating leases because operating leases reduce their capital requirements and costs and allow them to manage their fleet more efficiently. Over the past 20 years, the world's airlines have increasingly turned to operating leases to meet their aircraft needs.

Our dedicated portfolio management group consists of marketing, commercial, technical, financing and risk management professionals. Prior to a purchase, this group considers a variety of aspects, including the aircraft's price, fit within our portfolio, specification and configuration,

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maintenance history and condition, the existing lease terms, financial condition and creditworthiness of the existing lessee, the jurisdiction of the lessee, industry trends, financing arrangements and the aircraft's redeployment potential and value, among other factors.

### *Key Terms of Aircraft Leasing Agreements*

- Lease term and lease rate

All our aircraft lease agreements are for fixed terms generally ranging from eight to 12 years. We typically require our lessees to pay rent monthly or quarterly. In leasing our aircraft, we receive fixed lease payments under a majority of our operating leases, and adopt floating interest rates in the pricing of our finance leases.

The following table sets forth a breakdown of our owned portfolio by fixed and floating rates as of the dates indicated:

	As of December 31,		
	2013	2014	2015
Number of aircraft with fixed rate . . . . .	106	117	133
Number of aircraft with floating rate . . . . .	49	52	47
<b>Total . . . . .</b>	<b>155</b>	<b>169</b>	<b>180</b>

During the Track Record Period, all our owned aircraft with fixed rate were under operating leases, and the majority of our owned aircraft with floating rate were under finance leases. See “– Aircraft Portfolio.”

- Security deposit

During the lease term, our aircraft lessees are required to maintain a security deposit with us in the form of cash deposit or letter of credit and in an amount equivalent to one to three months' lease payment.

- Aircraft operation and maintenance

Our aircraft lease agreements require lessees to be responsible for the costs and expenses relating to aircraft operation, and for the maintenance, repairs and overhauls of the leased aircraft in accordance with the maintenance program approved by the aviation authorities and the airframe and engine manufacturers' guidelines. We have the right to inspect the leased aircraft at reasonable periodic intervals. We require our lessees to comply with the airworthiness requirements of the FAA, the EASA or other applicable aviation authorities.

- Maintenance reserve

Based on the credit quality of the lessee, we require some of our lessees to pay maintenance reserve, in the form of cash or letter of credit, to cover scheduled major component maintenance costs. The amount of the maintenance reserve is generally determined with reference to the utilization of the leased aircraft. In most lease contracts not requiring the payment of maintenance reserve, the lessee is required to redeliver the aircraft in a similar maintenance condition as when accepted under the lease. To the extent that the redelivery condition is different from the acceptance condition, there is normally an end-of-lease compensation adjustment for the difference at redelivery.

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- Aircraft registration and registration of interests

The lessee is required to ensure that the aircraft is registered with the applicable aviation authority, typically the aviation authority in the country of the lessee. To the extent practicable, we also require the lessee to register the ownership, interests of the lessors under the aircraft lease agreement or the lease agreement itself in accordance with applicable laws and international conventions.

- Tax obligations

Our aircraft lease agreements generally require lessees to gross up lease payments to cover tax withholdings or other tax obligations that may be applicable.

- Aircraft re-delivery

Our aircraft lease agreements contain specific provisions regarding the required condition of the aircraft upon its redelivery by the lessee at the end of the lease term. Redelivery condition covers various aspects, including the exterior and interior condition of the airframe, technical condition and airworthiness.

- Remedies and rights in case of lessee default

Our leases contain provisions on our rights and remedies in case of default by the lessee, including the right to terminate the lease and repossess the aircraft.

- Lease restructuring and repossession of aircraft

During the term of our leases, some of our lessees may experience financial difficulties resulting in the need to restructure their leases. Generally, restructurings involve a number of possible changes to the lease's terms, including rescheduling of lease payments, change of lease payment amount or exchange of lease payments for other consideration.

If restructuring is not an option, we will seek to terminate the lease, take repossession of the aircraft and re-market the aircraft. Under most circumstances, the repossession will be conducted through negotiations with lessees. In the event that the lessee is uncooperative, we may have to take legal actions for the repossession. In connection with the repossession of an aircraft, we may be required to settle claims on the aircraft or to which the lessee is subject, including outstanding liens on the repossessed aircraft.

### *Lease Extensions and Re-leases*

We generally seek to reduce our leasing transaction costs and minimize off-lease time by entering into lease extensions. The terms of our lease extensions reflect market conditions at the time the lease extension is signed and typically contain different terms than the original lease.

Upon expiration of an operating lease, where the lease term is not extended, we take redelivery of the aircraft, remarket and re-lease it to new lessees. Typically, we re-lease our leased aircraft well in advance of the expiration of the then-current lease and deliver the aircraft to a new lessee immediately following redelivery by the prior lessee.

We typically perform routine inspections and maintenance necessary to place the aircraft in the required condition for delivery and, in some cases, make modifications requested by our next lessee.

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Our extensive experience, global reach and operating capabilities allow us to rapidly complete aircraft transactions, which enables us to increase the returns on our aircraft investments and reduce the time that our aircraft are not generating revenue for us.

### *Lease Expiration*

As of December 31, 2015, the weighted average remaining lease term by asset balance of our Aircraft Leasing segment was 5.9 years. Among the 140 aircraft under operating leases in our owned portfolio, the leases of 74 aircraft are expected to expire by the end of 2020, the leases of 58 aircraft are expected to expire between 2021 and 2025, and the leases of eight aircraft are expected to expire after 2025, according to the lease expiration schedule (for the minimum non-cancellable period which does not include contracted unexercised lease extension options) of our operating lease portfolio.

### *Aircraft Sales*

We aim to develop and maintain a diverse and stable aircraft portfolio. We review our portfolio periodically, and sell our aircraft opportunistically to optimize the composition of our portfolio and capture gains.

Aircraft sales facilitate management of portfolio concentrations, provide ongoing liquidity of the portfolio, enable us to monetize value in our aircraft, help us maintain visibility and momentum with our customers and are a tool for effectively managing both asset residual value and re-lease risk. We have a dedicated team of experienced professionals focused on aircraft sales, which allows us to sell aircraft and to recycle and redeploy capital to fund further growth. The buyers of our aircraft include airlines, financial investors and other aircraft leasing companies. During the Track Record Period, we executed five aircraft sales. We aim to achieve the following objectives through aircraft sales: (i) maintaining a portfolio of young, modern and fuel efficient commercial aircraft; (ii) managing concentration in terms of customer type, region and lease expiration dates; (iii) managing default risk and residual value risk; and (iv) capturing gains when opportunities arise.

### *Aircraft Management Services*

In addition to our core aircraft leasing business, we deploy our in-house expertise in lease management and technical management to offer lease management services in return for fees. Our lease management services include invoicing and collections, monitoring insurance renewals, monitoring letter of credit renewals, utilization reporting and tracking aircraft utilization, technical inspections and lease enforcement management. Among the 11 aircraft in our managed portfolio as of December 31, 2015, we receive a fixed amount of fees for eight aircraft, and for the remaining three aircraft, we generate income through the difference of the lease payments we receive from the airlines customer, and the payments we make to a third party for which we manage the aircraft. We are generally not required to source lessees for managed aircraft, but we may choose to do so in return for fees depending on market conditions.

### *Our Lessees*

The majority of our lessees are flag carriers and major airlines of their respective countries, with good credit record and cooperative relationships with us.

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The following table provides a breakdown of our total aircraft lease revenue by customer in 2015:

Lessee	Percentage of lease revenue in 2015
China Southern Airlines . . . . .	22.8%
Air China . . . . .	7.9
IndiGo (India) . . . . .	6.8
Emirates (UAE) . . . . .	4.3
Hainan Airlines . . . . .	3.8
Others . . . . .	54.4
<b>Total</b> . . . . .	<b>100.0%</b>

We lease our aircraft to lessees in diverse geographical regions around the globe. As of December 31, 2015, out of our 180 owned aircraft, 105 were leased to PRC customers and 75 were leased to overseas customers. The following table sets forth a breakdown of our total aircraft lease revenue by region of lessee in 2015:

Region	Percentage of lease revenue in 2015
PRC . . . . .	45.6%
Asia Pacific (excluding the PRC) . . . . .	20.9
Europe . . . . .	20.1
Middle East and Africa . . . . .	8.6
Latin America . . . . .	4.8
<b>Total</b> . . . . .	<b>100.0%</b>

We have active relationships with airlines globally, which helps us place new aircraft, re-market end-of-lease aircraft and source transactions to grow our fleet through multiple acquisition channels. In addition to actively maintaining existing customer relationships, we also seek new customers through participation in major aviation industry conferences, referrals by aircraft manufacturers as well as Internet platforms.

### *Relationship with Airbus, Boeing and Other Manufacturers*

We maintain cooperative relationships with aircraft manufacturers such as Airbus and Boeing, and engine manufacturers such as CFM International, International Aero Engines and Pratt & Whitney. These extensive manufacturer relationships and the scale of our business enable us to place large orders with favorable terms and conditions, including pricing and delivery terms.

We are actively involved with consultative bodies, events and forums that have been formed by the aircraft and major engine manufacturers to engage with the industry on the development and design of new products. Our membership of these groups provides us with multiple opportunities to share views and seek to influence technology development and design activity to align with customer requirements and drive future growth.

### *Organizational Structure*

Consistent with industry practice, we use SPCs established in China and overseas to enter into aircraft leasing agreements with our aircraft leasing customers. As of December 31, 2015, for our Aircraft Leasing business, we had established 47, 16, 2, 38 and 10 SPCs in the Tianjin



Free Trade Zone, the Shanghai Free Trade Zone, Xiamen Area of the Fujian Free Trade Zone, Ireland and the Cayman Islands, respectively, and one SPC in each of France, Malta, Bermuda and Norway. Each of our SPCs may own or lease one or multiple aircraft. The SPCs are useful in ring-fencing the liabilities associated with ownership of aircraft, facilitating the financing and/or refinancing by enhancing the bankruptcy remoteness, and enhancing the transferability of aircraft assets. We also benefit from low tax rates in the regions where our SPCs are resident. For example, our Ireland SPCs are subject to the 12.5% corporate tax on trading income. SPCs enable us to better meet customer demand and enhance our overall competitiveness in the aircraft leasing market.

## **Infrastructure Leasing**

### *Overview*

Our Infrastructure Leasing business comprises:

- Transportation infrastructure leasing (toll roads, rail transit)
- Urban infrastructure leasing (municipal facilities, affordable housing)
- Energy infrastructure leasing (energy and electric power equipment)

In 2013, 2014 and 2015, the revenue and other income generated from our Infrastructure Leasing business was RMB4,469.3 million, RMB4,087.4 million and RMB3,520.2 million, respectively. As of December 31, 2013 and 2014 and 2015, the total segment assets of our Infrastructure Leasing business were RMB59,639.7 million, RMB51,995.4 million and RMB60,660.9 million, respectively. In terms of leased asset balance as of December 31, 2015, direct leasing transactions accounted for 5.0% and sale-and-leaseback transactions accounted for 95.0% of our Infrastructure Leasing business.

We operate our Infrastructure Leasing business on a nationwide basis in the PRC and manage our Infrastructure Leasing business by geographical regions. Since CDB became our Controlling Shareholder in 2008, by leveraging our brand name, expertise and capabilities, we have established good cooperative relationships with local governments, a broad and stable customer base and an effective business model. CDB is the largest bank for infrastructure financing in the PRC. We actively collaborate with CDB's regional branches in our Infrastructure Leasing business and thereby benefiting from CDB's strong support in customer development, project information management, risk management and account monitoring.

Our Infrastructure Leasing business is mostly under finance leases and is primarily conducted through sale-and-leaseback transactions. We generally require that a leased asset or lessee has a stable cash flow sufficient to cover lease payments and other debt repayment obligations, and such cash flow may include funds that the lessee expects to receive in government procurement. Our lease contracts are generally priced based on a floating interest rate, which is set at a predetermined spread over the PBOC benchmark loan interest rate of the same period. As of December 31, 2015, the weighted average remaining lease term by asset balance of this segment was 7.7 years.

Our Infrastructure Leasing customers are mainly large state-owned enterprises that operate transportation, urban and energy infrastructure. Our infrastructure leasing services have the following features: (i) we provide financing to our customers through the sale and leaseback of completed infrastructure assets; (ii) we generally provide greater flexibility on the use of the

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funds that we provide to our customers; (iii) our finance leases are long-term and generally range from five to 15 years; (iv) a considerable portion of our leased assets are well developed and generating stable cash flow; and (v) certain funds that constitute the source of lease payments have been included in the fiscal budgets of local governments as the relevant projects are closely related to public welfare.

As a result of the foregoing, our infrastructure leasing services are capable of meeting customer demand where commercial bank loans are not an ideal option for our customers. At the same time, our infrastructure leasing services provide us with a stable and predictable source of income. We have effectively mitigated uncertainties associated with infrastructure construction and managed the credit risks associated with the Infrastructure Leasing business, and as a result, there were no non-performing assets in our Infrastructure Leasing business during the Track Record Period. Our collaboration with CDB in providing infrastructure leasing services also facilitates CDB's fulfillment of its promise of "comprehensive financial services" to its customers and enhances customer loyalty.

### *Transportation Infrastructure Leasing*

Our transportation infrastructure leasing business primarily comprises the leasing of toll roads and rail transit equipment.

#### *Toll Roads*

We commenced our toll road leasing business in 2003. According to Frost & Sullivan, we were the first CBRC-regulated leasing company in the PRC to provide toll road leasing services and a leading toll road leasing company in the PRC. The main business model of toll road leasing relies on the leasing of highways, toll roads and bridges (including ancillary facilities and excluding the underlying land) that have a steady cash flow in the form of toll revenue. We typically require the lessee to pledge the toll-collecting rights as a security to us. The lease term of toll road projects is capped by toll-collecting period and generally ranges from 7 to 12 years.

As of December 31, 2015, we provided leasing services for 19 toll roads in 12 provinces of the PRC. Our toll road customers are mainly state-owned highway operating companies, such as Fujian Funing Highway Co., Ltd. (福建省福寧高速公路有限責任公司), Henan Highway Treasury Center (河南省收費還貸高速公路管理中心) and Hubei Transport Investment Co., Ltd. (湖北省交通投資有限公司).

The table below sets forth our five largest toll road leasing projects in terms of leased assets balance as of December 31, 2015:

Project	Province	Balance of leased assets as of December 31, 2015 (RMB in millions)	Lease expiration time
G15 Shenyang – Haikou Expressway, Fuding-Ningde section	Fujian	2,954.1	December 2023
G4 Beijing-Hong Kong-Macau Expressway, Hubei north section	Hubei	2,536.0	June 2022
G4 Beijing-Hong Kong-Macau Expressway, Xinxiang – Zhengzhou section	Henan	2,373.1	June 2022
Guiyang – Xinzhai Expressway, Guiyang – Duyun section	Guizhou	2,198.1	December 2020
Kunming – Songming Expressway	Yunnan	2,094.7	November 2025

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As of December 31, 2015, the assets related to our toll road leasing business were RMB28,354.6 million, representing 46.7% of the segment assets of our Infrastructure Leasing business.

### *Rail Transit*

We commenced our rail transit leasing business in 2007. According to Frost & Sullivan, we were the first CBRC-regulated company in the PRC to provide rail transit leasing services. The main business model of rail transit leasing is the sale-and-leaseback of fixed assets, such as rail equipment and ancillary facilities. Rail transit leases are serviced by government fiscal support, tickets, advertising, real estate rental incomes and other rail transit management-related income. The lease term of our rail transit leasing projects generally ranges from five to 15 years.

As of December 31, 2015, we provided finance leasing services for rail transit companies in four cities in the PRC, namely Tianjin, Wuhan, Ningbo and Kunming. Our rail transit customers are mainly state-owned urban rail transit operating companies, such as Wuhan Metro Group Co., Ltd. (武漢地鐵集團有限公司).

The following chart sets forth our five largest rail transit leasing projects in terms of leased assets balance as of December 31, 2015:

<u>Project</u>	<u>Province</u>	<u>Balance of leased assets as of December 31, 2015</u>	<u>Lease expiration time</u>
		(RMB in millions)	
Wuhan Metro	Hubei	2,710.7	December 2026
Kunming Metro	Yunnan	2,012.6	December 2027
Ningbo Metro	Zhejiang	1,629.1	December 2026
Hubei Inter-city Railway	Hubei	1,480.7	September 2030
Tianjin Metro	Tianjin	254.6	December 2019

As of December 31, 2015, the assets related to our rail transit leasing business was RMB8,702.3 million, representing 14.3% of the segment assets of our Infrastructure Leasing business.

### *Urban Infrastructure Leasing*

Our urban infrastructure leasing business primarily comprises the leasing of municipal facilities and affordable housing.

### *Municipal Facilities*

We are one of the leading companies in providing municipal facilities leasing services in the PRC. We conduct our municipal facilities leasing business primarily through sale-and-leaseback transactions. Our municipal facilities leases are serviced mainly by revenues from the operation of municipal facilities. We also require the lessees to pledge the collecting rights of receivables in government procurement as a security to us, and/or require companies owned or controlled by the government to provide joint liability guarantee. The lease term of our municipal facilities projects generally ranges from five to 13 years.

As of December 31, 2015, we offered leasing services for municipal roads, water, gas, heating, pipelines and other municipal facilities in several provinces and direct-controlled municipalities in the PRC, such as Liaoning, Zhejiang, Guangxi, Hunan and Jiangsu.

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The following table sets forth our five largest municipal facilities leasing projects in terms of leased assets balance as of December 31, 2015:

Project	Province	Balance of leased assets as of December 31, 2015 (RMB in millions)	Lease expiration time
Road and underground pipeline of Dalian High-tech Industry Park	Liaoning	1,903.6	December 2023
Municipal road and ancillary facilities in Hangzhou Bay New Zone of Ningbo City (project A)	Zhejiang	1,465.4	October 2025
Roads, bridges and ancillary facilities in Wuzhou City	Guangxi	1,448.1	December 2027
Chengbi Lake water control project, Baise City	Guangxi	1,434.8	December 2030
Municipal road and ancillary facilities in Hangzhou Bay New Zone of Ningbo City (project B)	Zhejiang	984.9	November 2025

As of December 31, 2015, the assets related to our municipal facilities leasing business was RMB11,192.6 million, representing 18.5% of the segment assets of our Infrastructure Leasing business.

### *Affordable Housing*

The development of affordable housing has been a policy priority of the PRC government. We commenced our affordable housing leasing business in 2011. We carry out our affordable housing leasing business primarily through sale-and-leaseback transactions. Affordable housing leases are serviced mainly by rents and government fiscal support. To mitigate credit risk, we usually enter into repurchase agreements with the local governments where the lessees are located, under which the local governments agree to repurchase our leased affordable housing in the event of default. The leasing term of our affordable housing projects generally ranges from six to 15 years.

As of December 31, 2015, we collaborated with local governments in affordable housing leasing services in a number of provinces, autonomous regions and direct-controlled municipalities, providing financing for an aggregate of over 50,000 affordable housing properties. Our affordable housing properties are mainly located in Chongqing, Anhui, Yunnan, Liaoning and Jiangsu.

The following table sets forth our five largest affordable housing projects in terms of leased assets balance as of December 31, 2015:

Project	Province	Balance of leased assets as of December 31, 2015 (RMB in millions)	Lease expiration time
Wuhu affordable housing project	Anhui	1,481.9	October 2024
Hechuan District affordable housing project	Chongqing	774.9	November 2023
Kunming affordable housing project	Yunnan	672.1	June 2027
Urumqi affordable housing project	Xinjiang	383.7	August 2026
Yingkou affordable housing project	Liaoning	352.0	April 2019

As of December 31, 2015, the assets related to our affordable housing leasing business was RMB5,818.2 million, representing 9.6% of the segment assets of our Infrastructure Leasing business.

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### *Energy Infrastructure Leasing*

Building on our experience in providing equipment leasing services to traditional power enterprises in China, in recent years, we have increased our presence in providing leasing services to clean energy enterprises with good growth potential, which is in line with the national policy of energy structure optimization of the PRC.

We conduct our energy and electric power equipment leasing business primarily through sale-and-leaseback transactions. Electric power equipment leases are serviced mainly by revenues from electricity fees. We typically require lessees to pledge electricity fee collecting rights as security to us. The lease term of our energy infrastructure projects generally ranges from five to 15 years.

As of December 31, 2015, we provided energy and electric power equipment leasing services to a number of electric power enterprises, primarily in Jiangsu, Xinjiang, Yunnan, Gansu and Inner Mongolia.

The following chart sets forth our five largest energy and electric power equipment projects in terms of leased assets balance as of December 31, 2015:

<u>Project</u>	<u>Province</u>	<u>Balance of leased assets as of December 31, 2015</u>	<u>Lease expiration time</u>
		(RMB in millions)	
Ordos coal energy equipment	Inner Mongolia	1,100.8	June 2020
Zhangjiagang 2×1,000MW coal-fired generating units	Jiangsu	1,002.0	June 2026
Zhaotong 2×600MW coal and electricity integration power plant	Yunnan	787.5	November 2019
Lufeng Nuclear Power Phase I: nuclear island equipment <sup>(1)</sup>	Guangdong	502.1	November 2020
Changji Hui Autonomous Prefecture (Manas County) 2×300MW generating units	Xinjiang	284.9	November 2019

(1) This is a clean energy project.

As of December 31, 2015, the assets related to our energy infrastructure leasing business were RMB6,593.2 million, representing 10.9% of the segment assets of our Infrastructure Leasing business.

### **Ship, Commercial Vehicle and Construction Machinery Leasing**

#### *Overview*

We conduct Ship, Commercial Vehicle and Construction Machinery Leasing business in the PRC and other countries around the world. In 2013, 2014 and 2015, the revenue and other income generated from our Ship, Commercial Vehicle and Construction Machinery Leasing business was RMB1,266.4 million, RMB1,404.2 million and RMB1,211.7 million, respectively. As of 2013, 2014 and 2015, the total assets of our ship, commercial vehicle and construction machinery business were RMB20,659.0 million, RMB21,038.1 million and RMB20,070.1 million, respectively. In terms of leased asset balance as of December 31, 2015, direct leasing transactions accounted for 19.0%, sale-and-leaseback transactions accounted for 37.2% and transactions of wholesale leasing accounted for 43.8% of our Ship, Commercial Vehicle and Construction Machinery Leasing business. As of December 31, 2015, the weighted average remaining lease term by asset balance of our Ship, Commercial Vehicle and Construction Machinery Leasing segment was 5.7 years.

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### *Ship Leasing*

We commenced our Ship Leasing business in 2008 and were one of the first leasing companies in the PRC to offer Ship Leasing services. We provide Ship Leasing services on a bareboat charter basis to ship operators under finance leases. As of December 31, 2015, we owned and leased 45 vessels, consisting of 18 container ships, 12 bulk carriers, five oil tankers, four chemical tankers, three dredgers and three liquefied gas carriers. As of the same date, the average age of our owned vessel fleet was 6.6 years. We strategically select vessels with strong market demand and profitability. In addition, we provide leasing services for shipping related assets, such as shipbuilding equipment and containers.

The following table provides details regarding our vessel fleet by type of vessel as of December 31, 2015:

Vessel type	Number	Percentage by number	Net book value (RMB in millions)	Percentage by net book value
Container ship . . . . .	18 <sup>(1)</sup>	40.0%	4,562.5	54.5%
Bulk carrier . . . . .	12	26.7	2,430.3	29.0
Liquefied gas carrier . . . . .	3	6.7	542.6	6.5
Chemical tanker . . . . .	4	8.9	453.3	5.4
Oil tanker . . . . .	5	11.1	208.1	2.5
Dredger. . . . .	3	6.7	179.1	2.1
<b>Total . . . . .</b>	<b>45</b>	<b>100.0%</b>	<b>8,375.8</b>	<b>100.0%</b>

(1) As of December 31, 2015, five container ships were still under construction and were expected to be completed and commence leasing between May and September 2016.

We lease vessels to 34 customers both in the PRC and globally in Europe and the Middle East. We have established SPCs in Hong Kong to conduct our Ship Leasing business. Our leased vessels are mainly constructed by shipbuilders in the PRC, and to a lesser extent, by shipbuilders in South Korea and Japan. As of December 31, 2015, the assets related to our Ship Leasing business were RMB10,451.8 million, representing approximately 52.1% of the segment assets of our Ship, Commercial Vehicle and Construction Machinery Leasing business.

During the Track Record Period, our Ship Leasing business consisted of finance leases, which included direct finance leasing and sale-and-leaseback, as well as operating leases.

Our ship leasing terms generally range from five to 12 years, and the lessee makes lease payments on a monthly or quarterly basis. We typically require the lessee to maintain a security deposit with us in an amount equivalent to one to three months' lease payment, and provide additional security such as guarantee provided by the actual controlling party, joint and several liability guarantee provided by individuals, fixed asset mortgage and transfer of insurance interest. During the Track Record Period, our finance lease contracts were generally priced at a floating interest rate.

Leveraging our expertise in the shipping industry and extensive relationships with reputable shipbuilders around the world, we provide customized ship financing services and reliable funding support for our Ship Leasing customers. Our specialized sales team is capable of providing comprehensive financing solutions and professional advisory services for our customers who require financing proposal at the time they purchase vessels. We believe that our provision of integrated and customized financial services to our Ship Leasing customers has enhanced our customers' trust and confidence in our services and enabled us to establish our brand name in the international ship leasing market.

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Due to the international nature of the shipping industry, our shipbuilding contracts and leasing contracts are generally denominated in US dollars. To mitigate foreign exchange risk, the corresponding loans or financings are also generally made in US dollars.

As a representative deal of our global Ship Leasing business, we leased to Costamare Inc., a leading international owner of container ships, three 9,400 TEU new energy-saving large container ships, which earned us the 2014 Leasing Deal of the Year Award by *Marine Money*, and five 14,000 TEU new energy-saving large container ships. Our PRC customers include subsidiaries of large shipping corporations such as China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司) and Sinotrans & CSC Holdings Co., Ltd. (中國外運長航集團有限公司), and other large corporations such as Sinochem Group (中國中化集團公司).

We acquire new customers and originate new businesses through active marketing, as well as participation in major shipping industry conferences, referrals by shipbuilders and ship brokers, and other channels.

According to Frost & Sullivan, in terms of ship prices and freight rates, the shipping industry is currently at a historical low point and is expected to have considerable potential for recovery. We maintain a disciplined approach to portfolio and risk management, and adjust our business strategies and risk management policies in accordance with prevailing market conditions and industry cycles.

### ***Commercial Vehicle and Construction Machinery Leasing***

We were one of the first CBRC-regulated leasing companies in the PRC to provide customized finance leasing solutions to manufacturers and distributors of commercial vehicles and construction machinery. We are one of the major players in the PRC commercial vehicle and construction machinery leasing market, and our end-user customers include urban public transport companies, large engineering corporations, small and medium enterprises and individuals across China.

We provide two types of “wholesale” services in our Commercial Vehicle and Construction Machinery Leasing business:

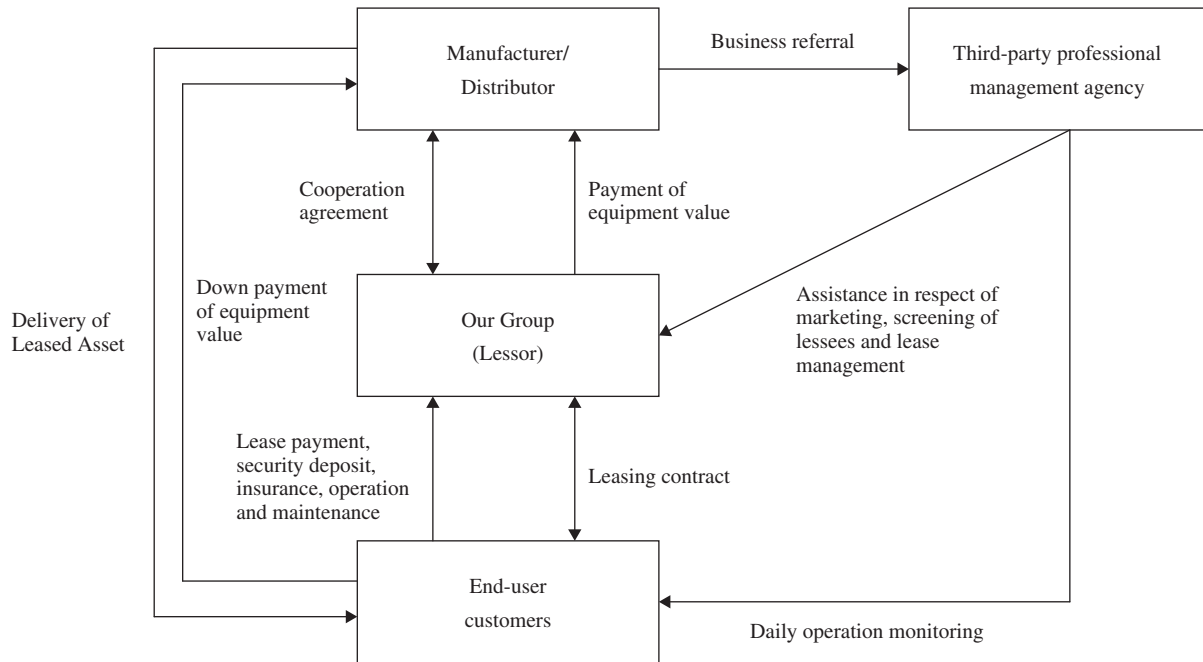
- Under the manufacturer credit model, we extend a credit line to a manufacturer, which provides a repurchase guarantee for each lease made with end-user customers under the credit line. The majority of our commercial vehicle and construction machinery leases employ this model. In some cases, the manufacturer may share its credit line with its preferred distributors to promote product sales, and we either collect a certain amount of security deposit from such distributors or the distributors provide a joint and several liability guarantee or a repurchase guarantee;
- Under the distributor credit model, we provide a credit line to a regional distributor recommended by a manufacturer, and the distributor provides a joint and several liability guarantee for each lease made under the credit line.

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The following chart sets forth the typical structure of our Commercial Vehicle and Construction Machinery Leasing business:



In a typical manufacturer leasing transaction, we provide a certain amount of credit line to a manufacturer based on its credit rating, and the manufacturer is then entitled to select end-user customers, or lessees, of the vehicles or equipment, within the credit line. The lessee chooses the specific type of vehicle or equipment, and we purchase such vehicle or equipment from the manufacturer and lease it back to the lessee. During the lease term, we retain ownership of the leased asset, while the lessee operates the leased asset and assumes responsibility for the maintenance and insurance of the leased asset. Upon expiry of the lease term, the lessee may acquire the ownership of the leased vehicle or equipment at a nominal price.

In our cooperation with selected manufacturers and distributors, we are assisted by two third-party professional management agencies, one for each of our Commercial Vehicle and Construction Machinery Leasing business, in various aspects of our wholesale leasing service, including marketing, selection of end-user customers, and lease management. The third-party professional management agencies are capable of processing transactions involving a large number of end-user customers through standardized operational modules, allowing our wholesale leasing service to achieve significant scale.

Our commercial vehicle and construction machinery lease contracts are generally priced based on a floating interest rate, which is set at a predetermined spread over the PBOC benchmark interest rate. The leasing term is generally not more than five years, and the lessee makes lease payments on a monthly or quarterly basis.

We launched our commercial vehicle and construction machinery manufacturer leasing services in 2009 and 2011, respectively. We have established long-term cooperative relationships with major commercial vehicle and construction machinery manufacturers in the PRC, and the funds we provided enabled these manufacturers to allocate more resources to product research and development and other areas that are key to their businesses. This wholesale leasing model, coupled with robust risk management, allowed us to deliver financial leasing services to a large number of small and micro enterprises and individuals efficiently.



### *Commercial Vehicle*

Commercial vehicles are used for carrying goods or fare-paying passengers (with nine seats or more). As of December 31, 2015, we provided services to 17 commercial vehicle manufacturers and 29 distributors, leasing 9,083 vehicles under 3,165 leases. As of December 31, 2015, the assets related to our Commercial Vehicle Leasing business were RMB1,609.5 million, representing 8.0% of the segment assets in our Ship, Commercial Vehicle and Construction Machinery Leasing business. In terms of leased asset balance as of December 31, 2015, the manufacturer credit model and the distributor credit model accounted for 69.0% and 9.5% of our Commercial Vehicle Leasing business, respectively.

In terms of the balance of leased assets as of December 31, 2015, our largest manufacturer-customers were Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) and Tangshan Yate Special Vehicles Co., Ltd. (唐山亞特專用汽車有限公司).

### *Construction Machinery*

The construction machinery leased by us include lifting, earthwork, piling, concrete, road, transportation and agricultural machinery. As of December 31, 2015, we provided services to 13 construction machinery manufacturers, two distributors and one construction enterprise, leasing 16,345 sets of equipment under 12,129 leases. As of December 31, 2015, the assets related to our Construction Machinery Leasing business were RMB8,008.8 million, representing 39.9% of the segment leased assets in our Ship, Commercial Vehicle and Construction Machinery Leasing business. In terms of asset balance as of December 31, 2015, the manufacturer credit model and the distributor credit model accounted for 96.7% and 2.1% of our Construction Machinery Leasing business, respectively.

In terms of the balance of leased assets as of December 31, 2015, our largest manufacturer-customers were XCMG Construction Machinery Co., Ltd. (徐州工程機械集團有限公司) and Sany Heavy Industry Co., Ltd. (三一重工股份有限公司).

### **Other Leasing Business**

Prior to 2012, we focused primarily on Aircraft Leasing and Infrastructure Leasing businesses and established a market leading position and competitive advantages in those areas. In addition, we have been focusing on cultivating business relationships with large and medium-sized enterprises since our inception. In order to mitigate the impact from adverse policy changes and diversify our customer base and business mix and capture growth opportunities, we began to selectively expand our leasing business to other sectors in 2012, including manufacturing equipment leasing for enterprises in chemical, papermaking and other industries, as well as commercial property leasing, and we have gradually expanded our customer base to include SMEs.

However, our operational and risk management experience was limited and were not fully adapted to manage these newly-entered sectors and deal with SMEs, resulting in an increased exposure to credit risk. Also attributable to the slowdown of the PRC economy and challenging business environment in certain traditional manufacturing industries in recent years, the non-performing assets of our Other Leasing Business increased substantially during the Track Record Period. For details, see “Financial Information – Asset Quality.”

Since 2014, we have recognized the risks associated with our Other Leasing Business and adopted more stringent risk management policies. In principle, we ceased to provide leasing services to prospective lessees in the “Cautious” sectors designated by our risk management

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policy, unless the lessee is a large enterprise, a leader in a particular industry or a high-quality listed company. For details, see “Risk Management – Credit Risk Management.” Going forwards, we intend to continue to focus on Aircraft Leasing and Infrastructure Leasing since (i) we have competitive advantages with a proven track record in these two segments, (ii) the asset quality of these two segments remained sound during the Track Record Period, and (iii) we are more experienced in serving large and medium-sized enterprises, and most of the customers in these two segments are large and medium-sized enterprises. For our Other Leasing Business, we intend to gradually reduce our existing leased asset balance relating to industries with higher credit risk. In terms of sector selection, we prefer manufacturing enterprises in emerging sectors with strategic importance, such as advanced manufacturing, and environment-friendly sectors as well as sectors encouraged by the NDRC. In terms of customer selection, we prefer large state-owned enterprises or their subsidiaries, industry leaders or high-quality listed companies.

In addition, to further control and reduce the non-performing assets in our Other Leasing Business, we intend to further strengthen our management of credit risk by improving credit enhancement measures and enhancing our macroeconomic and industrial research, post-lease management, collateral management and risk mitigation at various stages of our business. We also actively explore alternatives, such as the disposal of non-performing assets.

In 2013, 2014 and 2015, the revenue and other income generated from our Other Leasing Business was RMB2,107.2 million, RMB1,565.7 million and RMB1,332.9 million, respectively.

The following table sets forth a breakdown of our Other Leasing Business by sector as of December 31, 2015:

Sector	Number of leases	Balance of leased assets (RMB in millions)	Percentage
Manufacturing equipment leasing			
– Chemical	10	1,941.9	10.6%
– Electronics	8	1,883.5	10.3
– Papermaking	3	1,829.6	10.0
– Textile	13	1,140.0	6.2
– Coal	2	1,106.7	6.1
– Steel	7	962.8	5.3
– Others <sup>(1)</sup>	49	2,827.2	15.4
<b>Subtotal</b>	<b>92</b>	<b>11,691.7</b>	<b>63.9</b>
Commercial property leasing	19	6,598.0	36.1
<b>Total</b>	<b>111</b>	<b>18,289.7</b>	<b>100.0%</b>

(1) Other sectors mainly comprise building materials, agriculture, oil and gas, mechanical equipment and car manufacturing.

Our Other Leasing Business is mainly conducted through sale-and-leaseback transactions under finance leases. In terms of leased asset balance as of December 31, 2015, direct leasing transactions accounted for 6.3% and sale-and-leaseback transactions accounted for 93.7% of our Other Leasing Business. The lease term of our leased assets in the Other Leasing Business generally ranges from 3 to 12 years, and substantially all leased assets with a lease term of 10 years or longer in our Other Leasing Business are commercial properties. As of December 31, 2015, the weighted average remaining lease term by asset balance was 5.7 years for our Other Leasing Business segment and 4.1 years for the manufacturing equipment leasing sub-segment.

***Manufacturing Equipment Leasing***

We lease equipment to manufacturing enterprises in a wide variety of sectors, such as chemical, electronics, papermaking, textile, coal and steel. Our manufacturing equipment leases are primarily serviced by the revenue generated by the lessor's business and the leased assets. As of December 31, 2015, we had 92 manufacturing equipment leases with total leased assets of RMB11,691.7 million.

The non-performing asset ratio of our manufacturing equipment leasing was 11.9% as of December 31, 2015. Lessee defaults were primarily due to one or a combination of the following factors:

- production overcapacity in certain traditional manufacturing industries;
- industry-wide financing difficulties faced by the lessee and the resulting lack of liquidity; or
- operating and financial difficulties that resulted partly from the slowdown of the PRC economy.

In addition, we also provided manufacturing equipment leasing to certain SMEs guaranteed by SME guarantors in China whereby we select SME guarantors based on their creditworthiness and financial resources and the SME guarantors are responsible for finding and recommending prospective lessees to us, and we provide leasing services to a lessee once the SME guarantor we selected is able to act as the unconditional guarantor for the lessee. The slowdown of the PRC economy has led to operational difficulties and even closure of a number of our SME lessees guaranteed by SME guarantors and certain SME guarantors were poorly managed and unable to perform their obligation as guarantors. As a result, we experienced increasing SME customer defaults in 2013 and 2014. Since the second half of 2014, we ceased to provide leasing services to SMEs guaranteed by SME guarantors. As of December 31, 2015, we had 29 leases guaranteed by SME guarantors, and the assets related to these leases were RMB183.4 million, representing 1.0% of the segment assets of our Other Leasing Business.

To mitigate the adverse impact of the lessee defaults, we have been actively working together with defaulting lessors and their guarantors as well as regional CDB branch where the defaulting lessor is located. We have also taken legal actions against certain lessees. We may also consider disposing of certain non-performing assets.

***Commercial Property Leasing***

Commercial properties that we lease mainly include plants, offices, hotels and shops. Our commercial property leases are primarily serviced by rental income generated by the leased properties.

As of December 31, 2015, the balance of our leased commercial properties was RMB6,598.0 million, and we had 19 leased commercial properties, which are mainly located in Beijing, Chongqing, Jiangxi, Sichuan, Guangdong, Shanxi and Hubei.

As of December 31, 2015, the non-performing asset ratio of our commercial property leasing projects was 6.58%, which was primarily due to (i) a downturn in the real estate industry, especially in the third- and fourth-tier cities in China, where most of the non-performing projects are located; (ii) over-optimism in the assessment of our lessees' creditworthiness; and (iii) our lack of experience in the commercial property leasing market.

Since the second half of 2014, we have suspended commercial property leasing, and have no intention to resume such services until the commercial real estate market in China improves substantially. To mitigate the adverse impact of existing lessee defaults, we have adopted a range of measures such as asset evaluation, negotiation with lessees on deferred payment arrangements, taking legal action or seeking potential buyers for non-performing assets.

**INFORMATION TECHNOLOGY**

Our information technology (IT) systems are integral to many aspects of our business operations and perform a crucial function in creating and maintaining scalable, cost-effective and sustainable operating models for our business. We have built, and continue to enhance, our IT systems in order to create competitive advantages for our organization, and to achieve and maintain optimum levels of operational efficiency as well as risk and financial management capabilities. The major functions of our IT systems include screening of potential projects and lessees, post-lease management, asset management, data management and risk and financial management.

We have the following principal IT systems and platforms for our business operations, risk controls and management purposes:

- *Full life cycle leasing business management system.* We began to develop this proprietary system in 2011 and have been continually developing new modules and enhancing its capabilities. The full life cycle system covers all of our leasing projects except for our Aircraft Leasing and Commercial Vehicle and Construction Machinery Leasing businesses. The system helps us to efficiently manage the key information of our leasing business, including customers, leased assets, projects, contracts, counterparties, lease payments, among others. In addition, the system standardizes our business review and approval process.
- *ICMS aircraft leasing management system.* We purchased the ICMS aircraft leasing management system for our Aircraft Leasing business from AMT-SYBEX Aviation in July 2012. The ICMS aircraft leasing management system is a widely used aircraft asset management system internationally. This system provides scalable and extendable contract management and asset management functionalities through a range of business support tools, thereby enhancing the efficiency and effectiveness of our aviation asset management.
- *Commercial vehicle and construction machinery leasing business management system.* This system allows us to record and manage the information of our customers, assets, projects, contracts and lease payments, among others, for our Commercial Vehicle and Construction Machinery Leasing business. The system helps us to streamline our operations and digitize the review and approval process of our Commercial Vehicle and Construction Machinery Leasing business.

Our advanced IT infrastructure is vital for us to properly manage all categories of risks based on an enterprise-wide approach. We monitor our various leasing activities in each business segment on a real-time basis, and monitor post-lease transactions and risk control indicators to manage our risks. For example, we have connected our IT system to the enterprise credit reporting system of the PBOC, which has substantially enhanced our risk management capabilities. In addition, we have developed an asset classification module for our full life cycle leasing business management system, which automates and enhances the efficiency of our asset classification.

We devote substantial resources each year to optimizing and upgrading our IT systems, and in particular, the integration of our full life cycle leasing business management system, our ICMS aircraft leasing management system and commercial vehicle and construction machinery leasing management systems, to provide secure and stable technology services and to support our growing business operations. As of December 31, 2015, our IT department comprised six technicians who are responsible for technical development as well as operations and maintenance.

## **MAJOR CUSTOMERS AND SUPPLIERS**

We serve a diverse set of customers across a spectrum of sectors. Our customer base mainly comprises commercial airlines, companies that operate transportation, urban and energy infrastructure and are owned, controlled or otherwise associated with PRC governments, ship operators, manufacturers and dealers of commercial vehicles and construction machinery and SMEs.

In 2013, 2014 and 2015, revenue attributable to our five largest customers accounted for less than 30.0% of our total revenue. To the best knowledge of our Directors, none of our directors, supervisors and their respective associates or any shareholders holding more than 5.0% of our issued share capital has any interests in any of our five largest customers as of the Latest Practicable Date.

We have no major suppliers due to the nature of our business. During the Track Record Period, we purchased aircraft primarily from Airbus, Boeing and GECAS, among other aircraft manufacturers and aircraft leasing companies.

## **MARKET AND COMPETITION**

The aircraft leasing industry is highly competitive. We compete in leasing, re-leasing, purchasing and selling our aircraft with other aircraft leasing companies, including ICBC Financial Leasing Co., Ltd., BOC Aviation Limited, AerCap Holdings N.V., GE Capital Aviation Services, Inc., Avolon Holdings Limited and Aircastle Limited. We may also encounter competition from other entities that selectively compete with us, including airlines, financial institutions and aircraft brokers. We believe we compete favorably due to our strong industry relationships, the attractiveness of our fleet and our rigorous and proactive risk management policies.

In our leasing businesses other than Aircraft Leasing, we mainly compete with other CBRC-regulated leasing companies, such as ICBC Financial Leasing Co., Ltd., Minsheng Financial Leasing Co., Ltd., Bank of Communications Financial Leasing Co., Ltd., CMB Financial Leasing Co., Ltd. and CCB Financial Leasing Corporation, and to a lesser extent, with commercial banks and other financial institutions that provide leasing services. According to Frost & Sullivan, as of December 31, 2015, there were 40 CBRC-regulated leasing companies in the PRC. According to Frost & Sullivan, as of December 31, 2015, in terms of total revenue, total assets and operating lease assets, we ranked first, second and first among CBRC-regulated leasing companies in the PRC, respectively, with market shares of 11.7%, 9.5% and 29.1%, respectively. For more details on the competitive landscape of the industries that we operate in, see “Industry Overview.”

Some of our competitors may enjoy certain competitive advantages, including greater financial resources, more sophisticated management experience and more advanced information technology systems, wider geographic coverage and the ability to offer more financial products and services than us. We believe that the leasing industry in China is becoming increasingly competitive, which will accelerate the innovation and differentiated development of PRC leasing companies. See “Risk Factors – Risks Relating to Our Business and Industry – The industries in which we participate are increasingly competitive.”

**INTELLECTUAL PROPERTY RIGHTS**

As of the Latest Practicable Date, we have registered two domain names in China and one domain name in Ireland, and are in the process of applying for the registration of six trademarks in Hong Kong, which include names such as “CDB Leasing” and its Chinese counterparts (including variations). For additional information, see “Appendix VI – Statutory and General Information – 2. Further Information about Our Business – B. Our Intellectual Property Rights.” We have not been subject to any material infringement of our intellectual property rights or allegations of infringement by third parties during the Track Record Period.

**INSURANCE**

Our aircraft lessees are required to carry insurance for any liabilities arising out of the operation of our aircraft or engines, including any liabilities for death or injury to persons and damages to property that ordinarily would attach to the operator of the aircraft. In addition, our lessees are required to carry other types of insurance that are customary in the air transportation industry, including hull all risks insurance and hull war risks insurance, aircraft spares insurance and aircraft third party liability insurance. In addition to the coverage maintained by our lessees, we maintain contingent liability insurance and contingent hull insurance with respect to our aircraft. Such contingent insurance is intended to provide coverage in the event that the insurance maintained by any of our lessees should not be available for our benefit as required pursuant to the terms of the lease.

Lessees of our Ship Leasing business are required to carry insurance that are customary in the vessel transportation industry, including hull and machinery insurance, war risks insurance and protection and indemnity insurance.

For our finance leases, we generally maintain insurance, typically property all risks insurance, for leased assets to cover any loss or damage to such assets during the lease period, with the insured amount generally greater than the amount of financing. The insurance premiums are generally paid in accordance with the terms of the finance lease where our customers bear the insurance premium, with us or a third party designated by us, usually the finance provider, as the insurance beneficiary.

We maintain insurance coverage for certain of our assets, including motor vehicles. Consistent with customary industry practice in the PRC, we do not maintain any business interruption insurance.

We believe that we have maintained such insurance coverage as we consider necessary and sufficient for our operations and customary for the industry in which we operate. Moreover, our policies are subject to standard deductibles, exclusions and limitations. Therefore, insurance might not necessarily cover all losses incurred by us and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies. See “Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage may not be sufficient to cover potential liabilities or losses.”

Our insurance policies are generally underwritten with reputable insurance providers and we review our insurance policies annually.

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### EMPLOYEES

We believe that our professional workforce is the foundation of our long-term growth. As of December 31, 2015 and the Latest Practicable Date, we had 202 employees. The following table sets forth a breakdown of our employees by business function as of the Latest Practicable Date:

	<u>Number of Employees</u>	<u>Percentage</u>
Management and administration . . . . .	42	20.8%
Aircraft Leasing . . . . .	32	15.8
Infrastructure Leasing . . . . .	27	13.4
Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business . . . . .	23	11.4
Legal, compliance and risk management . . . . .	40	19.8
IT . . . . .	7	3.5
Finance, accounting and internal audit . . . . .	31	15.3
<b>Total</b> . . . . .	<b>202</b>	<b>100.0%</b>

The following table sets forth a breakdown of our employees by geographic region as of the Latest Practicable Date:

	<u>Number of Employees</u>	<u>Percentage</u>
Shenzhen . . . . .	180	89.1%
Other provinces in the PRC . . . . .	13	6.4
Overseas . . . . .	9	4.5
<b>Total</b> . . . . .	<b>202</b>	<b>100.0%</b>

As of the Latest Practicable Date, 186 employees had bachelor's degrees or above, accounting for 92.1% of our employees, and 85 employees had obtained relevant professional qualifications, accounting for 42.1% of our employees.

We are committed to establishing a competitive and fair remuneration and benefits system. We adjust remuneration and benefits of our employees based on the business performance and development of each segment every year, so that our employees receive more competitive remuneration packages. We have formed a multi-tiered and flexible remuneration structure. In order to effectively motivate our business development through remuneration incentives, we continue to refine our remuneration and incentive policies. We are also refining our long-term incentive plan for employees and optimization of their remuneration structure in order to link the interests of employees with our overall business operation and enhance the loyalty of employees.

In accordance with applicable PRC laws and regulations, we provide our employees with basic pension insurance, basic medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing providence funds. We pay great attention to our employee welfare, and continually improve our welfare system. We offer employees additional benefits such as annual leave, stipend, supplementary medical insurance, annuity, health examinations and medical insurance for family members.

As of the Latest Practicable Date, we also employed 17 dispatched workers (勞務派遣員工) from an employment agency in China to assume administrative and back-office functions. According to the relevant labor dispatch contracts, our employment agency is required to bear the costs of salaries, social insurance and housing provident funds or other employee benefits of these dispatched workers, while we are mainly responsible for paying service fees to the employment agency.

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In order to improve the professional skills of our employees, we have established a comprehensive and diverse training system, providing our employees with both internal and external training programs. Our training programs primarily consist of (i) training in general knowledge and skills; (ii) training in various aspects of the leasing business, such as business development, business review and approval, and risk management; and (iii) training in operations management and internal control. We also work closely with CDB headquarters to provide tailored, live or video training programs to our employees. These training programs mainly take the form of hosting lectures by experts from CDB and sending employees to attend training programs held at CDB or at overseas financial institutions.

During the Track Record Period, there were no strikes, protests or other material labor conflicts that materially impaired our business and image. We have established a labor union and believe that we have maintained a good relationship with our employees, who are valued at all times.

### PROPERTIES

Our corporate headquarters is located at 50-52/F, New World Center, 6009 Yitian Road, Shenzhen, Guangdong Province, China. As of the Latest Practicable Date, we owned 32 properties in the PRC with an aggregate gross floor area of 6,863.8 square meters and five parcels of land with an aggregate gross floor area of 28,583.0 square meters. In addition, we leased 46 properties with an aggregate gross floor area of 11,754.4 square meters, and one parcel of land with an aggregate gross floor area of approximately 3,000 square meters.

As of December 31, 2015, the carrying value of our property held for administrative purposes represented 0.2% of our total assets and no single property accounted for 15% or more of our total assets by book value. Accordingly, this prospectus is exempt from the requirement under Chapter 5 of the Hong Kong Listing Rules and section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

### Owned Properties

As of the Latest Practicable Date, among our 32 owned properties in the PRC, we have obtained complete and valid building ownership certificates and land use rights certificates for 14 properties with an aggregate gross floor area of 5,875.6 square meters, representing 85.6% of the aggregate gross floor area of the properties that we owned. Our PRC legal advisors confirmed that we have the legal ownership of these properties and therefore have the right to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties. However, if we were to transfer or dispose of two of these properties with an aggregate gross floor area of 323.7 square meters, we are required to complete the re-registration of such properties under our name, China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), as opposed to our previous name, China Development Bank Financial Leasing Company Limited (國銀金融租賃有限公司). Our PRC legal advisors confirmed that there is no material legal impediment to our re-registration of such properties, and that uncompleted re-registration will not affect our legal ownership of such properties.



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As of December 31, 2015, among the properties we owned, we had not obtained proper building ownership certificates and land use rights certificates for 18 properties in the PRC with an aggregate gross floor area of 988.2 square meters, representing 14.4% of the aggregate gross floor area of our owned properties. We purchased these properties from the Futian District Housing and Construction Bureau (福田區住房和建設局) and the Shenzhen Housing and Construction Bureau (深圳市住房和建設局) as government-subsidized residences for our employees. Pursuant to relevant affordable housing and favorable enterprise employees housing regulations and rules promulgated by Shenzhen local governments, companies that purchase such properties are entitled to “limited ownership” (有限產權), which means that they may legally occupy and use, but may not freely transfer, mortgage, or dispose of, these properties. We have been advised by our PRC legal advisors that we can legally occupy and use these 18 properties. In addition, our Directors are of the view that these properties are generally in good condition and are safe for us to use.

### **Owned Land**

As of the Latest Practicable Date, we owned five parcels of land with a total site area of 28,583.0 square meters. We have used them mainly for business and office, as well as industrial purposes. As advised by our PRC legal advisors, we have obtained valid land use rights for these five parcels. However, if we were to transfer or dispose of one of these parcels with a total site area of 5,500.1 square meters, we are required to complete the re-registration of such property under our current name, China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), as opposed to our previous names, Shenzhen Financial Leasing Company Limited (深圳金融租賃有限公司) and China Development Bank Financial Leasing Company Limited (國銀金融租賃有限公司). Our PRC legal advisors confirmed that there is no material legal impediment to our re-registration of such property, and that uncompleted re-registration will not affect our legal ownership of such property.

As of the Latest Practicable Date, of the five parcels of our owned land, we owned one parcel of land with a site area of 5,500.1 square meters, upon which to construct our new headquarters building with a planned gross floor area of 83,247.9 square meters. As advised by our PRC legal advisors, we have obtained the relevant land use right certificate and the planning and construction permit required under PRC laws. As of the Latest Practicable Date, construction of this property is ongoing. We have been advised by our PRC legal advisors that upon completion of the construction and inspection of the property, there would be no material legal impediment for us to obtain the relevant building ownership certificate.

As of the Latest Practicable Date, we leased one parcel of land with a total site area of 3,000.0 square meters from the Futian branch of the Shenzhen Urban Planning, Land and Resources Commission (深圳市規劃和國土資源委員會福田管理局). We have used this parcel of land to store the construction materials and to house the construction workers in relation to the construction of our new headquarters on a temporary basis, with the lease expiring in August 2016.

### **Leased Properties**

As of the Latest Practicable Date, we leased 45 properties in the PRC with an aggregate gross floor area of 11,671.4 square meters. Fifteen of our leased properties are used for business and office purposes, with a gross floor area at 1,908.1 square meters and 7,220.4 square meters, respectively. The other 30 properties are primarily used for residential purposes, with a gross floor area ranging from approximately 52.5 square meters to 126.2 square meters.

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For 27 leased properties with an aggregate gross floor area of 10,410.4 square meters, representing 89.2% of the aggregate gross floor area of the buildings we leased in the PRC, our landlords had obtained the relevant building ownership certificates. Our PRC legal advisors are of the view that the landlords of these 28 leased properties are the owners of, or authorized persons to lease or sublease, the respective properties. The landlords have obtained valid title to the respective leased properties and the lease agreements are legally effective.

For the remaining 18 leased properties with an aggregate gross floor area of 1,261.0 square meters, representing 10.8% of the aggregate gross floor area of the buildings we leased in the PRC, our landlords, the Shenzhen Housing and Construction Bureau (深圳市住房和建設局) and the Futian District Housing and Construction Bureau (福田區住房和建設局), had not provided the relevant building ownership certificates. As advised by our PRC legal advisors, the leases of these 18 properties are valid and binding.

As of the Latest Practicable Date, we leased one property with a gross floor area of 83.0 square meters in Ireland. We use this property as office space, and its lease agreement has been entered into in accordance with local legal requirements and is valid and binding.

### LEGAL AND REGULATORY

#### Licensing Requirements

We conduct our business mainly in China and are, therefore, subject to the relevant restrictions of the PRC regulatory requirements. Our Directors and PRC legal advisors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we have complied with the relevant PRC regulatory requirements and guidelines in all material respects and obtained all important permits and licenses necessary for our operations in accordance with the PRC laws and regulations. In 2008, we obtained the required financial permit issued by the CBRC for our operations. Pursuant to relevant laws, financial permits will be effective for an indefinite term absent a change of business address or a change of name, in which cases we are required to renew our permit. In September 2015, we renewed our financial permit upon a change of our corporate name.

#### Legal Proceedings

We are a party to a number of legal proceedings arising in the ordinary course of our business. A majority of these legal proceedings involve claims initiated by us, as plaintiff, to recover lease payments from our customers. As of the Latest Practicable Date, we were not involved in any outstanding legal proceeding as a defendant with a potential claim against us of RMB10.0 million or above. However, we are aware of the following circumstances which may subject us to a potential criminal prosecution as co-defendant:

In late 2007 and early 2008, before CDB became our Controlling Shareholder, Mr. Wang Chong (王翀), then-president of Shenzhen Financial Leasing Company Limited, our predecessor, allegedly paid bribes in the aggregate of HK\$400,000 to a former employee of one of our customers. In February 2015, we were informed by the Shenzhen People's Procuratorate (深圳市人民檢察院) that Mr. Wang was detained for criminal investigation, upon which we took immediate action and removed Mr. Wang from his post pursuant to a Board resolution in May 2015. Because we are the successor of Shenzhen Financial Leasing Company Limited, we were also a suspect under this investigation. As advised by our special counsel, Beijing Yingke Law Firm Shenzhen Office, as of the Latest Practicable Date, the Anti-Corruption and Bribery Bureau

of the Shenzhen People's Procuratorate (深圳市人民檢察院反貪污賄賂局) had concluded the investigation and internally transferred the file, along with its prosecution recommendation (起訴意見書), to the prosecution department of the Shenzhen People's Procuratorate for deliberation.

We expect to defend ourselves vigorously if any charge is eventually brought against us at courts as a co-defendant. As advised by our special counsel, Beijing Yingke Law Firm Shenzhen Office, if such charges were brought against us and the court ruled adversely against us, we may be subject to a monetary criminal penalty, but, according to the relevant PRC laws, there is no set maximum amount of penalty and the court has sole discretion over such matter, thereby rendering the accurate prediction of such amount impracticable. Solely based on its experience and judicial practices, our special counsel also advised us that such penalty would likely range between 20% and 30% of the amount of the alleged bribes and normally would not exceed the amount of the alleged bribes. Our PRC legal advisors have advised that, in the event that the applicable PRC regulatory authorities became aware of a potentially adverse court ruling, such discovery would be past the two-year statute of limitations limit under the PRC Administrative Penalty Law (《中華人民共和國行政處罰法》), and no administrative penalty would be imposed on us as a result. Based on the advice of our PRC legal advisors and our special counsel, our Directors have confirmed that they do not expect that an adverse court ruling would have a material and adverse effect on our business operations or financing activities, although our reputation may be harmed as a result. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to detect or prevent fraud or other misconduct committed by our employees or third parties."

As advised by our special counsel, Beijing Yingke Law Firm Shenzhen Office, pursuant to relevant PRC criminal procedure law, if the prosecution department of the Shenzhen People's Procuratorate were to bring such charges against us, it shall do so within 45 days of the date of transfer from the Anti-Corruption and Bribery Bureau, which ended on March 19, 2016. As of the Latest Practicable Date, we had not received any notice of such charge.

The alleged bribery took place before CDB became our Controlling Shareholder. Since CDB became our Controlling Shareholder in April 2008, we have implemented a number of measures and significantly strengthened our anti-corruption mechanism, risk management and internal controls. Specifically, (i) we designated a discipline inspection secretary, expanded our discipline inspection committee, established an independent discipline inspection and supervision office, and appointed part-time discipline inspection and supervision commissioners to our key departments; (ii) we standardized project selection and review processes; (iii) we formulated internal rules and regulations aimed at strengthening our anti-corruption mechanism, risk management and internal controls; (iv) we ensured that our internal controls cover each individual project; (v) we required our senior management and employees to attend anti-corruption educational sessions, such as seminars and movie screenings; and (vi) since 2015, we engaged two internal control consultants to conduct comprehensive review of our internal control mechanism and make proposals for improvement.

In particular, our discipline inspection committee comprises one discipline inspection secretary with five years of experience in discipline inspection work, and six members, who are also heads of various departments, such as our Human Resource Department, Financial Planning Department, Appraisals Department and Risk Management Department. The committee has formulated rules that strictly prohibit our employees from accepting monetary gifts in business activities and impose limitations on the value of non-monetary gifts which employees are

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allowed to accept in the course of business. The committee also prohibits our employees from making payments for improper business purposes, and has established limitations on the value of non-monetary gifts that employees are allowed to offer in the course of business. In addition, the discipline inspection committee has set up a mailbox for whistleblowers to report unlawful activities within the Company. The committee also performs quarterly checks on our Chairman, with the Chairman performing the same on our senior management members, who perform the same on our department heads. The checks involve filling out questionnaires on an employee's work and life, for purposes of monitoring suspicious conduct. As of the Latest Practicable Date, our Directors confirmed that we had not received any regulatory warning or penalty from the Shenzhen CBRC or other applicable regulatory authorities in connection with the aforementioned potential lawsuit.

Our Directors and PRC legal advisors confirmed that, as of the Latest Practicable Date, other than the aforementioned potential lawsuit, there was no legal proceeding pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

### **Regulatory Non-compliance Incidents**

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China and other jurisdictions where we operate (including, but not limited to, the CBRC, the PBOC, the SAFE and their respective local branches and offices). During the Track Record Period and up to the Latest Practicable Date, neither we nor our employees have been involved in material regulatory non-compliance incidents that have led to regulatory fines.

However, during the Track Record Period, we had failed to meet certain CBRC requirements but, due to our timely rectification of such matters, we had not received any regulatory penalties as a result. On August 29, 2014, the Shenzhen CBRC issued a regulatory opinion to us, indicating that our balance of finance lease related assets attributable to HNA Group, one of our shareholders, exceeded its capital contribution to us, which was a violation of the regulatory requirement on related party transactions. According to the Measures on Financial Leasing Companies issued and effective on March 13, 2014, which replaced the previous measures issued in January 2007, the total balance of lease financing (which is, the balance of finance lease related assets) to a CBRC-regulated leasing company's shareholder along with all of its related parties shall not exceed the capital contribution of such shareholder to the leasing company. The previous CBRC measures did not impose a limit on the balance of lease financing from a CBRC-regulated leasing company to any of its shareholders in relation to their capital contribution, and therefore we had not monitored whether our balance of finance lease related assets attributable to any shareholder and its related parties exceeded its capital contribution prior to the promulgation of the revised Measures on Financial Leasing Companies. The Shenzhen CBRC required us to rectify this non-compliance incident within a reasonable period of time, and after receiving the regulatory opinion in question, we worked closely with the Shenzhen CBRC and reached a resolution with HNA Group by terminating certain of our finance lease agreements with HNA Group and its related parties in December 2015. As of December 31, 2015 and the Latest Practicable Date, the balance of our finance lease related assets attributable to HNA Group and its related parties was below its capital contribution to us.

## **Regulatory Inspections**

Regulatory authorities including the CBRC, the PBOC, the SAFE and their respective local branches and offices carry out periodic or *ad hoc* inspections, examinations and inquiries in respect of our compliance with the laws, regulations, guidelines and regulatory requirements applicable to us and our business.

During the Track Record Period and up to the Latest Practicable Date, the Shenzhen CBRC carried out routine or *ad hoc* inspections on us, covering various aspects such as corporate governance, capital requirement, risk management and business operations. Although no significant risks or non-compliance incidents were identified during such inspections, and no fines or other penalties were imposed on us as a result, certain inspections revealed certain deficiencies and weaknesses in our business operations, risk management and internal control, and we took immediate remedial measures in response to the notifications from the Shenzhen CBRC and submitted remediation reports. As of the Latest Practicable Date, we had not received from the Shenzhen CBRC any further comments on the remedial measures proposed in our remediation reports or on our execution, or any requests for additional remedial measures. The Shenzhen CBRC conducted on-site inspections of our operations from April 2013 to May 2013 and in November 2014. Below we set forth a number of key issues and remedial measures in response to these inspections.

<b>Major Issues and Major Guidance Opinions</b>	<b>Our Major Remedial Measures</b>
<b><i>Related transaction management in violation of the regulatory requirements</i></b>	
<ul style="list-style-type: none"><li>• failure to effectively identify each related party</li><li>• lack of an effective management system for related party transactions</li></ul>	<ul style="list-style-type: none"><li>• self-checked for deficiencies in related party transaction management</li><li>• determined the scope of related parties, and specified the responsibility allocation among departments for information collection</li><li>• established pricing standards for related party transactions</li><li>• standardized the approval procedures for related party transactions</li></ul>
<b><i>Lease financing to local government financing vehicles above the regulatory limit</i></b>	
<ul style="list-style-type: none"><li>• failure to maintain the balance of lease financing to local government financing vehicles below the required limit</li></ul>	<ul style="list-style-type: none"><li>• researched on transferring finance lease projects with the local government financing vehicles, and actively negotiated with such clients for the possibility of early repayment</li></ul>

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## BUSINESS

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### Major Issues and Major Guidance Opinions

### Our Major Remedial Measures

#### *Inappropriate leased assets, such as highway and rail transit, in certain sale-and-leaseback projects*

- problematic assets held under finance leases with an unclear ownership status and an insufficient right of disposal, which are also not suitable for sale due to their purpose to serve public welfare
- engaged legal professionals to independently conduct research on the legal issues relating to highway and rail transit leasing under finance leases, the report of which opines that in the event that the law is silent on the ownership of public roads, the property right should be determined only in accordance with the general principles of property ownership under the PRC Property Law (《中華人民共和國物權法》), and that the infrastructure leasing under finance leases is consistent with the inherent characteristics of the infrastructure industry
- along with the research report, improved our credit enhancement measures to minimize credit risk associated with the leased assets through additional due diligence on lessees and the leased assets, sales of leased assets, requests for early repayment of the lease principal and enhanced project management

#### *Lack of adequate advance payment management system*

- inappropriate accounting treatment of advance payments in the Infrastructure Leasing business
- adjusted the accounts for advance payments
- making premature advance payments to lessees before relevant conditions are met
- disposed of projects with advance payments, and ceased to enter into new sale-and-leaseback projects with advance payments

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## BUSINESS

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### Major Issues and Major Guidance Opinions

### Our Major Remedial Measures

#### *Lack of prudence in developing leasing projects with SME guarantors*

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>• lack of adequate due diligence on the identification of clients, the qualification of entities receiving the lease financing, and their financial condition</li><li>• insufficient risk warning from the Appraisals Department regarding leases to SME guarantors</li></ul> | <ul style="list-style-type: none"><li>• ceased to provide financing to SME guarantors</li><li>• improved our business model and credit enhancement measures, increased efforts on industry survey and research, business model design and risk prevention and control measures, and conducted in-depth analysis on local economies and industry cycles</li><li>• strengthened the overall risk prevention and control capabilities, further improved the risk control procedures, such as our review and examination guidelines, clarified the qualifications for business partners and business development procedures, enhanced due diligence and post-lease management, and closely monitored and mitigated potential risks in a timely manner</li><li>• prior to commencing a new business or service, increased efforts in market research and business model design, established effective risk prevention and control measures in line with the new business, increased manpower and improved professional training, and enhanced the compliance examination of the new business</li></ul> |
|---|---|

#### *Improvement needed for asset quality classification management*

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• delayed reclassification of asset quality for certain assets</li></ul> | <ul style="list-style-type: none"><li>• improved the management of asset quality classification and the standards of the five-category asset quality classification system</li><li>• checked lease payment status on a monthly basis, and monitored real-time asset quality adjustments</li><li>• established a risk warning system, continually gathered and identified risk signals, and issued risk warnings in a timely manner</li><li>• expanded the professional team specialized for asset quality classification</li></ul> |
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## BUSINESS

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### Major Issues and Major Guidance Opinions

### Our Major Remedial Measures

#### *Lack of risk control regarding certain finance leasing projects*

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• lack of due diligence on customers' information that led to underestimation of risks</li><li>• lack of prudence in evaluating the repayment ability of lessees</li><li>• failure to reveal risk during the pre-lease project examination phase</li><li>• insufficient follow-up of post-lease management, and failure to record and effectively analyze changes to the lessees' condition in a timely manner</li></ul> | <ul style="list-style-type: none"><li>• amended the project examination management system</li><li>• streamlined and optimized the project review process, strictly applied our project examination guidelines to projects, improved risk identification and analysis of projects, and strengthened risk management at all stages of business</li><li>• established rating and pricing systems and a two-dimensional rating system regarding credit rating and debt rating</li><li>• improved the professional skills of our project examination staff and enhanced internal and external trainings for them, kept in touch with and learned from the experts of CDB and promptly gathered and understood industry and market information</li><li>• strengthened the awareness of responsibility of project examination staff, and enhanced the assessment of their job performance</li></ul> |
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Our Directors have confirmed that there were no other material regulatory inspection issues or material incidents of regulatory non-compliance during the Track Record Period and up to the Latest Practicable Date.



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## RISK MANAGEMENT

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### OVERVIEW

As a leasing company serving a variety of industries, we assume various risks in our business operations, including credit, liquidity, market, compliance, legal, operational and reputational risks, among which credit risk is our primary exposure. We have developed a comprehensive risk management system tailored to the characteristics of our major business lines, and we control risks through measures including due diligence on clients, independent information review and a multi-level approval process. Meanwhile, we continue to monitor and review the operation and performance of our risk management system, and adjust it from time to time to accommodate market conditions, the regulatory environment as well as our strategic positioning. In achieving a balance between business development, risk management and operational efficiency, we prioritize risk control and underscore the independence of risk management in every stage of our business operations.

In general, our comprehensive risk management system has three principal features:

- **“All aspects.”** Our risk management extends over all risk types of the Company. We constantly enhance the responsibility allocation of our “three fronts of defense” and our risk control system. See “– Risk Management Framework.” The Board and the special committees under its supervision oversee our risk management as a whole, in which all departments participate.
- **“All stages.”** We reinforce risk control before, during and after the execution of the lease with risk management measures penetrating all stages of our business development.
- **“All employees.”** We adhere to the philosophy that “all employees shall be equally responsible for risk management.” We have built up the risk awareness of all employees and established an adequate corporate risk culture through optimizing the allocation of human resources and strengthening our internal audit and risk accountability.

We strive to enhance risk control from the beginning of our project development. We particularly emphasize risk management during the pre-lease stage, and oversee the entire process from project development, examination, and review to approval. In general, the actual lease execution of a proposed project is subject to (i) examination by the Leasing Business Development and Examination Committee; (ii) stringent review by our risk management related departments; and (iii) approval by the Leasing Business Review Committee before the commencement of the lease.

We ensure the independence, authority and professionalism of risk management related departments. In addition, with the support of CDB, we can leverage CDB’s relevant risk assessment resources and data for purposes of our risk management needs.

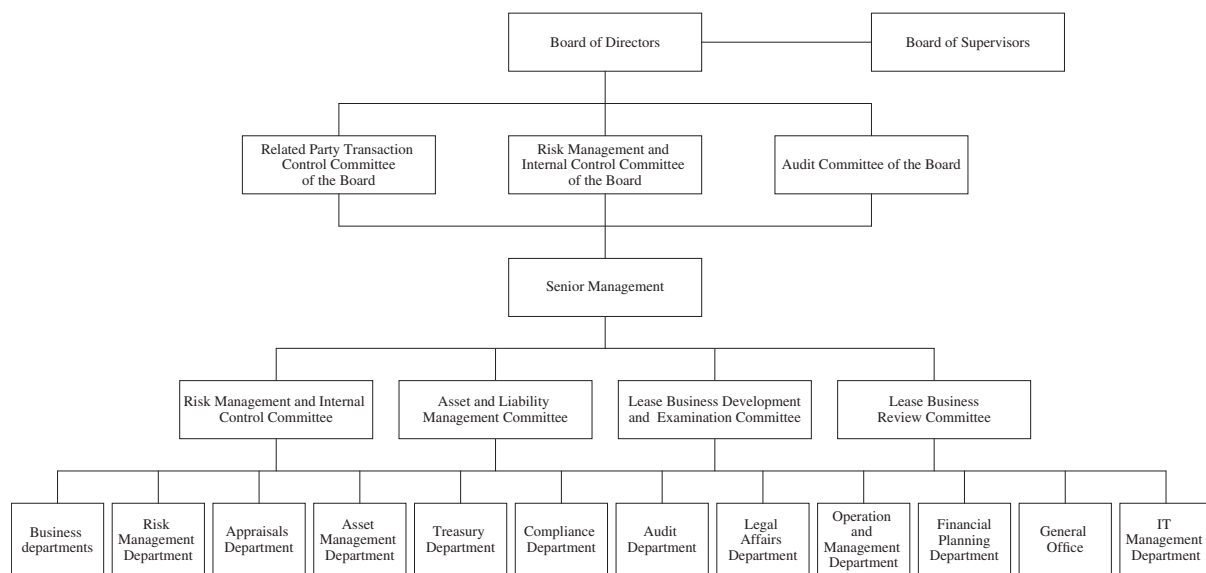
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# RISK MANAGEMENT

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## RISK MANAGEMENT FRAMEWORK

We were among the first leasing companies in the PRC leasing industry to establish a comprehensive risk management system and a risk appetite management system in October 2010. As our business expands and we become more experienced, we face increasingly complex risks and challenges. Accordingly, we have been constantly improving our risk management system. The following graph illustrates our risk management framework:



### Risk Management and Internal Control Committee of the Board

The Risk Management and Internal Control Committee of the Board is primarily responsible for monitoring the senior management’s risk control performance over our business, regularly assessing our risk policies, management conditions and risk tolerance, and providing advice on how to improve our risk management and internal control. This committee comprises at least three Directors. Mr. Wang Xuedong serves as the chairman of this committee. See “Directors, Supervisors, Senior Management and Employees.”

### Related Party Transaction Control Committee of the Board

The Related Party Transaction Control Committee of the Board is primarily responsible for determining our related parties and reviewing, approving and recording our related party transactions, in order to control the risks arising from related party transactions. This committee comprises at least three Directors. Mr. Xu Jin serves as the chairman of this committee. See “Directors, Supervisors, Senior Management and Employees.”

### Audit Committee of the Board

The Audit Committee of the Board is primarily responsible for overseeing, examining and evaluating our internal control, financials, internal audit and other matters, and supervising the audit of our annual financial reports. This committee comprises at least three Directors, all of whom are non-executive Directors. Mr. Zheng Xueding serves as the chairman of this committee. See “Directors, Supervisors, Senior Management and Employees.”

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## RISK MANAGEMENT

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### **Senior Management**

The senior management is responsible for implementing our risk management strategies. Its main duties include supervising our daily risk management, implementing our risk management policies, and overseeing the relevant departments' performance of risk management duties.

### **Risk Management and Internal Control Committee**

The Risk Management and Internal Control Committee is primarily responsible for reviewing the risk management objectives, risk appetite, strategies, and risk measurement models, methods and standards, formulating systematic regimes, procedures and methods within acceptable risk levels as determined by the Board, and taking appropriate risk control measures. The Risk Management and Internal Control Committee is also responsible for examining stress test results of our comprehensive risks, assessing the impact of major risk events, determining risk mitigation plans, reviewing non-performing and risky projects promptly and proposing risk prevention policies and measures.

Our Chairman, Mr. Wang Xuedong, serves as the chairman of this committee. Other members include, but not limited to, our President, Vice Presidents in charge of risk, appraisal, legal affairs, compliance and finance, and the heads of the Legal Affairs Department, Compliance Department, Financial Planning Department, Operation and Management Department and Treasury Department. See "Directors, Supervisors, Senior Management and Employees."

### **Asset and Liability Management Committee**

The Asset and Liability Management Committee is responsible for managing market and liquidity risks as well as facilitating the management of our capital, assets and liabilities. Its main duties include analyzing and assessing the overall operations regarding our assets and liabilities and making appropriate management decisions based on the analysis of the macroeconomic environment, and coordinating and supervising the adjustments of the size and composition of our assets and liabilities as well as our sources of funding and scale of liquidity. It is also responsible for managing and controlling our market risk and liquidity risk, and reviewing our capital adequacy ratio and allocation of economic capital.

Our President, Mr. Fan Xun, serves as the chairman of this committee. Other members include, but not limited to, our Vice Presidents in charge of the Treasury Department, Asset Management Department and Risk Management Department, and the heads of the Treasury Department, Financial Planning Department and Operation and Management Department. See "Directors, Supervisors, Senior Management and Employees."

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## **RISK MANAGEMENT**

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### **Leasing Business Development and Examination Committee**

The Leasing Business Development and Examination Committee is responsible for reviewing and deciding on whether to include the proposed projects submitted by business departments into the preliminary pipeline, determining the list of crucial projects, and advising in relation to problems and difficulties in the course of business development. This committee takes into account our business development plan and objectives, guidelines on our leasing business development, whether the lessee meets the required standards in accordance with our leasing business policies, and the legitimacy of the use of proceeds, leased assets and essential factors of the lease scheme. The Chairman has veto power over the approved projects.

Our President, Mr. Fan Xun, serves as the chairman of this committee. Other members include, but not limited to, the President and the heads of the Appraisal Department, Legal Affairs Department, Compliance Department, Treasury Department and Operation and Management Department. See “Directors, Supervisors, Senior Management and Employees.”

### **Leasing Business Review Committee**

The Leasing Business Review Committee is responsible for reviewing and approving leasing projects, including both finance and operating lease projects, purchases of leased assets (with pre-existing leases), transfers of rights to finance leases receivable and acquisitions of operating lease assets (mainly aircraft).

Mr. Geng Tiejun, our Vice President, serves as the chairman of the Leasing Business Review Committee. Other members include, but not limited to, the heads and full-time members of risk management related departments and business departments. All members of this committee are required to possess at least five years’ working experience in leasing, finance, law or economics and have abundant research and practicing experience in industry, credit, finance and legal sectors. See “Directors, Supervisors, Senior Management and Employees.”

### **Risk Management Department**

The Risk Management Department is responsible for overall risk management and control, primarily for the credit risk and operational risk management. Its main duties include initiating and establishing a comprehensive risk management and control system, managing and coordinating the detection, evaluation and control with other departments in respect of various risk indicators.

Taking credit risk management as an example, in the pre-lease development and appraisal phase, the Risk Management Department, as a member of the Leasing Business Development and Examination Committee, participates in the project development and examination. Meanwhile, the Risk Management Department is responsible for rating new customers and measuring their default rates and losses. In the post-lease management phase, the Risk Management Department is primarily responsible for determining the classification of our leased asset quality, and it pays special attention to maintaining the lists of organizational customers, risk warning projects and non-performing projects, so as to maintain the non-performing asset ratio within an acceptable range. Mr. Yang Jie, the head of the Risk Management Department, has 13 years’ experience in the financial industry.

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## RISK MANAGEMENT

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### **Appraisals Department**

The Appraisals Department is the organizational and management body responsible for the development, examination, review and approval of leasing projects. The Leasing Business Development and Examination Committee and Leasing Business Review Committee have offices within the Appraisals Department. The Appraisals Department is responsible for formulating and compiling guidelines, and establishing the assessment regime, methods, standards and procedures for leasing business. In particular, the main duties of the Appraisals Department include organizing meetings of the Leasing Business Development and Examination Committee and of the Leasing Business Review Committee, managing the preliminary pipeline and project selection, performing a procedural compliance review on project assessment reports, undertaking a comprehensive review and assessment of the risks of projects and proposing suggestions for decision-making accordingly. The Appraisals Department is also responsible for project review, examination and submission of such projects for approval. Meanwhile, the Appraisals Department also leads the Treasury Department, Risk Management Department, Financial Planning Department and Operation and Management Department in researching, establishing and implementing pricing models. Mr. Zhu Jiang, the head of the Appraisals Department, has eight years' project assessment experience in the financial industry.

### **Asset Management Department**

The Asset Management Department is primarily responsible for the centralized management of assets, which includes the daily management of assets, operational management of assets and disposal of non-performing assets. The daily management of assets includes formulating and implementing the relevant system for our leased assets, collecting data on the status of our leased assets, maintaining a complete leased asset ledger, establishing an asset evaluation system and evaluation database, and analyzing and reporting on the leased asset structure on a periodic basis. The operational management of assets includes formulating and implementing the annual asset allocation plan, and performing asset transfer, acquisition and securitization of assets. The disposal of non-performing assets includes formulating a non-performing asset management system and rules for writing off non-performing assets, coordinating with other departments in mitigating non-performing assets as well as disposing of our leased assets for residual value. Mr. Shi Yongkun, the head of the Asset Management Department, has 17 years' experience in the financial leasing industry.

### **Treasury Department**

The Treasury Department is responsible for the management of market and liquidity risks. For market risk management, the main duties of the Treasury Department are to identify, measure and monitor market risk, conduct stress tests, perform risk hedging activities, analyze the domestic and overseas capital and derivatives market, develop risk hedging strategies and issue market risk reports periodically. For liquidity risk management, the main duties of the Treasury Department are to manage liquidity and funding needs in daily operations, make financing arrangements and fund application plans, continuously monitor the execution of liquidity indicators, conduct liquidity risk stress tests, issue reports on liquidity risk levels and stress tests periodically, regularly monitor our possession of instruments for our liquidity reserves, and assess our risk mitigation capabilities. Mr. Wang Qian, the head of the Treasury Department, has 12 years' experience in the financial industry.

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## RISK MANAGEMENT

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### **Compliance Department**

The Compliance Department is mainly responsible for the prevention and control of the compliance risk, including cooperating with regulatory authorities in their supervision and inspection, coordinating with the relevant departments to rectify any problems identified during the supervision and inspection, paying close attention to the changing external regulatory requirements in order to promptly alert compliance risks, and keeping all the departments in compliance with the regulatory opinions and requirements. In addition, the Compliance Department is responsible for internal control and related party transaction management, and the review of our policies and leasing projects from a legal compliance perspective. Ms. Huang Xuemei serves as the head of the Compliance Department. See “Directors, Supervisors, Senior Management and Employees.”

### **Audit Department**

The Audit Department is responsible for examining the operational conditions of the risk management system. Its duties mainly include supervising the actual implementation of all risk management policies and systems, assessing the effectiveness of the risk management system and policies, reviewing the approval of leasing projects, facilitating the rectification of defects discovered and providing reasonable advice on the approval system. Mr. Zheng Qizhi, the head of the Audit Department, has 15 years’ experience in financial and accounting areas.

### **Legal Affairs Department**

The Legal Affairs Department is mainly responsible for the prevention and control of our legal risk, including the examination of leasing projects, transfer of leased assets, development of innovative businesses, all of our rules and policies, and our legal documents that set out our external rights and obligations from a legal perspective. In mitigating risky projects, the Legal Affairs Department is responsible for offering mitigation proposals, and employing measures such as pursuing litigation or property preservation and participating in debt restructuring for lease payment collection. Mr. Peng Nianhua, the head of the Legal Affairs Department, has 17 years’ experience in the financial and legal industries.

### **Operation and Management Department**

The Operation and Management Department is mainly responsible for our strategic risk management. Its responsibilities include formulating relevant regimes for the strategic risk, drafting strategic plans, and proposing solutions to cope with external changes or strategic risk incidents. Mr. Zhang Lingzhi, the head of the Operation and Management Department, has more than eight years’ experience in the financial leasing industry.

### **Financial Planning Department**

The Financial Planning Department is mainly responsible for the operational risk management of business settlement, including the transfer of funds relating to debt repayment when due, credit extension of leasing projects and centralized collection of lease payments. The Financial Planning Department also assists the Treasury Department in identifying, measuring and monitoring liquidity risk. Ms. Hu Xiaoyun serves as the head of the Financial Planning Department. See “Directors, Supervisors, Senior Management and Employees.”

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## **RISK MANAGEMENT**

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### **General Office**

The General Office is responsible for daily reputational risk management. Its main responsibilities include identifying our reputational risk, issuing risk alerts in relation to matters that could cause reputational risk, clarifying any false or omitted information immediately and taking charge of our security and confidentiality work. Mr. Chen Zhigang, the head of the General Office, has 17 years' experience in the financial industry.

### **IT Management Department**

The IT Management Department is mainly responsible for managing the operational risk of our IT systems to ensure the continuity of our business.

### **RISK MANAGEMENT STRUCTURE**

We have a “three fronts of defense” risk management structure with the following three lines of responsibility under the oversight of the Board and the senior management to identify, assess, measure, mitigate, monitor and report any risks:

- Each of the business departments has the first line of responsibility for directly managing risks;
- The risk management related departments have the second line of responsibility for building our comprehensive risk management system and organizing, coordinating and supporting risk management work; and
- The Audit Department has the third line of responsibility for conducting independent supervision and assessment of the operation of our comprehensive risk management system.

Each of our departments works closely with each other within prescribed risk control limits.

### **CREDIT RISK MANAGEMENT**

Credit risk is one of the major risk exposures in our operations. Credit risk refers to the risk of loss when our lessees or counterparties fail to perform their respective contractual obligations when due. Our credit risk exposure primarily derives from our finance lease business. Our customers are scattered domestically and abroad among industries such as infrastructure construction, shipping, commercial vehicle and construction machinery; and we mitigate our overall credit risk through portfolio management across different countries or regions across various industries.

## RISK MANAGEMENT

### Industry Selection

We review our leasing business guidelines annually in light of our own business strategies, the prevailing market conditions, directives from the NDRC and CDB's guidelines. Currently, we categorize the industries we serve into the following four categories, namely "Encouraged," "Selective," "Cautious" and "Prohibited," and set varied entry criteria accordingly. The table below summarizes our industry categorization in 2015:

Encouraged	Selective	Cautious	Prohibited
Aviation, shipping, commercial vehicle, construction machinery, electricity, railway, highway, rail transit, urban infrastructure, affordable housing, etc.	Electronics, car manufacturing, machinery (other than construction machinery), commercial real estate, agriculture, etc.	Overcapacity industries determined in documents such as the Notice of Approval by the State Council on Several Opinions from the NDRC and other Departments on Restraining Overcapacity and Repetitive Construction in Certain Industries for the Healthy Development of Industries (Guo Fa [2009] No.38) (《國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》(國發[2009]38號)) and the Guidance Opinions of the State Council on Mitigating Serious Production Overcapacity Problems (Guo Fa [2013] No.41) (《國務院關於化解產能嚴重過剩矛盾的指導意見》(國發[2013]41號)), including textile, papermaking, chemical, steel, coal, etc.	The obsolete industries listed in the Guiding Catalog for the Industrial Structure Adjustment (2011) (Revised) (《產業結構調整指導目錄(2011年本)(修正)》) issued by the NDRC, projects in the list of enterprises determined by the Ministry of Industry and Information Technology as concerning backward and overcapacity industries, and other industries that are not of strategic interest to us and with highly concentrated risks

In addition, for purposes of standardizing customer and project selection when developing our leasing business, we have formulated detailed principles by industry. We also continuously improve such principles in accordance with adjustments to national policies and our actual business development.

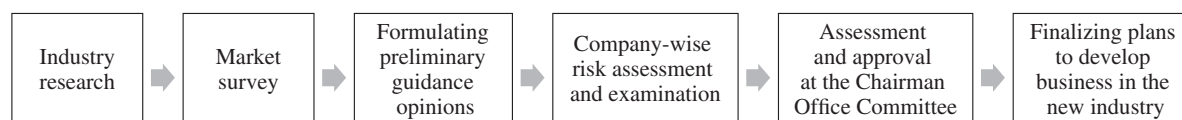


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## RISK MANAGEMENT

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Before providing leasing services to a new industry, we will examine the industry maturity, growth potential, market scale, capital needs and human resources, and formulate assessment guidance opinions and comprehensive business plans, in light of the experience and research of our domestic and overseas peers. We will also assess risks by taking into consideration our business strategies, the sustainability of such industry, the size of the customer base and the compliance and legal requirements of providing leasing services in the new industry. The Chairman Office Committee is in charge of determining the feasibility of entering the new industry, and upon approval, we will carry out the relevant due diligence investigations and subsequent actions. The following diagram summarizes the selection procedures for entering a new industry:



### Customer and Project Selection

We select our customers based on regions and industries. With regard to regions, in accordance with relevant national guidance, we focus on regions and economic belts with national policy support, such as the Beijing-Tianjin-Hebei area, the Yangtze River Delta Economic Belt and the “One Belt, One Road” region.

With regard to industries, for our major leasing businesses in sectors listed under the “Encouraged” category, we have established selection principles based on both customer and project:

- ***Aircraft Leasing.*** In respect of customer selection, we prefer domestic large and medium-sized airlines, large cargo airlines, and other domestic premier aviation enterprises with an internal credit rating of A or above, as well as overseas prominent customers that can help form our global market network, such as Air China, China Southern Airlines, China Eastern Airlines, Singapore Airlines, Air France, KLM Royal Dutch Airlines and Emirates; in respect of project selection, we prefer (i) bulk purchases and subsequent leasing projects of mainstream models of Boeing and Airbus commercial aircraft series; (ii) leasing projects of aircraft series manufactured by Boeing, Airbus, Embraer and COMAC; and (iii) purchases of training aircraft for domestic large and medium-sized airlines.
- ***Infrastructure Leasing (including transportation, urban and energy infrastructure sectors).*** In respect of customer selection, we prefer (i) for the transportation infrastructure sector, large SOEs with their principal business in transportation, and provincial highway companies; (ii) for the urban infrastructure sector, leading enterprises of sub-sectors such as heat supply, gas supply, sewage treatment in large and medium-sized cities, and customers recommended by PRC ministries; and (iii) for the energy infrastructure sector, large SOEs and their related power generation companies. In respect of project selection, we prefer projects planned and approved by the relevant authorities of the PRC government, provincial governments and municipal governments.

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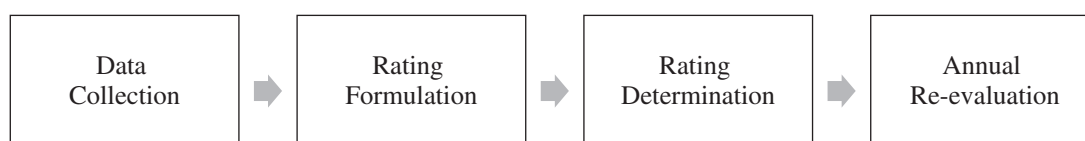
## RISK MANAGEMENT

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- **Ship Leasing.** In respect of customer selection, we prefer large shipping SOEs and their subsidiaries, the three biggest oil companies in China and their major subsidiaries, global top-tier offshore oil and gas groups and enterprises offering oil and gas exploration services, as well as oil tanker transportation companies with top transportation capabilities, excellent financial condition and strong competitive strengths in the PRC oil transportation market. In respect of project selection, we prefer oil tanker purchases or leasing projects that align with the national policy of “Self-Transportation of Self-Produced Oil” (國油國運) and can guarantee safe oil transportation, as well as leasing projects with steady and sufficient cash flow to pay off lease principal and interest generated from the leased vessel, including bulk carriers, oil tankers and container ships.
- **Commercial Vehicle and Construction Machinery Leasing.** In respect of customer selection, we prefer top manufacturers with leading market shares, customers with stable cash flow or government subsidies in the case of direct credit extension to end-user customers, state-owned leasing companies, leasing companies with listed companies as guarantors, and leasing companies with leading market shares.
- **Other Leasing Business.** In respect of customer selection, we prefer SOEs or industry leaders with well-rounded overall strength, or premier customers with a credit rating of AA- or above under our credit rating system. In respect of project selection, we prefer projects of strategic emerging industries, environmental protection projects or projects encouraged by the Guiding Catalog for the Industrial Structure Adjustment (《產業結構調整指導目錄》).

### Credit Rating

With the support of CDB, we developed a credit rating model in 2010 for determining the credit ratings of our corporate customers. This credit rating system encompasses all of our corporate customers. The following diagram outlines our basic credit rating process:



We have tailored a prudent credit rating system based on our specific business conditions. In light of the business model of each of our business segments and the characteristics of the industries involved, we have qualitatively and quantitatively devised a balanced scorecard model to assist us in credit rating assessment. During project origination, we screen customers and measure risks in accordance with their respective credit ratings. In post-lease management, we re-rate our customers annually and manage risk alerts accordingly.

Our customer credit rating system determines customers’ credit ratings and default rates through qualitative analysis of the relevant industries and quantitative analysis of customers’ financial statistics. Qualitative analysis takes into account variables such as the customer’s industry position, operation and management capabilities, management team, credit history, ethical risk and connected transactions. Quantitative analysis takes into account financial variables such as the customer’s assets, income, profitability and cash flow, in accordance with our internal rating model.

## RISK MANAGEMENT

Our credit rating targets are predominantly corporate customers from various industries. Our focus for the purpose of credit rating varies by industry:

- For our airlines customers, we will consider their route network, brand awareness and market shares;
- For our infrastructure leasing customers, since they are mostly enterprises owned, controlled by or associated with the PRC local governments, we will consider the level of local economic development, policy support, the local governments' overall financial strength and the degree of their attention and support for such customers;
- For our shipping customers, we will consider the types of ships in their fleet and their route choices, and for our ship suppliers, we will consider their shipbuilding expertise, supply chains and distribution channels; and
- For our manufacturer partners, mainly in the Commercial Vehicle Leasing, Construction Machinery Leasing and Other Leasing Business, we will consider their vertical and horizontal market positions.

We use our own credit rating system to evaluate PRC customers, and we use a combination of our own credit rating system and international ratings to evaluate overseas customers. Our customer credit rating system adopts a scorecard model. Based on the scores, we assign our customers grades from a scale of 16 credit ratings, ranging from AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB+, BB, BB-, B, and CCC to D. The table below denotes the significance of the 16 credit ratings:

Credit rating	Credit standing	Financial strength	Management capabilities	Prospects	Customer quality
AAA . . . . .	Excellent	Extremely strong	Extremely high	Excellent	High
AA+ to AA- . . . . .	Very good	Very strong	Very high	Very good	High
A+ to A- . . . . .	Good	Relatively strong	High	Relatively good	Good
BBB+ to BBB- . . . . .	Average	Average	Average	Average	Average
BB+ to CCC . . . . .	Relatively poor	Weak	Relatively low	Relatively poor	Low
D . . . . .			Default		

In accordance with our current business development, the Aircraft Leasing, Infrastructure Leasing, and Ship, Commercial Vehicle and Construction Machinery Leasing businesses belong to the “Encouraged” category. We impose varied credit rating requirements on our customers based on our strategic guidelines by industry categorization before developing business. The table below sets out the minimum rating standards by industry categorization:

Industry categorization	Minimum customer rating required for business development
Encouraged . . . . .	≥BBB-
Selective . . . . .	≥BBB
Cautious . . . . .	≥A-
Prohibited . . . . .	N/A

## RISK MANAGEMENT

### Credit Enhancement Measures

As the lessor, we obtain ownership of the leased assets as the primary method of security for our leases. For our finance lease business, we are entitled to enforce our security rights by disposing of the leased assets to cover our losses in the case of a customer default. For our Aircraft Leasing and Ship Leasing businesses under operating lease contracts, we generally do not require our lessees to provide additional security since aircraft and vessels are highly liquid assets and have readily available market value. In addition, we operate our Commercial Vehicle and Construction Machinery Leasing business under either the manufacturer or the distributor credit model, where our manufacturer partner gives us a repurchase guarantee, or our distributor partner gives us a joint and several liability guarantee, for each lease. In general, in case of a lessee's material breach of the lease contract, our manufacturer partner may be requested to repurchase from us the unpaid guaranteed portion under a repurchase guarantee, and our distributor partner becomes responsible for reimbursing us for the unpaid guaranteed portion under a joint and several liability guarantee. Depending on the specific terms of the individual lease contracts, material breaches may include overdue lease payment, fraud and loss of or damage to the underlying leased assets, and the guaranteed portion may consist of the overdue lease payment, remaining balance of lease principal, nominal consideration and breach penalty. In addition, commercial vehicles and construction machinery are liquid assets and have relatively established secondary markets for used equipment. Therefore, we do not require additional security for such leases in our Commercial Vehicle and Construction Machinery Leasing business from the lessees. Based on the creditworthiness of the lessee, we selectively require lessees in our Infrastructure Leasing and Other Leasing Business to provide third-party guarantees and/or asset collateral as additional security for our leases.

The following table provides a breakdown of finance lease related assets by the type of security in our Infrastructure Leasing and Other Leasing Business, taken as a whole, as of December 31, 2015:

	Infrastructure leasing and Other leasing business	
	(RMB in millions)	
<b>Leased assets secured by</b>		
Third-party guarantees only . . . . .	12,231.6	16.3%
Asset collateral only . . . . .	21,791.4	29.1
Both third-party guarantees and asset collateral . . . . .	26,375.1	35.2
<b>Unsecured leased assets . . . . .</b>	<b>14,531.7</b>	<b>19.4</b>
<b>Total . . . . .</b>	<b>74,929.8</b>	<b>100.0%</b>

We normally require a lease guarantor to satisfy the following:

- The guarantor shall legally register with the industry and commerce administration authorities (or other competent authorities) and complete the annual inspection procedures;
- The guarantor shall carry out business activities in compliance with laws and regulations on an ongoing basis, with stable business prospects, adequate financial and operational statistics and no material disputes as a creditor or debtor;
- The guarantor shall have stable sources of revenue and sufficient cash flows, with willingness and ability to perform obligations as a guarantor and a readiness to accept our supervision;
- The guarantor's credit rating should be no lower than BBB- under our credit rating system;

## RISK MANAGEMENT

- The guarantor’s credit rating should be no lower than that of the relevant lessee; and
- The guarantor does not have negative credit records.

If the guarantor is an overseas entity, we will refer to external credit ratings by international renowned rating agencies. In the case of a bank as the guarantor, we will focus on reviewing terms and conditions of the letters of guarantee or standby letters of credit. Where a natural person is the guarantor, we require such guarantor to have an established residence or possess real property, with legitimate sources of income and sufficient financial resources to perform as a guarantor and no negative credit records.

For leasing projects secured by collateral, we generally appoint a third-party appraiser to assess the value of the collateral in an appraisal report prior to our project review.

Our project review staff will evaluate the security interests backed by collateral, and determine the credit line by taking into consideration factors such as the type, location, useful life, depreciation, functionality, appraiser’s credibility and liquidity of such collateral. With regard to pledges of receivables, we will consider factors such as the expiry of relevant security interests, credit ratings of the corresponding debtors (if any), market prices of products and services, commercial risks and related expenses. Where the value of the collateral is insufficient to secure a lease under our standards, we will require our customers to provide additional security.

We have set the maximum lease-to-value ratios for different types of collateral. When calculating the lease-to-value ratio, we divide the sum of the guaranteed principal and the interest payment for one year by the value of the collateral, which, according to Frost & Sullivan, is in line with the practice adopted by the PRC leasing industry. The maximum lease-to-value ratios for our principal types of collateral are as follows:

Type of collateral	Maximum lease-to-value ratio
<b>Charge</b>	
Building, real estate, land use rights, mining rights, machinery, equipment, transportation vehicles, finished products, raw materials, among others . . . . .	50%-75%
<b>Pledge</b>	
Receivables . . . . .	70%-85%
PRC government bonds and debt securities issued by the PBOC . . . . .	100%
Debt securities issued by policy banks and commercial banks, debt interests of relevant PRC authorities and bank acceptance bills . . . . .	90%
Equity interests (excluding shares of listed companies), corporate bonds and other marketable securities . . . . .	70%
Margins, restricted funds and other forms of cash pledges and deposit pledges . . . .	100%

For reasons set out in the beginning of this section “Credit Enhancement Measures,” we calculate the lease-to-value ratios only for our Infrastructure Leasing business and Other Leasing Business. As of December 31, 2013, 2014 and 2015, the weighted average lease-to-value ratio of leased assets secured by asset collateral only in our Infrastructure Leasing business and Other Leasing Business, taken as a whole, was 59.6%, 50.9%, 48.6%, respectively.

## RISK MANAGEMENT

The following table sets out a breakdown of asset collateral provided by lessees in our Infrastructure Leasing and Other Leasing Business, taken as a whole, as of December 31, 2015:

	<u>Infrastructure leasing and other leasing business</u>
	(RMB in millions)
<b>Value of asset collateral</b>	
Receivables . . . . .	132,945.1
Equity interests and corporate bonds . . . . .	5,860.6
Land use right . . . . .	9,185.3
Restricted funds and deposit pledges . . . . .	5,504.6
Real properties . . . . .	4,020.1
Mining right . . . . .	11,164.0
<b>Total</b> . . . . .	<u><u>168,679.6</u></u>

During the lease term, we re-evaluate the guarantors and collateral on a regular basis through our post-lease inspections and reflect our findings, conclusions and risk mitigation measures in our post-lease reports. For details on our post-lease inspections, see “– Post-lease Inspection.” As long as our security interests exist, we continuously monitor the value of the collateral. Where the classification of a leased asset changes or a risk warning arises, we would re-evaluate the value of the relevant collateral.

### Pre-lease Due Diligence

Our pre-lease due diligence mainly comprises on-site and off-site investigations. Prior to an on-site investigation, we first conduct an off-site investigation. Our leasing business departments, with the front line of responsibility for project development and review, collect new customers’ information through various channels. We conduct off-site investigations in, among others, the following manners:

- collecting relevant information through public media such as the Internet, television channels, newspapers and magazines;
- seeking experts’ opinions and advices;
- obtaining formal opinions of consulting, design, appraisal, investigation and other agencies;
- gathering relevant information through publications, including documents issued by various governments or their respective departments;
- collecting relevant information through borrowers, guarantors and upstream and downstream customers; and
- acquiring relevant credit information from the PBOC, the CBRC and financial institutions.

Our due diligence team, based on the information provided by off-site investigations, drafts the outline of the due diligence investigation that determines the key elements, manner, timetable and information request list as well as other matters regarding the investigation. It then conducts the on-site investigation based on the outline. Our due diligence on lessee customers and their businesses examines their background, industry conditions, operations and management, use of proceeds and sources of lease payment. We also verify the information of lessees and guarantors and review their financial condition. For leased assets and collateral, we examine their legitimacy, authenticity and effectiveness, and verify the ownership and value of such leased assets and collateral.

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## **RISK MANAGEMENT**

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For our finance lease projects under the manufacturer or distributor credit model, it is not feasible for us to conduct on-site investigations of every lessee due to the diversification of the end-user customers. Rather, a third-party professional management agency will perform preliminary selection of end-user customers for us according to the business circumstances and our requirements. It will conduct off-site investigations for all end-user customers, and on-site investigations for certain leases with a large amount, a low down-payment ratio and a long lease term.

Our full life cycle leasing business management system was linked with the enterprise credit reporting system of the PBOC in December 2015, and we use the credit reports of customers within the system as important evaluation materials. We also require our customers to provide relevant information, such as their particulars, capital structure, financial statements, contract information, collateral, extension of credit and redelivery conditions, and to authorize us to disclose such information in the enterprise credit reporting system after the disbursement.

### **Project Examination and Approval**

All of our leases are subject to the approval of the Leasing Business Development and Examination Committee and the Leasing Business Review Committee as well as that of our Chairman. See “Business – Our Business” for our leasing business procedures.

Each business department will, according to our guidance and goals of project development, selectively develop certain projects and place those approved by the Leasing Business Development and Examination Committee into a preliminary pipeline. Projects in such preliminary pipeline will be filtered for examination based on project maturity and quality.

Each relevant business department takes part in project development and ongoing due diligence, and prepares assessment reports for the review of the Appraisals Department, which will then organize project examination and issue project examination opinions. Once approved by the Review Committee, the project will be reported to the President and the Chairman for endorsement. With regard to crucial businesses, we will consult the Leasing Business Review Committee of CDB and consider its professional recommendations.

In order to minimize potential conflicts of interests, we segregate business functions from risk management functions, and the project review team can only make decisions within prescribed limits.

### **Contract Signing and Provision of Lease Financing**

Upon the approval of a leasing project by the Review Committee, the Legal Affairs Department will draft or review the project contract. Once the payment conditions of the lease agreement are satisfied, the business departments will submit applications for provision of lease financing to the Financial Planning Department.

For our finance lease projects under the manufacturer or distributor credit model, the approval process of credit lines is similar to that of other leasing projects. We enter into an overall cooperation framework contract with manufacturers or distributors, under which we

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agree upon contract standards and templates for each lease made under the credit line. On this basis, we approve and carry out provision of lease financing for single leases in batches, for which we have established specific procedures, and focus on examining the legitimacy, authenticity and effectiveness of such leasing projects in order to avoid fraud risk of bogus transactions.

### Post-lease Inspection

We carry out periodic post-lease inspections to understand, verify and act in response to, among others, a lessee's operational and financial condition, use of proceeds, financing measures that ensure lease payment, and the use and maintenance of the leased assets. Meanwhile, we examine the creditworthiness of a guarantor, and the use of and changes to collateral. We will issue reports based on the findings, conclusions and risk mitigation measures.

Post-lease inspections mainly comprise on-site and off-site investigations. In particular, we leverage the oversight of the local branches of CDB and other banks over our customers' bank accounts in monitoring their cash flow and lease payments.

Our post-lease inspections focus on lessees, leased assets, guarantors and collateral. For the Aircraft Leasing business, we inspect and perform risk analysis through aircraft maintenance reports. For our finance lease projects under the manufacturer or distributor credit model, we conduct on-site and off-site inspections of the entities receiving the credit lines and assess their creditworthiness.

In principle, we carry out post-lease inspections on a quarterly basis. Depending on the asset quality classification, we conduct inspections at different intervals, as set out in the following table:

Type of inspection	Type of report	Frequency of inspection and reporting		
		Normal projects	Special mention projects	Non-performing projects
On-site inspection	Post-Lease Inspection Report	Annually	Semiannually	Frequently
Off-site inspection	Post-Lease Work Record Form	Quarterly	Quarterly	Frequently
Collection of basic information, such as financial statements and project particulars	–	Quarterly	Quarterly	Frequently

### Risk Warning

Our risk warning targets cover all projects that are not classified as non-performing. We routinely monitor our operations to identify credit risk signals. We conduct customer visits, identify risky projects, propose contingent plans and continuously monitor such projects. We then establish a risk alert list and formulate risk prevention and control measures for post-lease management. In principle, we identify projects with risk warning every quarter. In addition, we make real-time disclosure of the lessee's credit records in the enterprise credit reporting system of the PBOC.



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## RISK MANAGEMENT

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We categorize projects with risk warning into the following three classes:

- A Class I project means its asset quality is likely to deteriorate in the next one to two quarters, such as when the security deposit is insufficient to cover the overdue lease payment, and when the lessee, the legal representative or the actual controlling party becomes missing or involved in any investigation or legal proceeding.
- A Class II project means its asset quality is likely to deteriorate in the next two to four quarters, such as when lease payments are overdue for two consecutive quarters, when the lessee incurs operating losses, when the lessee's debt to equity ratio noticeably increases, and when material negative publicity arises which could prejudice our rights in the leased assets or harm our reputation.
- A Class III project means it entails certain potential risks, such as when there are significant changes to the lessee or its substantial shareholders, when the lessee's profitability deteriorates and short-term debt servicing capabilities diminish, or when the guarantor's ability to provide guarantee worsens.

### Asset Portfolio Management

We assess our asset quality and make adjustments to our asset quality classification on a quarterly basis. For purposes of making timely and effective measures to ensure our asset quality, we classify asset quality by assessing the risks and market value of assets based on their risk levels. According to the regulatory requirements of the CBRC, we classify our leased assets into five categories, namely "normal," "special mention," "substandard," "doubtful" and "loss" (the latter three of which constitute the non-performing category), in the following way:

- **"Normal."** Leased assets are classified as "normal" if the counterparty is able to perform the contract and there is insufficient reason to doubt its ability to timely repay lease principal and interest.
- **"Special mention."** Leased assets are classified as "special mention" if the counterparty is currently able to repay lease principal and interest, but its ability may be adversely affected by certain existing factors.
- **"Substandard."** Leased assets are classified as "substandard" if the counterparty's ability to make lease payments is evidently questionable, as it cannot rely entirely on its revenue from normal business operations to repay lease principal and interest in full, and we will incur losses even if our rights to collateral are invoked.
- **"Doubtful."** Leased assets are classified as "doubtful" if the counterparty is unable to repay lease principal and interest in full, and we will incur significant losses even if our rights to collateral are invoked.
- **"Loss."** Leased assets are classified as "loss" if we can recover nothing or little from the lease after all possible measures or necessary legal remedies have been exhausted.

We monitor the quality of our asset portfolio and lease-related assets every quarter. We pay close attention to factors such as (i) the lessee's operating conditions, credit history and lease payments; and (ii) the value of the leased assets and collateral as well as other risk factors, for purposes of reclassification. For "normal" and "special mention" assets held under our finance leases, we divide them into various asset portfolios and make allowance for impairment losses based on their historical loss rates and relevant regulatory guidance. For "substandard," "doubtful" and "loss" assets held under our finance leases, we analyze assets individually, estimate the recoverable amount and make allowance for impairment losses accordingly.

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## RISK MANAGEMENT

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Meanwhile, the Risk Management Department will, on a periodic or *ad hoc* basis, report overdue leased assets involving significant risks to the Risk Management and Internal Control Committee, and we will then carry out prompt risk mitigation measures in accordance with the instructions of the Risk Management and Internal Control Committee.

### Mitigation of Non-performing Assets

Similar to risk alerts, we keep a list of non-performing projects for risk mitigation. In general, if the risk profiles of high-risk customers we closely monitor deteriorate and we have downgraded relevant assets as a result, we will add such projects to the risk mitigation list, until the mitigation is accomplished.

We classify non-performing projects based on the possibility of being mitigated, mitigation progress and the degree of project significance. We conduct dynamic monitoring over non-performing projects, and manage most of the projects by on-site follow-ups.

If we cannot recover non-performing assets under normal collection procedures, we will leverage the resource of CDB and its branches and adopt various means such as debt restructuring, asset restructuring, asset transfer and litigation solutions in order to mitigate non-performing assets.

## LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk that we are unable to obtain sufficient funds in a timely manner and at a reasonable cost to cope with asset growth or settle due debts although we are solvent. Our primary objective of liquidity risk management is to control our liquidity risk within reasonable bounds.

The following table sets forth the matching of our assets and liabilities as measured by the weighted average maturity of future cash flow as of December 31, 2015:

	The weighted average maturity of the cash flow of leased assets	The weighted average maturity of the cash flow of interest-bearing liabilities
Renminbi . . . . .	3.63 years	0.57 years
Foreign currencies (primarily US dollars) . . . . .	4.50 years	3.32 years

Maturity mismatch is common for financial enterprises, especially financial institutions with high debt-to-equity ratios. Profiting from interest rate spreads arising from maturity mismatch is a salient characteristic of financial institutions. We manage to achieve a balance between such interest rate spreads and the liquidity risk via a series of strategies and instruments of liquidity management. We adopt prudent liquidity management strategies through (i) proactive management of the maturity profile of our assets and liabilities and maintaining appropriate liquidity provision for mitigating the liquidity risk; and (ii) obtaining diversified funding via multiple channels, thereby preserving sufficient funds to purchase assets and repay debt. Our liquidity risk management procedures include the identification, measurement, monitoring and control of the liquidity risk. The Asset and Liability Management Committee is in charge of liquidity risk management decision-making, while the Treasury Department is responsible for daily oversight and management of liquidity risk.

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## RISK MANAGEMENT

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We make reference to the liquidity management principles of the CBRC, and set the “shortest survival period” as our liquidity risk preference and monitor the “cash flow gap” as our short-term indicators. We pay close attention to our liquidity reserves on a daily basis and issue liquidity risk alerts. We perform stress tests to assess the cash outflow for the subsequent 30 days on a monthly basis under different stress scenarios and adopt a reverse cycle management strategy to adjust the scale of our liquidity reserves and make funding plans. The shortest survival period is a risk preference indicator of the liquidity risk, which refers to the shortest days that we can maintain positive cash flow under the prevailing market liquidity conditions. Our shortest survival period is generally around 30 days and adjusted based on market conditions for monitoring our liquidity risk. We calculate the liquidity coverage ratio to assess our stress test performance, which is calculated by dividing the balance of our liquidity reserves by a discounted amount of our net cash outflow in the subsequent 30 days. The amount of our net cash outflow is the sum of our provision of lease financing and the principal of our borrowings due minus the lease payments we receive, each of which has a different discount ratio that further varies with the stress scenarios. The cash flow gap refers to the amount of net cash outflow for future short cycles under the prevailing market liquidity conditions. Under good market liquidity conditions, we normally reduce our liquidity reserves to an extent that we consider proper with reference to the cash flow gap in order to reduce funding costs.

Bank deposits and the money market are our primary liquidity management sources for our cash reserve. We entered the interbank lending market in 2010 with a borrowing and lending limit of RMB8.0 billion as of December 31, 2015. After several years of development, we have become an active member in the interbank market. We also entered the interbank bond market in June 2015, which has allowed us to carry out spot bond trading and bond repurchase, providing us with more liquidity management instruments.

We are in the process of implementing a three-level liquidity reserve system:

- Level I – cash equivalent reserves, which include demand deposits and short-term contracted deposits as well as short-term lending and reverse repurchase in the money market;
- Level II – overdraft bank accounts, which provide unconditional commitments from banks for working capital support within the credit lines upon our request at predetermined interest rates; and
- Level III – high credit rating bonds.

We manage our liquidity risk independently, and, with the support of our reasonable and effective liquidity risk management system, we have not encountered any material liquidity risk event as of December 31, 2015. Meanwhile, according to regulatory requirements and our Articles of Association, CDB is required to provide us with liquidity support and capital injection under certain circumstances specified by the CBRC. See “Financial Information – Qualitative and Quantitative Disclosures about Financial Risk” for further details of the quantitative analysis of our liquidity risk during the Track Record Period.

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## RISK MANAGEMENT

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### MARKET RISK MANAGEMENT

Market risk refers to the risk of losses to us resulting from an adverse movement of market prices. Our market risk mainly includes interest rate risk and exchange rate risk.

Interest rate risk refers to the risk of losses in our overall income and economic value resulting from adverse movements in interest rates, maturity structure and other factors. Our interest rate risk primarily arises from the repricing risk. We identify and measure the impact of interest rate changes on our operations through exposure analysis, sensitivity analysis and other instruments, and mitigate the interest rate risk through proactive matching of assets and liabilities and derivatives hedging.

In terms of Renminbi, as of December 31, 2015, 92.1% of our liabilities bore a fixed interest rate and 7.9% a floating rate, and almost all of our assets bore a floating interest rate. We have intentionally shortened the maturity profile of our Renminbi-denominated liabilities, in an effort to reduce the interest rate risk. This has resulted in a mismatch of the maturity profile of our assets and liabilities, but, on the other hand, improved the matching of our asset and liability duration. As of December 31, 2015, the duration of our Renminbi-denominated interest-generating assets was 0.15 years, while the duration of our Renminbi-denominated interest-bearing liabilities was 0.42 years, which indicates a relatively low interest rate risk.

In terms of foreign currencies, particularly US dollars, most of our bank borrowings bear a floating interest rate and our bonds a fixed rate. Meanwhile, the vast majority of our US dollar-denominated leased assets under operating leases are charged with a fixed lease rate and the leased assets under finance leases at either a floating or fixed rate. To hedge interest rate risk, we use interest rate swaps to convert certain of our US dollar bank borrowings into fixed rate, when appropriate, so as to control interest rate risk exposure. As a result, as of December 31, 2015, 69.8% of our US dollar-denominated liabilities (including liabilities at a floating rate, hedged through interest rate swaps) bore a fixed interest rate and 30.2% at a floating rate, while 81.6% of our US dollar-denominated leased assets bore interest at a fixed rate and 18.5% at a floating rate. As of December 31, 2015, the duration of our US dollar-denominated assets was 3.80 years, while the duration of our US dollar-denominated liabilities was 2.57 years. As of the same date, the existing nominal principal balance of our US dollar floating-to-fixed interest rate swaps amounted to US\$2,101.1 million, with an outstanding contract maturity ranging from 0.44 years to 8.43 years. The swapped fixed interest rate ranged from 2.43% to 6.20%. We are generally able to effectively reduce the interest rate mismatch between our US dollar assets and liabilities by using interest rate swaps to convert our floating-rate based US dollar-denominated liabilities to fixed-rate based liabilities and mitigate the effect of changes in US interest rates on our results of operations.

Exchange rate risk refers to the risk of losses in our overall income and economic value resulting from an adverse movement in exchange rates. Our exchange rate risk primarily arises from the mismatch of currencies of our assets and liabilities, and our exchange risk exposure arises from the profits of some of our overseas SPCs, which are denominated in foreign currencies. We identify and measure the impact of exchange rate changes on our operations through exposure analysis, sensitivity analysis and other instruments, and mitigate the exchange rate risk through proactive adjustment to our assets and liabilities structure and derivatives hedging. We trade foreign exchange spot and forward contracts to hedge our exchange rate exposure. Our Asset and Liability Management Committee adjusts our target hedging strategies for derivatives trading on a quarterly basis based on market conditions and our risk control

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## RISK MANAGEMENT

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needs. We match the currencies of our assets and liabilities actively in daily operations. Leased assets such as some of our aircraft, ships and large equipment under the finance and operating leases are denominated in US dollars, while our liabilities mainly include onshore and offshore US dollar-denominated bank borrowings and bonds. As of December 31, 2015, our net exposure for foreign currency-denominated financial assets that affect profit or loss amounted to RMB1,361.6 million. Meanwhile, because our consolidated financial report is presented in Renminbi, the fluctuations of the foreign exchange rate will also have impacts on the translation value of our foreign currency balance sheet. We carry out foreign exchange spot and forward transactions to control our risk exposure within a predetermined range. As of December 31, 2015, our existing nominal principal amount of US dollar to Renminbi non-deliverable forward contracts amounted to US\$275.0 million, which has fully covered the net exposure for foreign currency-denominated financial assets that affect profit or loss, the outstanding contract maturity ranged from 0.07 years to 0.95 years, and the forward exchange rate ranged from 6.24 to 6.72. Generally speaking, we have effectively hedged against the exchange rate exposure that affects profit or loss.

We conduct derivatives trading to hedge our interest rate and exchange rate exposures. We do not rely on the changes in our fair market value as of the balance sheet date to impose limits or stop loss but they are only for our reference. Our Treasury Department proposes hedging transactions based on our risk exposures, risk management strategies set forth by our Asset and Liability Management Committee and market conditions and trends, and submits the proposal to our senior management or Asset and Liability Management Committee for review. Meanwhile, we regularly evaluate our hedging performance, and monitor our hedging operations and counterparty risks, so as to ensure that our counterparty risk does not exceed the maximum position for that party. We report and evaluate our hedging transactions and results on a quarterly basis, which provides a guidance to our management for conducting future transactions.

During the Track Record Period, we had a net loss of RMB8.3 million in 2013 and a net gain of RMB18.6 million from hedging activities in 2015, while we did not have any net gain or loss from hedging activities in 2014. In 2013, the net losses from hedging activities were generated from the delivery of the interest rate swap contracts (floating interest rate to fixed interest rate), which were settled when we finished the lease projects and paid back the loans. We had a net loss primarily because the US dollar interest rate decreased at the delivery date as compared to that at the valuation date. In 2014, we did not have net gains or losses from hedging activities because there was no delivery of hedging instruments. In 2015, the net gains from hedging activities were generated from the delivery of the non-deliverable forward contracts. According to the contracts, we bought Renminbi and sold US dollars. We had a net gain primarily because the majority of the exchange rates of US dollar against Renminbi decreased at the delivery date as compared to that at the valuation date.

As of December 31, 2015, all of our hedging counterparties were commercial banks. We conduct a majority of our hedging transactions with banks that provide borrowings to us. Entering into hedging contracts with the lending banks could effectively minimize counterparty risk. With respect to banks that do not provide borrowings to us, we select those with a credit rating of investment grade or above and sound creditworthiness as our counterparties. Our Risk Management and Internal Control Committee determines our maximum transactional limit with a counterparty bank. We regularly adjust our hedging positions based on the counterparty's business performance and financial condition, our perception of its credit risk and our hedging needs.

### COMPLIANCE AND LEGAL RISK MANAGEMENT

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations and guidelines. Our compliance risk derives mainly from our potential violation of operational rules in the course of operations identified by external regulatory authorities, and from our non-compliance with the regulatory indicators and risk prevention and control requirements specified in the supervision and administration chapter of the Measures on Financial Leasing Companies. Our Compliance Department takes the initiative to carry out compliance risk and internal control management, including the following aspects:

- **Risk identification and prevention.** According to the regulatory requirements, we identify, monitor, assess and issue risk warnings regarding major compliance risk exposures such as capital adequacy ratio, liquidity ratio, balance of finance lease related assets attributable to a lessee or shareholder, allowance ratio for total finance lease related assets and allowance coverage ratio for non-performing finance lease related assets on an ongoing basis, in order to meet all compliance risk indicators within the regulatory requirements.
- **Risk report.** Externally, we submit the required financial statements or reports in accordance with the requirements of the CBRC, Shenzhen CBRC and PBOC on a monthly and quarterly basis. Internally, we prepare and submit quarterly reports on compliance risk management and internal control to the Risk Management and Internal Control Committee under the senior management. Such reports touch upon matters such as our overall operations, the development of our compliance and internal control system, regulatory changes during the reporting period, major internal control and compliance management implementation, monitoring and assessment of our compliance exposures, and deficiency in compliance and rectification.
- **Risk rectification.** In response to the advice on compliance risk rectification suggested by regulatory authorities, the Compliance Department coordinates with relevant responsible departments to work out remedial measures and a rectification timeline. It oversees and analyzes the rectification progress and results, so as to ensure timely rectification pursuant to the regulatory requirements and submission of the results to the regulatory authorities for review.

Each of our departments is required to actively conduct daily or regular compliance self-inspection, and report the compliance risk issues identified to our Compliance Department.

Legal risk refers to the risk of legal liability arising from violations of laws and regulations, breaches of contracts, infringements on the legal rights of others or otherwise in connection with any contract or business activity in which we are involved. We have rolled out a number of updated policies and procedures relating to anti-money laundering, legal document review procedures and requirements, external counsel management and other legal aspects. We verify our counterparties, and the legitimacy, authenticity and effectiveness of the leased assets and credit enhancement measures through on-site examination, Internet searches, and queries at relevant agencies. During the phases of project review and contract execution, we analyze and determine the legal risk associated with the leasing projects and contracts. We make recommendations for purposes of risk prevention and control, and issue legal assessment reports. In the course of our operations, we provide legal advice in our decision-making activities, through input at our internal meetings, signing off documents for submission, making available for enquiries of senior management and individual departments. In our litigation against others, we seek to effectively pursue our claims to ensure successful payment collection.

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## **RISK MANAGEMENT**

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### **REPUTATIONAL RISK MANAGEMENT**

Our key elements for managing reputational risk are monitoring, response and reporting. We monitor reputational risk via print media, the Internet (such as online news, Weibo, WeChat and online forums), radio and television, among others. We properly handle public opinion monitored and identified, and report our monitoring results and measures taken in response. Based on its positive or negative influences on us, we rank public opinion into five levels, namely “positive,” “normal,” “worth paying attention,” “harmful” and “hazardous.” The latter three levels are collectively regarded as negative public opinion, which we focus on and monitor. In response to such public opinion, the General Office, the Risk Management Department and relevant departments will cooperate with each other in mitigating our reputational risk.

### **OPERATIONAL RISK MANAGEMENT**

Operational risk refers to the risk of losses associated with deficiencies in internal processes, personnel mistakes and IT system failures, or impact from external sources. Our measures to manage our operational risk include, but are not limited to, establishing policies and manuals, internal rotation, loss data collection, business continuity management, outsourcing and insurance. We have implemented a variety of measures to enhance our operational risk management based on the internal control consultant’s recommendations.

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## CONNECTED TRANSACTIONS

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Upon Listing, transactions between us and our Connected Persons will constitute our connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

### CONNECTED PERSONS

Upon Listing, the following entities, with whom we have entered into certain transactions and are expected to continue such transactions in the ordinary and usual course of our business, will become our Connected Persons:

- **CDB**

CDB was established on July 1, 1994 with a current registered capital of approximately RMB421,248 million. As a development finance institution established by the PRC government, CDB provides strategic services for the medium to long-term development of the national economy principally through the engagement of financial services such as medium to long-term credit lending and investment. CDB is a leading bank for China's medium to long-term credit lending and the largest domestic bank for foreign currency loans in China. As of the Latest Practicable Date, the shareholders of CDB were Ministry of Finance, Central Huijin, Wutongshu Investment Platform and NSSF, owning 36.54%, 34.68%, 27.19% and 1.59% of its equity interest, respectively.

CDB owned approximately 88.95% of the total issued share capital of our Company as of the Latest Practicable Date, and is therefore our sole Controlling Shareholder. Upon completion of the Global Offering, CDB will own approximately 64.65% of the total issued share capital of our Company (assuming the Over-allotment Option is not exercised) or approximately 62.00% of the total issued share capital of our Company (assuming the Over-allotment Option is exercised in full). As a result, CDB will continue to be our sole Controlling Shareholder and Connected Person upon Listing.

- **Associates of CDB (excluding our Group)**

Associates of CDB (excluding our Group), including CDB's subsidiaries and companies in which CDB is interested so as to exercise or control the exercise of 30% or more of the voting power at their general meetings, for instance CDB Securities Company Limited (國開證券有限責任公司) ("CDB Securities"), CDB Capital Co., Ltd. (國開金融有限責任公司) ("CDB Capital"), CDB New Energy Science and Technology Company Limited (國開新能源科技有限責任公司) ("CDB New Energy") and China-Africa Development Fund, are our Connected Persons by virtue of being associates of CDB as defined under Chapter 14A of the Listing Rules.

Accordingly, the following transactions, which are conducted continuously between each of the Connected Persons and us in the ordinary course of our business, will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.



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## CONNECTED TRANSACTIONS

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### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have conducted the following transactions with CDB and/or its associates in the ordinary and usual course of our business, which will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting, announcement and (as the case may be) independent shareholders' approval requirements under Chapter 14A of the Listing Rules (the "Non-exempt Continuing Connected Transactions").

The following table sets forth a summary of such continuing connected transactions with CDB and/or its associates:

Nature of transaction	Historical amounts (RMB in thousands)	Proposed annual cap for the year ending December 31, (RMB in thousands)
<b>Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements</b>		
<b>1. Business Collaboration and Service Framework Agreement</b>		
Service fees to be paid by the Group to CDB and/or its associates	For the year ended 2013: 110,399	2016: 60,000
	For the year ended 2014: 98,371	2017: 72,000
	For the year ended 2015: 36,335	2018: 85,000
	For the three months ended March 31, 2016: 12,793	
Service fees to be paid by CDB and/or its associates to the Group	For the year ended 2013: nil	2016: 5,000
	For the year ended 2014: nil	2017: 7,500
	For the year ended 2015: nil	2018: 10,000
	For the three months ended March 31, 2016: nil	
<b>2. Bond Underwriting Service Framework Agreement</b>		
Commissions to be paid by the Group to CDB and/or its associates	For the year ended 2013: nil	2016: 34,000
	For the year ended 2014: nil	2017: 51,000
	For the year ended 2015: nil	2018: 68,000
	For the three months ended March 31, 2016: nil	
<b>3. Operating Lease Framework Agreement</b>		
Lease income to be paid by CDB and/or its associates to the Group	For the year ended 2013: 24,667	2016: 20,000
	For the year ended 2014: 1,703	2017: 140,000
	For the year ended 2015: 1,446	2018: 140,000
	For the three months ended March 31, 2016: 362	

## CONNECTED TRANSACTIONS

Nature of transaction	Historical amounts (RMB in thousands)	Proposed annual cap for the year ending December 31, (RMB in thousands)
<b>Non-exempt Continuing Connected Transactions subject to reporting, announcement and shareholders' approval requirements</b>		
<b>4. Financing Service Framework Agreement</b>		
Maximum daily balance of financing to be provided by CDB to the Group with collaterals	For the year ended 2013: 10,500,392 For the year ended 2014: 14,374,629 For the year ended 2015: 12,540,429 For the three months ended March 31, 2016: 10,557,703	2016: 20,000,000 2017: 33,000,000 2018: 37,000,000
Interests to be paid by the Group to CDB	For the year ended 2013: 289,433 For the year ended 2014: 492,374 For the year ended 2015: 395,147 For the three months ended March 31, 2016: 57,019	2016: 576,000 2017: 1,519,000 2018: 2,006,000
<b>5. Deposit Service Framework Agreement</b>		
Maximum daily balance of deposits to be placed by the Group with CDB	For the year ended 2013: 733,698 For the year ended 2014: 847,127 For the year ended 2015: 531,040 For the three months ended March 31, 2016: 1,055,457	2016: 3,000,000 2017: 3,000,000 2018: 3,000,000
Interests to be paid by CDB to the Group	For the year ended 2013: 4,647 For the year ended 2014: 6,091 For the year ended 2015: 10,229 For the three months ended March 31, 2016: 253	2016: 21,000 2017: 28,000 2018: 36,000
<b>6. Debt Financing Instruments Investment Framework Agreement</b>		
Amount of debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group	For the year ended 2013: nil For the year ended 2014: nil For the year ended 2015: nil For the three months ended March 31, 2016: nil	2016: 500,000 2017: 1,000,000 2018: 1,500,000
Bond interests to be paid by CDB and/or its associates to the Group	For the year ended 2013: nil For the year ended 2014: nil For the year ended 2015: nil For the three months ended March 31, 2016: nil	2016: 19,000 2017: 37,000 2018: 55,000

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## CONNECTED TRANSACTIONS

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### **Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements**

#### **1. Business Collaboration and Service Framework Agreement**

##### ***Principal terms:***

We entered into a Business Collaboration and Service Framework Agreement with CDB on June 13, 2016, pursuant to which our Company and CDB and/or its associates will mutually provide business referral, project development, customer management, project consulting and bonds issue guarantee services to each other, and service fees will be paid to the other party in respect of such services.

The period of the Business Collaboration and Service Framework Agreement is a fixed term effective from the Listing Date to December 31, 2018, subject to renewal upon the mutual consent of both parties.

***Reasons for the transaction:*** The business collaboration and mutual provision of services between us and CDB and/or its associates will enable us to take advantage of the high quality and broad customer base and information resources of CDB and/or its associates, and further develop our leasing business and maximize the interests of the Company and our Shareholders as a whole. In addition, CDB and/or its associates have been providing business referral, project development, customer management and bonds issue guarantee services to the Group during the Track Record Period, and have developed a deep understanding of our business model and business needs. Meanwhile, the provision of the above services by CDB and/or its associates to the Group is able to satisfy our business needs for project development and customer management, including the management of our rental account at CDB. In addition, our provision of business referral, project development, customer management and project consulting services to CDB and/or its associates will help to further increase our income.

##### ***Pricing policies:***

- (i) The service fees received from each other in terms of the mutual provision of business referral, project development, customer management and project consulting services between us and CDB and/or its associates are determined based on normal commercial terms after arm's length negotiations between both parties with reference to the rate of service fees for similar services provided by CDB and/or its associates or us to Independent Third Parties, and are consistent with the market rate; and
- (ii) The service fees received from each other in terms of the mutual provision of business referral, project development, customer management and project consulting services between us and CDB and/or its associates are comparable to, or no less favorable to the Group than, those fees charged to Independent Third Parties for the provision of similar services by CDB and/or its associates or us.

***Historical amounts:*** The service fees paid by the Group to CDB and/or its associates were RMB110,399 thousand, RMB98,371 thousand, RMB36,335 thousand and RMB12,793 thousand for the three years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2016, respectively. We did not provide business referral, project development, customer management and project consulting services to CDB and/or its associates during the Track Record Period and as of March 31, 2016. Therefore there was no historical amount for the three years ended December 31, 2013, 2014 and 2015 and for the three months ended March 31, 2016 charged on CDB and/or its associates.

## CONNECTED TRANSACTIONS

**Annual caps:** In relation to the Business Collaboration and Service Framework Agreement, the maximum annual amounts in respect of the service fees to be paid/received by the Group to/from CDB and/or its associates for the three years ending December 31, 2016, 2017 and 2018 shall not exceed the proposed annual caps set out below:

	Proposed annual cap for the year ending December 31,		
	2016	2017	2018
	(RMB in thousands)		
Service fees to be paid by the Group to CDB and/or its associates . . . . .	60,000	72,000	85,000
Service fees to be paid by CDB and/or its associates to the Group . . . . .	5,000	7,500	10,000

**Basis of caps:**

*Service fees to be paid by the Group to CDB and/or its associates*

The above proposed annual caps of the service fees to be paid by the Group to CDB and/or its associates are determined with reference to the following basis: (i) historical transaction amounts; (ii) during the Track Record Period, CDB and/or its associates only provided business referral, project development and customer management services to us. Based on the business demand of both parties, upon Listing, CDB and/or its associates intend to provide services including but not limited to project consulting (project-related financial consulting and risk evaluation) and assisting in project execution to us in addition to the aforesaid services, and further agree to strengthen collaborative business cooperation with us; (iii) our estimates on the above proposed annual caps are consistent with our business development plan. Our leasing business is expected to achieve significant growth within the three years upon Listing. Accordingly, we propose to enhance cooperation with CDB and/or its associates proactively to further explore potential customers to expand our leasing business. As a result, the service fees to be paid by the Group to CDB and/or its associates will increase significantly. In addition, CDB has extensive experience in financing in the infrastructure industry. Along with the expansion of our lease business in infrastructure segment, the business needs for the business referral and rental account management services provided by CDB will grow accordingly; (iv) during the Track Record Period, for the leasing business referral service provided by CDB and/or its associates to the Group, we paid service fee to CDB and/or its associates at the rate that is equal to 1‰-3‰ of the principal balance on an annual basis for the leasing business referred by CDB and/or its associates. We intend to apply similar fee rate for such service upon Listing; for the consulting business referral services provided by CDB and/or its associates to our Group, we propose to pay CDB and/or its associates at a rate that is equal to 10% of the consulting service fees we received from customers referred by CDB and/or its associates; and for other services to be provided by CDB and/or its associates, including but not limited to project consulting and assisting in project execution, we will apply the prevailing market fee rates, which is comparable to, or no less favorable to the Group than, those fees applicable to Independent Third Parties; and (v) the Company, through our offshore SPC Amber Circle Funding Limited, issued US\$500 million five-year and US\$1,000 million 10-year senior bonds due in 2017 and 2022, respectively in December 2012. Such bonds issue was guaranteed by CDB Hong Kong Branch. Amber Circle Funding Limited entered into a Guarantee Fee Letter in December 2012 with CDB Hong Kong Branch, according to which guarantee fee will be paid in US dollars by our Group to CDB Hong Kong Branch in the duration of such bonds, and is calculated based on 0.5% to the aggregate outstanding principal amount of the bonds per annum. Such rate was reduced to 0.15% per

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## CONNECTED TRANSACTIONS

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annum with effect from January 1, 2015 according to the Revised Guarantee Letter entered into between Amber Circle Funding Limited and CDB Hong Kong Branch. For the three years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2016, the guarantee fee paid by our Group to CDB was RMB45,727 thousand, RMB46,084 thousand, RMB14,004 thousand and RMB3,670 thousand, respectively. It is currently estimated that the guarantee fee to be paid by our Group to CDB will be approximately RMB15,500 thousand for each of the three years ending December 31, 2016, 2017 and 2018.

### *Service fees to be paid by CDB and/or its associates to the Group*

The above proposed annual caps of service fees to be paid by CDB and/or its associates to the Group are determined with reference to the following basis: (i) our estimates on the above proposed annual caps are consistent with our business development plan. It is expected that our leasing business is expected to grow significantly within three years upon Listing, and our customer base will increase accordingly. Therefore we plan to provide business referral, project development and customer management services related to our leasing business to CDB and/or its associates upon Listing. For example, we intend to provide bond underwriting business referral service to CDB Securities, and provide investment business referral service to CDB Capital; (ii) along with the development of our business, our industry knowledge and experience have constantly deepened, thus we plan to provide project consulting services related to our leasing business to CDB and/or its associates upon Listing; and (iii) with respect to the rate of service fees to be paid by CDB and/or its associates to the Group, for instance for the consulting business referral services provided by the Group to CDB and/or its associates, we propose to charge CDB and/or its associates at a rate equal to 10% of the consulting service fees charged on the customers referred by the Group. For other services to be provided by us to CDB and/or its associates, including but not limited to project development, customer management and project consulting services, we will apply the prevailing market fee rates, which is comparable to, or no less favorable to the Group than, those fees applicable to Independent Third Parties.

### *Listing Rules implications:*

In respect of the transactions under the Business Collaboration and Service Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2016, 2017 and 2018 calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 0.1%, but less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of our Company and will be subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules, but will be exempt from the independent shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

## **2. Bond Underwriting Service Framework Agreement**

### *Principal terms:*

We propose to issue one-off or multiple domestic bonds during the three years ending December 31, 2016, 2017 and 2018, including but not limited to our issuance of Renminbi-denominated financial institution bonds as approved by or filed with the CBRC and/or other relevant regulatory authorities in accordance with the relevant PRC laws and regulations. We entered into a Bond Underwriting Service Framework Agreement with CDB on June 13, 2016, pursuant to which CDB and/or its associates (such as its subsidiary CDB Securities) will act as one of the underwriters for our bonds issuance, and in turn we will pay commissions (including sales commissions and underwriting fees) to them based on our mutually agreed commission rates.

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## CONNECTED TRANSACTIONS

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The period of the Bond Underwriting Service Framework Agreement is a fixed term effective from the Listing Date to December 31, 2018, subject to renewal upon the mutual consent of both parties.

**Reasons for the transaction:** As major underwriters in the PRC bond market, CDB and CDB Securities have extensive underwriting experience and strong sales and investment capacities. It is expected that CDB and/or its associates, acting as our underwriters, will greatly benefit the issuance, sale and pricing of our bonds.

**Pricing policies:**

- (i) The commission rate to be charged by CDB and/or its associates for the provided bond underwriting service to the Group will be determined based on arm's length negotiations between CDB and/or its associates and us with reference to the prevailing market commission rate for similar bond issuance, and will take into account factors such as the credit rating of the bond issuance, which is consistent with market practice; and
- (ii) The commission rate to be charged by CDB and/or its associates for providing bond underwriting service to the Group would be applicable to all underwriters for any given issue of bond by our Company.

**Historical amounts:** During the Track Record Period and as of March 31, 2016, we have not issued domestic bonds. Therefore there was no historical amount for the three years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2016.

**Annual caps:** In relation to the Bond Underwriting Service Framework Agreement, the maximum total annual amounts of commissions to be paid by the Group to CDB and/or its associates in respect of providing bond underwriting service for the three years ending December 31, 2016, 2017 and 2018 shall not exceed the proposed annual caps as set out below:

	Proposed annual cap for the year ending December 31,		
	2016	2017	2018
	(RMB in thousands)		
Commissions to be paid by the Group to CDB and/or its associates . . . . .	34,000	51,000	68,000

**Basis for caps:** The above proposed annual caps of commissions to be paid by the Group to CDB and/or its associates are determined with reference to the following basis: (i) along with the expected growth of our business and the corresponding capital needs, it is estimated that the issuance size of our domestic bonds will increase gradually year by year. Based on our current bond issuance plan, the Group's estimated amount of bonds issuance is up to RMB10 billion, RMB15 billion and RMB20 billion for the next three years ending December 31, 2016, 2017 and 2018, respectively; and (ii) at our general meeting dated January 14, 2016, our Shareholders approved and authorized us to issue foreign currency-denominated or Renminbi-denominated debt securities with a maximum principal amount of RMB23.0 billion within a year. In February 2016, Shenzhen CBRC approved our plan to issue financial institution bonds in China with a maximum principal amount of RMB10.0 billion. Pursuant to this, the Company entered into a bond underwriting agreement (the "Bond Underwriting Agreement") with CDB, CDB Securities and other Independent Third Party underwriters in October 2015. According to the Bond Underwriting Agreement, CDB, CDB Securities and other Independent Third Party underwriters

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## CONNECTED TRANSACTIONS

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will act as the joint underwriters for our issue of bonds up to RMB10 billion due for a term of three years/five years in 2016. We will pay commissions to CDB, CDB Securities and other Independent Third Party underwriters, out of which the sales commission rate for three years/five years bonds is 0.1%, and the underwriting fee rate for three years and five years bonds are 0.2% and 0.4%, respectively. Based on such commission rate, a maximum commission of RMB34 million will be paid to CDB and CDB Securities in 2016. In addition, we will pay commissions to underwriters in one lump sum upon issuance of the above three years/five years bonds in 2016, which is consistent with the domestic bond market practice. With reference to our commissions to be paid to CDB and/or its associates in 2016 and our above bond issuance plan for the two years ending December 31, 2017 and 2018, it is estimated that the total commissions to be paid to CDB and/or its associates for the two years ending December 31, 2017 and 2018 will be RMB51 million and RMB68 million, respectively.

### ***Listing Rules implications:***

As the highest applicable percentage ratio of the transactions under the Bond Underwriting Service Framework Agreement for the three years ending December 31, 2016, 2017 and 2018 calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 0.1%, but less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of our Company and will be subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules, but will be exempt from the independent shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

### **3. Operating Lease Framework Agreement**

#### ***Principal terms:***

We, as the lessor, entered into an Operating Lease Framework Agreement with CDB, as the lessee, on June 13, 2016, pursuant to which we will provide operating lease services to CDB and/or its associates, including but not limited to property leases and electronic equipment leases. In turn, we will receive lease income from CDB and/or its associates for the provision of such operating lease services.

The period of the Operating Lease Framework Agreement is a fixed term effective from the Listing Date to December 31, 2018, subject to renewal upon mutual consent of both parties.

***Reasons for the transaction:*** The operating lease is a major part of our leasing business. Our providing of operating lease service to CDB and/or its associates is able to satisfy the business needs of both parties. On the one hand, as our quality customers, CDB and/or its associates have a strong capital background and solid financial strength. Engaging in operating lease business with CDB and/or its associates will help us obtain stable and low-risk income from our leasing business; and on the other hand, by providing operating lease services we are able to meet the financing demand for property, electronic equipment and other fixed assets of CDB and its associates, such as CDB Capital and China-Africa Development Fund.

## CONNECTED TRANSACTIONS

### **Pricing policy:**

- (i) The lease income to be paid by CDB and/or its associates for our provision of operating lease services will be determined on normal commercial terms after arm's length negotiations between both parties, and with reference to market rates of similar transactions as well as the lease income we receive from Independent Third Parties for provision of operating lease service, which is consistent with the market practice; and
- (ii) The lease income to be received by the Group from CDB and/or its associates for our provision of operating lease services is consistent with or no less favorable to our Group than the lease income to be paid to the Group by Independent Third Parties in similar transactions.

**Historical amounts:** During the Track Record Period, the lease income paid by CDB and/or its associates to the Group were approximately RMB24,667 thousand, RMB1,703 thousand, RMB1,446 thousand and RMB362 thousand, respectively, for the three years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2016.

### **Annual caps:**

In respect of the Operating Lease Framework Agreement, the maximum total annual amount of the lease income to be paid by CDB and/or its associates to the Group for the three years ending December 31, 2016, 2017 and 2018 shall not exceed the proposed annual caps as set out below:

	Proposed annual cap for the year ending December 31,		
	2016	2017	2018
	(RMB in thousands)		
Lease income to be paid by CDB and/or its associates to the Group . . . . .	20,000	140,000	140,000

**Basis for caps:** The above proposed annual caps for lease income to be paid by CDB and/or its associates to the Group are determined with reference to the following basis: (i) historical amounts; (ii) our current plan for our operating lease business. Our leasing business, including our operating lease business, is expected to achieve significant growth within the three years upon Listing due to our business development and expansion, and our cooperation with CDB in terms of operating lease will increase accordingly. Therefore despite the fact that the decrease in historical amounts was due to certain operating lease contract's expiring, we expect the annual cap for our lease income for the year ending December 31, 2016 will be returning to a level close to our highest historical amounts for the three years ended December 31, 2013, 2014 and 2015; and (iii) the current operating lease arrangement under negotiation between our Company and CDB and/or its associates, such as: (a) CDB Hubei Branch intends to rent a specific area of the office building located at No. 7 Lan Qiao Mansion in Wuchang District, Wuhan, the PRC, from us starting from late 2016 to 2017. The lease area is proposed to be 24,045 sq.m., and the rent is proposed to be RMB150/sq.m./month. Accordingly the annual lease income is proposed to be RMB43,281,000. Bei Jing Jin Li An Real Estate Appraisal Co., Ltd., an independent property valuer engaged by the Company, has confirmed that the above proposed rent is in line with the current prevailing market prices of other properties in the vicinity and the current prevailing market rates; and (b) CDB Shenzhen Branch intends to rent a specific area with refined decoration of CDB Financial Center located at the interchange of Fuzhong Third Road and Haitian Road, Futian District, Shenzhen, the PRC, starting from 2017. The lease area is proposed



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## CONNECTED TRANSACTIONS

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to be 23,539 sq.m., and the lease income is proposed to be approximately RMB285/sq.m./month for each of 2017 and 2018. Accordingly the annual lease income for this project is proposed to be RMB80,503,000. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has confirmed that the above proposed rent is in line with the current prevailing market prices of other properties in the vicinity and the current prevailing market rates.

### *Listing Rules implications:*

In respect of the transactions under the Operating Lease Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2016, 2017 and 2018 calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 0.1%, but less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of our Company and will be subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules, but will be exempt from the independent shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

### **Non-exempt Continuing Connected Transactions subject to reporting, announcement and shareholders' approval requirements**

#### **4. Financing Service Framework Agreement**

##### *Principal terms:*

We entered into a Financing Service Framework Agreement with CDB on June 13, 2016, pursuant to which CDB will provide financing service to the Group, and in turn we will pay interest to CDB. We will also provide our leased assets, balances in our rental account with CDB or bonds held by us, as collateral. Financing facilities provided by CDB will be used to carry out our leasing business, including but not limited to aircraft leasing, ship leasing and infrastructure leasing, in order to meet our funding requirements for our daily business operations.

The period of the Financing Service Framework Agreement is a fixed term effective from the Listing Date to December 31, 2018, subject to renewal upon mutual consent of both parties.

##### *Reasons for the transaction:*

CDB has been providing financing facilities to the Group during the Track Record Period, thus it has developed a deep understanding of the leasing industry as well as our capital needs and business model. Its financing products are able to meet the diversified financing needs of our leasing business.

In addition, our financing from CDB is mainly medium- to long-term loans to support our financing needs in our leasing business. CDB enjoys a market leading position in domestic and overseas medium- to long-term loans with extensive industry experience in areas such as aviation, infrastructure and shipping, which are consistent with the scope of our core business. Therefore the strength of CDB in medium- to long-term loans in the above areas will greatly benefit our leasing business, and its provision of financing service is able to meet the medium to long-term loan needs of our business.

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## CONNECTED TRANSACTIONS

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**Pricing policy:**

- (i) The interest rate on financing to be provided by CDB with collaterals will be determined based on arm's length negotiations between CDB and us with reference to the prevailing market interest rate for similar financing service provided by CDB to Independent Third Parties on normal commercial terms; and
- (ii) The interest rate on financing to be provided by CDB with collaterals will reference to the prevailing market interest rate level. For US dollar- denominated loans, the interest rate will apply a certain spread over LIBOR at the time of financing plus a certain number of basis points. For Renminbi- denominated loans, the interest rate will apply a certain spread over or below the PBOC benchmark lending rate.

**Historical amounts:** The maximum daily balance of financing to be provided by CDB to the Group with collaterals for each of the three years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2016 were RMB10,500,392 thousand, RMB14,374,629 thousand, RMB12,540,429 thousand and RMB10,557,703 thousand, respectively. The interests to be paid by the Group to CDB was RMB289,433 thousand, RMB492,374 thousand, RMB395,147 thousand and RMB57,019 thousand, respectively.

**Annual caps:** In respect of the Financing Service Framework Agreement, the maximum daily balance of financing to be provided by CDB to the Group with collaterals and the maximum interests to be paid by the Group to CDB for the three years ending December 31, 2016, 2017 and 2018 shall not exceed the proposed annual caps as set out below:

	<u>Proposed annual caps for the year ending December 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(RMB in thousands)		
Maximum daily balance of financing to be provided by			
CDB to the Group with collaterals . . . . .	20,000,000	33,000,000	37,000,000
Interests to be paid by the Group to CDB . . . . .	576,000	1,519,000	2,006,000

**Basis of caps:**

*Maximum daily balance of financing to be provided by CDB to the Group with collaterals*

The above proposed annual caps of the maximum daily balance of financing to be provided by CDB to the Group with collaterals are determined with reference to the following basis: (i) the historical amounts; (ii) our business development plan. It is expected that our leasing business, in particular our aircraft leasing business, will achieve significant growth in the next three years upon Listing. Since our financing from CDB is mainly used to support the financing needs in our leasing business, in particular our aircraft leasing business, our financing demand from CDB is therefore expected to increase; (iii) along with the expected increase in our international business, our foreign-currency financing demand for international business will increase accordingly, and our maximum daily balance of financing from CDB, the largest domestic foreign-currency loan bank, is expected to increase significantly compared with the historical amounts; and (iv) during the Track Record Period, the cost of domestic foreign currency financing is relatively high, therefore we substantially reduced the percentage of our financing from CDB out of our total financing. Along with the decrease in the cost of domestic foreign currency financing since 2015, it is estimated that we will significantly increase our foreign currency financing from domestic banks, including CDB.

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## CONNECTED TRANSACTIONS

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### *Interests to be paid by the Group to CDB*

Taking into consideration the respective percentages of US dollar- and Renminbi- denominated financing provided by CDB to the Group during the Track Record Period, as well as our expected financing needs for the three years ending December 31, 2016, 2017 and 2018, it is estimated that the percentage of our US dollar- and RMB- denominated financing out of our total financing to be obtained from CDB for each of the three years ending December 31, 2016, 2017 and 2018 will be approximately 80% and 20%, respectively.

In respect of the US dollar financing service provided by CDB to the Group, the above proposed annual caps for the interests to be paid by the Group to CDB are determined with reference to the following basis: (i) during the Track Record Period, the term of US dollar loans provided by CDB ranged between three to 15 years. Accordingly, the weighted average term of loans is approximately 10 years and the weighted average interest rate is approximately 4.84%; (ii) as of March 31, 2016, the US dollar 10-year swap rate was approximately 1.63% with weighted average spread of 3.18%; and (iii) taking into consideration the effect of the interest rate hike cycle of the US dollars, an interest rate of 5% is used for the estimation of the annual cap of US dollar loans for the year ending December 31, 2016, and an interest rate of 6% is used for the estimation of the annual caps of US dollar loans for the two years ending December 31, 2017 and December 31, 2018.

In respect of the Renminbi financing service provided by CDB to the Group, the above proposed annual caps for the interests to be paid by the Group to CDB are determined with reference to the PBOC benchmark lending rate for loans of five years or longer with approximately 5% discount. For the financing service priced based on the PBOC benchmark lending rate provided by Independent Third Party banks and CDB during the Track Record Period, the interests paid by us were determined with reference to the PBOC benchmark lending rate with certain discount, which reflects the credit profile of our Company. As of March 31, 2016, the interest rate of Renminbi loans provided by CDB to the Group was the PBOC benchmark lending rate for loans of five years or longer with approximately a 4.4% discount.

### *Listing Rules implications*

As the highest applicable percentage ratio for the transactions under the Financing Service Framework Agreement for the three years ending December 31, 2016, 2017 and 2018 calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of the Company and will be subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules, and the independent shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

## **5. Deposit Service Framework Agreement**

### *Principal terms:*

We entered into a Deposit Service Framework Agreement with CDB on June 13, 2016, pursuant to which CDB will provide deposit service to the Group, including but not limited to demand deposits, term deposits and agreement deposits. In particular, we deposit cash balances into our bank accounts at CDB's various branches, including: (a) cash generated from our daily business operations, including lease income and security deposits received from our leasing business; and (b) cash from financing facilities provided by CDB to the Group. In turn, CDB pays interests to the Group for such deposits.

## CONNECTED TRANSACTIONS

The period of the Deposit Service Framework Agreement is a fixed term effective from the Listing Date to December 31, 2018, subject to renewal upon the mutual consent of both parties.

### *Reasons for the transaction:*

CDB has been providing deposit service to the Group during the Track Record Period, thus it has developed a deep understanding of our capital needs and business model. CDB's deposit service is able to satisfy our liquidity management needs. In addition, CDB has been providing financing service to the Group during the Track Record Period as detailed under "– 4. Financing Service Framework Agreement" of this section, and such financing funds provided by CDB to the Group are also temporarily deposited in our accounts maintained at CDB.

### *Pricing policies:*

- (i) The deposit interest rate has been determined based on arm's length negotiations between CDB and us with reference to the interest rates of our previous deposits placed with CDB, as well as the prevailing interest rate for deposit, which is also in line with the prevailing market interest rate for similar deposit service provided by CDB to Independent Third Parties and on normal commercial terms;
- (ii) Subject to the specific circumstances: (a) the interest rate for deposit in US dollars will be consistent with the prevailing market deposit rate; (b) the interest rate for demand deposit in Renminbi will be determined with reference to the PBOC benchmark deposit rate; and (c) the interest rate for Renminbi term deposit will be no less than the PBOC benchmark deposit rate; and
- (iii) In respect of our deposits placed with CDB, the level of the interest rate to be paid by CDB to the Group is consistent with, or no less favorable to us than, the level of the interest rate to be paid by Independent Third Party banks for their provision of deposit service to the Group.

**Historical amounts:** In respect of the deposit service provided by CDB to the Group, the historical amounts of the maximum daily balance of deposits to be placed by our Group with CDB were RMB733,698 thousand, RMB847,127 thousand, RMB531,040 thousand and RMB1,055,457 thousand, respectively, and the interests paid by CDB to the Group were RMB4,647 thousand, RMB6,091 thousand, RMB10,229 thousand and RMB253 thousand, respectively, for the three years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2016.

**Annual caps:** In respect of the Deposit Service Framework Agreement, the maximum daily balance of deposits to be placed by the Group with CDB and the interests to be paid by CDB to the Group for the three years ending December 31, 2016, 2017 and 2018 shall not exceed the proposed annual caps as set out below:

	Proposed annual caps for the year ending December 31,		
	2016	2017	2018
	(RMB in thousands)		
Maximum daily balance of deposits to be placed by the Group with CDB . . . . .	3,000,000	3,000,000	3,000,000
Interests to be paid by CDB to the Group . . . . .	21,000	28,000	36,000

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## CONNECTED TRANSACTIONS

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### *Basis of caps:*

#### *Maximum daily balance of deposits to be placed by the Group with CDB*

The above proposed annual caps of the maximum daily balance of deposits to be placed by the Group with CDB are determined with reference to the following basis: (i) historical amounts; (ii) the estimated maximum daily balance of financing to be provided by CDB to the Group, as the financing provided by CDB to us may also be temporarily deposited in our accounts at CDB, for which CDB pays short-term deposit interests to our Group. We have been conducting interbank borrowing business with Independent Third Party banks during the Track Record Period, and we propose to carry out interbank borrowings business with CDB starting from the year 2016. Most of the interbank borrowings are free of collaterals, and have a short to middle term of less than one year. We have been negotiating with CDB for the proposed interbank borrowing business and as of the Latest Practicable Date, there was no transaction amount for such interbank borrowing with CDB. It is considered by the Company that in general, the single interbank financing transaction amount with one bank is approximately RMB1 billion for leasing companies similar to our asset scale. Taking into consideration the frequent transactions between CDB and us, and two to three transactions could occur in one single day, it is estimated that the maximum daily balance could reach RMB3 billion for the deposits to be placed by the Group with CDB for the year ending December 31, 2016 due to such financing; and (iii) our estimation of the above proposed annual caps is in line with our business development plan. It is expected that our leasing business will achieve significant growth in the next three years upon Listing. Since we place part of our leasing income and security deposits received from our leasing business at CDB, the maximum daily balance of our deposits at CDB is expected to grow accordingly.

#### *Interests to be paid by CDB to the Group*

Taking into consideration the respective percentages of US dollar- and Renminbi- denominated deposits provided by CDB to the Group during the Track Record Period, as well as our deposit needs for the three years ending December 31, 2016, 2017 and 2018, it is estimated that the percentages of our US dollar- and Renminbi- denominated deposits out of our total deposits placed at CDB for the three years ending December 31, 2016, 2017 and 2018 will be 50% and 50%, respectively.

In respect of the Renminbi deposit service provided by CDB to the Group, the above proposed annual caps for the interests to be paid by CDB to the Group are determined with reference to the following basis: (i) the interest rate of our Renminbi deposits placed with CDB in the Track Record Period; and (ii) the agreement deposit interest rate among domestic financial institutions. As of March 31, 2016, the agreement deposit interest rate among domestic financial institutions was 2.4% per annum.

In respect of the US dollar deposit service provided by CDB to the Group, the above proposed annual caps for the interests to be paid by CDB to the Group are determined with reference to the following basis: (i) the interest rate of our US dollar deposits placed with CDB in the Track Record Period; and (ii) the market interest rate of US dollar deposits as well as the interest rate hike cycle of US dollars. For the year ending December 31, 2016, the annual cap for the interests to be paid by CDB to the Group for our US dollar deposits is estimated based on the US dollar one-month LIBOR of approximately 0.43% as of December 31, 2015. For the two years ending December 31, 2017 and December 31, 2018, the annual caps for the interests to be paid by CDB to the Group for our US dollar deposits are estimated based on the estimated US dollar one-month LIBOR of approximately 1.43% and 2.43%, respectively.

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## CONNECTED TRANSACTIONS

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### *Listing Rules implications*

As the highest applicable percentage ratio of the transactions under the Deposit Service Framework Agreement for the three years ending December 31, 2016, 2017 and 2018 calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

### **6. Debt Financing Instruments Investment Framework Agreement**

#### *Principal terms:*

We entered into a Debt Financing Instruments Investment Framework Agreement with CDB on June 13, 2016, pursuant to which, we will invest in debt financing instruments to be issued by CDB and/or its associates. In turn, CDB and/or its associates will pay bond interests to the Group.

The period of the Debt Financing Instruments Investment Framework Agreement is a fixed term effective from the Listing Date to December 31, 2018, subject to renewal upon mutual consent of both parties.

#### *Reasons for the transaction:*

We were approved by the PBOC to participate in the interbank bond market on June 23, 2015, based on which we are allowed to purchase debt financing instruments issued in the nationwide bond market. In addition, according to the Measures on Financial Leasing Companies issued by the CBRC, a financial leasing company is allowed to invest in fixed-income financial products, including debt financing instruments. The debt financing instruments to be issued by CDB and/or its associates will be among the principal investments in fixed-income financial products. CDB is the largest bond issuer in the domestic bond markets. The debt financing instruments issued by CDB are among the main investment products in the interbank market with high ratings, leading market share and ample liquidity. The investment in the debt financing instruments to be issued by CDB and/or its associates will help us to improve our investment returns and to function as one of our liquidity management reserve tools.

#### *Pricing policies:*

- (i) In respect of the debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group, the bond interest rate to be paid to the Group by CDB and/or its associates will be determined with reference to the bonds interest rate in national bond market market, which is also in line with market practice; and
- (ii) In respect of the debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group, the bond interest rate to be paid to the Group by CDB and/or its associates shall be applicable to all investors of such debt financing instruments, including Independent Third Party investors.

**Historical amounts:** We were not allowed to invest in debt financing instruments until June 2015, when we were approved by the PBOC to enter into the interbank bond market. Therefore there was no historical transaction amount for the three years ended on December 31, 2013, 2014 and 2015 and the three months ended March 31, 2016. Since May 2016, we have started investing in debt financing instruments.

## CONNECTED TRANSACTIONS

### ***Annual caps:***

In respect of the Debt Financing Instruments Investment Framework Agreement, the amount of the debt financial instruments to be issued by CDB and/or its associates and to be purchased by the Group and the maximum annual total amounts in respect of the bond interest amounts payable by CDB and/or its associates to the Group for the three years ending December 31, 2016, 2017 and 2018 shall not exceed the caps as set out below:

	<b>Proposed annual caps for the year ending December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	(RMB in thousands)		
Amount of debt financial instruments to be issued by CDB and/or its associates and to be purchased by the Group . . . . .	500,000	1,000,000	1,500,000
Bond interests to be paid by CDB and/or its associates to the Group . . . . .	19,000	37,000	55,000

### ***Basis of caps:***

*Amount of debt financial instruments to be issued by CDB and/or its associates and to be purchased by the Group*

According to the Measures on Financial Leasing Companies, as a financial leasing company, we are allowed to invest in fixed-income financial products, including debt financing instruments up to no more than 20% of our net capital. Based on this, we plan to invest in the debt financing instruments in domestic open market within the above transaction amount limit, including the purchase of debt financing instruments to be issued by CDB and/or its associates. Based on our liquidity management strategies and current investment plan, we plan to maintain liquidity reserve at the rate of approximately 5% of our total assets under normal market conditions, and our estimated investment amount in the debt financing instruments to be issued by CDB and/or its associates will be maintained at 10-20% of our liquidity reserve. Accordingly, our proposed investment amount in the debt financing instruments to be issued by CDB and/or its associates for the three years ending December 31, 2016, 2017 and 2018 is expected to be RMB0.5 billion, RMB1.0 billion and RMB1.5 billion, respectively.

*Bond interests to be paid by CDB and/or its associates to the Group*

The estimated bond interest to be paid by CDB and/or its associates to the Group is determined with reference to the average yield to maturity for 10-year bonds issued by CDB in the secondary market for the period from April 1, 2015 to March 31, 2016, being approximately 3.6%.

### ***Listing Rules implications***

In respect of the transactions under the Debt Financing Instruments Investment Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2016, 2017 and 2018 calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of our Company and will be subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### **Internal control procedures and corporate governance measures adopted by the Company in respect of the implementation of non-exempt continuing connected transaction framework agreements**

#### ***(1) Independent financial system***

We have established an independent financial department with independent financial staff, and supervised by the Chief Financial Officer of our Company. We have adopted a sound and independent audit system and a comprehensive financial management system. We also maintain accounts at Independent Third Party banks. CDB does not share any bank account with us. We have independent tax registrations and have paid tax independently pursuant to relevant PRC laws and regulations. Please see “Relationship with CDB – Independence from CDB – Financial Independence” of this prospectus for details of the independence of our Group from CDB.

#### ***(2) Risk management measures***

- We shall monitor our maximum daily balance of deposits to be placed with CDB, as well as the financing facilities to be provided by CDB to us on a regular basis, to ensure the applicable annual caps are not exceeded. We will regularly check with CDB on our deposits and loan balance, thus enabling us to monitor our account and to ensure that the relevant annual caps will not exceed the annual cap under the Deposit Service Framework Agreement and Financing Service Framework Agreement. If the balance is close to the applicable maximum daily balance in respect of our deposits, we will consider transferring certain amount to our bank account opened with an independent commercial bank; in respect of our loans, we will consider obtaining financing from Independent Third Party banks;
- We shall closely monitor the financial position and operating conditions of CDB through its annual report, its website and information such as its bond issuances in the open market. If we consider that there are material adverse changes in the financial condition of CDB and/or any of its associates, we will take appropriate measures, including early withdrawal of deposits and suspension of further deposits, to protect our financial position; and
- We shall request from time to time at our own discretion to withdraw or terminate early all, or any part of, our deposits placed with CDB (except for security deposits for the financing provided by CDB to the Group) to ensure the liquidity and safety of our deposits at CDB.

#### ***(3) Internal control measures***

In order to ensure the terms under relevant framework agreements for the Non-exempt Continuing Connected Transactions are fair and reasonable and are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- Our Company has adopted and implemented a management system on connected transactions. Under such system, the Related Party Transaction Control Committee under the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company’s policies and the Listing Rules in respect of the Non-exempt Continuing Connected Transactions. In addition, the Related Party Transaction Control Committee under the Board, Compliance Management



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## CONNECTED TRANSACTIONS

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Department and other relevant business departments of the Company are jointly responsible for evaluating the terms under framework agreements for the Non-exempt Continuing Connected Transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;

- The independent non-executive Directors will review the framework agreements for Non-exempt Continuing Connected Transactions to ensure that the agreements have been entered into on normal commercial terms and on terms that are fair and reasonable and in accordance with the terms of such agreements. The auditor of our Company will also conduct an annual review on the pricing policies and annual caps of such agreements; and
- In determining the actual price for the services provided to the Company, CDB and/or its associates will quote to the Company in advance. As mentioned above, in order to ensure that the pricing policies under relevant framework agreements for the Non-exempt Continuing Connected Transactions are fair and reasonable, the Related Party Transaction Control Committee under the Board and other relevant business departments of the Company shall review the proposed prices offered by CDB and/or its associates through the following review procedures:
  - if there are market prices available, they will compare the proposed price with the market price to ensure that the proposed price is equivalent to or no less favorable to us than the price offered by Independent Third Parties providing similar services. The Company will make enquiries from certain Independent Third Party service providers for their prices and conduct internal assessments;
  - if no market price is available, they will take into consideration several factors such as regulatory requirements, actual needs of our Company and the financial position and creditworthiness of the service provider will be taken into consideration in determining whether the pricing is fair and reasonable; and
  - review the proposed price to ensure it is consistent with the pricing terms under the relevant framework agreements for the Non-exempt Continuing Connected Transactions, and that the terms offered by CDB and/or its associates to the Company are no less favorable to us than those offered to Independent Third Parties.
- In determining the actual price for the services provided by the Company to CDB and/or its associates, the Company shall consider factors such as regulatory requirements, our costs and our profit margin to determine whether the relevant pricing policies are fair and reasonable. In addition, as mentioned above, in order to ensure the fairness and reasonableness of the pricing policies under the relevant framework agreements for the Non-exempt Continuing Connected Transactions, the Related Party Transaction Control Committee under the Board and other relevant business departments of the Company shall follow the corresponding review procedures to evaluate our price to ensure it is consistent with the pricing policies under the relevant agreements for the Non-exempt Continuing Connected Transactions, and the terms offered by the Company to CDB and/or its associates are no less favorable to us than those offered to Independent Third Parties.

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## CONNECTED TRANSACTIONS

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### **Confirmation by Directors**

The framework agreements entered into between the Company and CDB in respect of the Non-exempt Continuing Connected Transactions, as well as their proposed annual caps, have been approved by the independent Shareholders at the Company's general meeting held on January 14, 2016. CDB, which has material interest in such transactions, abstained from voting at the aforementioned general meeting.

The Directors (including independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions have been and will continue to be carried out in our ordinary and usual course of business of the Company and on normal commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and that the proposed annual caps for the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

### **Confirmation by the Joint Sponsors**

The Joint Sponsors are of the view that the Non-exempt Continuing Connected Transactions have been and will continue to be carried out in the ordinary and usual course of business of the Company and on normal commercial terms that are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed annual caps of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

### **Waivers granted by the Stock Exchange**

In respect of the continuing connected transactions as described above under (4) the Financing Service Framework Agreement, (5) the Deposit Service Framework Agreement and (6) the Debt Financing Instruments Investment Framework Agreement, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2016, 2017 and 2018 is expected to be more than 5% on an annual basis. Accordingly, the continuing connected transactions under these framework agreements are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

In respect of the continuing connected transactions as described above under (1) the Business Collaboration and Service Framework Agreement, (2) the Bond Underwriting Service Framework Agreement and (3) the Operating Lease Framework Agreement, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2016, 2017 and 2018 is expected to be more than 0.1% but less than 5% on an annual basis. Accordingly, the continuing connected transactions under these framework agreements are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules, but are exempt from the independent shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

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## CONNECTED TRANSACTIONS

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As the above Non-exempt Continuing Connected Transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement and independent Shareholders' approval requirements will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with: A. the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the transactions under (1) the Business Collaboration and Service Framework Agreement, (2) the Bond Underwriting Service Framework Agreement and (3) the Operating Lease Framework Agreement, and B. the announcement and independent shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules in respect of the transactions under (4) the Financing Service Framework Agreement, (5) the Deposit Service Framework Agreement and (6) the Debt Financing Instruments Investment Framework Agreement, provided that the total amount of transactions for each of the three years ending December 31, 2016, 2017 and 2018 will not exceed the relevant proposed annual caps as set out above. The independent non-executive Directors and auditors of our Company will review whether the transactions under the Non-exempt Continuing Connected Transactions have been entered into pursuant to the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

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## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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### OVERVIEW

The Board currently consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. All Directors are elected by the general meeting for a term of three years which is renewable upon re-election. The major functions and powers of the Board include, but are not limited to, convening the general meetings, reporting its work at the general meetings, implementing the resolutions passed at the general meetings, considering and approving the operating plans and investment plans of the Company, formulating the Company's strategic development plans, formulating annual financial budgets and final accounts plans, formulating profit distribution plans and plans on making up losses, and exercising other powers and functions as conferred by the Articles of Association.

The Board of Supervisors of the Company consists of five Supervisors. Employee representative Supervisors are elected democratically by the employee representatives' meeting, employee meetings or in other ways, while non-employee representative Supervisors are elected by the general meetings. The term of office of each Supervisor is three years, which is renewable upon re-election. The major powers and functions of the Board of Supervisors include, but are not limited to, monitoring the financial activities of the Company, supervising the performance of duties of Directors and senior management and proposing the removal of Directors and senior management who have acted in breach of the laws, administrative regulations, the Articles of Association or the resolutions passed at the general meetings, and exercising other powers and functions as conferred by the Articles of Association.

The following tables set forth information regarding our Directors, Supervisors, senior management and core management. As advised by our PRC legal advisors, DeHeng Law Offices, all of the Directors, Supervisors, senior management and core management have complied with the qualification requirements under relevant PRC laws and regulations for their respective positions.

### Directors, Supervisors, Senior Management and Core Management

The table below sets forth certain information on our Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Major duties</u>	<u>Date of joining the Company</u>	<u>Date of appointment as Director</u>	<u>Relationship with other Directors, Supervisors and senior management</u>
Wang Xuedong (王學東)	53	Chairman of the Board and executive Director  Chairman of the Risk Management and Internal Control Committee  Chairman of the Nomination Committee	Responsible for the Company's operation strategies, and making major operation decisions	August 2014	October 30, 2014	None

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Major duties	Date of joining the Company	Date of appointment as Director	Relationship with other Directors, Supervisors and senior management
Fan Xun (范珣)	49	Vice Chairman of the Board, executive Director, and President	Responsible for the Company's business operation and management	March 2015	June 17, 2015	None
		Member of the Risk Management and Internal Control Committee				
		Member of the Remuneration Committee				
Geng Tiejun (耿鐵軍)	56	Executive Director and Vice President	Responsible for the Appraisals Department and the Asset Management Department, assisting in the management of the Operation and Management Department	April 2008	April 18, 2008	None
		Member of the Risk Management and Internal Control Committee				
		Member of the Related Party Transaction Control Committee				
Huang Min (黃敏)	33	Executive Director, Vice President and Secretary of the Board	Responsible for the Business Department I <sup>1</sup> and assisting in the management of the Board office, responsible for organizing general meetings, Board meetings and other affiliated matters and information disclosure	March 2015	June 17, 2015	None
		Member of the Risk Management and Internal Control Committee				
		Member of the Related Party Transaction Control Committee				

<sup>1</sup> Business Department I is mainly responsible for the leasing business operations in the regions of Beijing, Tianjin, Heilongjiang, Jilin, Liaoning, Shandong, Sichuan, Henan, Hebei, Inner Mongolia, Tibet, etc.

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**DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES**

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Name	Age	Position	Major duties	Date of joining the Company	Date of appointment as Director	Relationship with other Directors, Supervisors and senior management
Liu Hui (劉暉)	46	Non-executive Director	Participating in the formulation of the general corporate business plans, strategies and major decisions of the Company through the Board	September 2015	September 8, 2015	None
		Member of the Risk Management and Internal Control Committee				
		Member of the Audit Committee				
		Member of the Nomination Committee				
Li Yingbao (李英寶)	53	Non-executive Director	Same as above	September 2015	September 8, 2015	None
		Member of the Risk Management and Internal Control Committee				
		Member of the Audit Committee				
		Member of the Remuneration Committee				
Zheng Xueding (鄭學定)	53	Independent Non-executive Director	Same as above	January 2016	January 14, 2016	None
		Chairman of the Audit Committee				
		Member of the Risk Management and Internal Control Committee				
		Member of the Related Party Transaction Control Committee				
		Member of the Remuneration Committee				
		Member of the Nomination Committee				

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**DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES**

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Name	Age	Position	Major duties	Date of joining the Company	Date of appointment as Director	Relationship with other Directors, Supervisors and senior management
Xu Jin (徐進)	58	Independent Non-executive Director	Same as above	January 2016	January 14, 2016	None
		Chairman of the Related Party Transaction Control Committee				
		Member of the Audit Committee				
		Member of the Remuneration Committee				
		Member of the Nomination Committee				
Zhang Xianchu (張宪初)	62	Independent Non-executive Director	Same as above	January 2016	January 14, 2016	None
		Chairman of the Remuneration Committee				
		Member of the Related Party Transaction Control Committee				
		Member of the Audit Committee				
		Member of the Nomination Committee				

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

The following table sets forth certain information on the Supervisors of the Company:

Name	Age	Position	Major duties	Date of joining the Company	Date of appointment as Supervisor	Relationship with other Directors, Supervisors and senior management
Jiang Daozhen (蔣道振)	49	Chairman of the Board of Supervisors	Presiding over the Board of Supervisors and monitoring the operation risks and financial activities of the Company	March 2015	June 17, 2015	None
Lei Yanzheng (雷閻正)	51	Supervisor	Monitoring the operation and financial activities of the Company	December 2013	December 6, 2013	None
Sun Zhikun (孫志坤)	38	Supervisor	Same as above	June 2015	June 17, 2015	None
Huang Xuemei (黃雪梅)	42	Employee representative Supervisor	Same as above	March 2000	May 11, 2015	None
Zhuang Ganlang (莊贛浪)	43	Employee representative Supervisor	Same as above	July 2001	September 7, 2009	None

The following table below sets forth certain information on the senior management of the Company, the scope of which is in compliance with our Articles of Association:

Name	Age	Position	Major duties	Date of joining the Company	Date of appointment as senior management	Relationship with other Directors, Supervisors and senior management
Wang Xuedong (王學東)	53	Chairman of the Board and executive Director	Responsible for the Company's operation strategies, and making major operation decisions	August 2014	October 30, 2014	None
Fan Xun (范珣)	49	Vice Chairman of the Board, executive Director, and President	Responsible for the Company's business operation and management	March 2015	May 6, 2015	None
Geng Tiejun (耿鐵軍)	56	Executive Director and Vice President	Responsible for the Appraisals Department and the Asset Management Department, and assisting in the management of the Operation and Management Department	April 2008	April 18, 2008	None



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Major duties	Date of joining the Company	Date of appointment as senior management	Relationship with other Directors, Supervisors and senior management
Ai Yang (艾陽)	45	Vice President	Responsible for the Shipping Business Department, the Small and Medium Enterprise Business Department, Business Department II <sup>2</sup> and Business Department III <sup>3</sup>	March 2015	April 2, 2015	None
Li Jungang (李駿罡)	50	Vice President	Responsible for the Aviation Business Department	March 2015	April 2, 2015	None
Xu Xiaowu (徐曉武)	46	Vice President	Responsible for the Treasury Department and the Financial Planning Department	November 1999	November 1, 1999	None
Fang Yunqun (房雲群)	52	Vice President	Responsible for the Legal Affairs Department and Disciplinary Inspection Office	April 2008	April 18, 2008	None
Huang Min (黃敏)	33	Executive Director, Vice President and Secretary of the Board	Responsible for the Business Department I, assisting in the management of the Board office, responsible for organizing general meetings, Board meetings and other affiliated matters and information disclosure	March 2015	April 2, 2015	None
Hu Xiaoyun (胡曉雲)	44	Chief Financial Officer	Responsible for the Company's financial planning	December 2015	December 21, 2015	None

<sup>2</sup> Business Department II is mainly responsible for the leasing business operations in the regions of Guangdong, Shenzhen, Hainan, Hong Kong, Yunnan, Guizhou, Chongqing, Hunan, Hubei, Anhui, Jiangxi, Xinjiang, Yili, etc.

<sup>3</sup> Business Department III is mainly responsible for the leasing business operations in the regions of Jiangsu, Shanghai, Suzhou, Ningbo, Zhejiang, Fujian, Xiamen, Shaanxi, Qinghai, Shanxi, Guangxi, Ningxia, Gansu, etc.

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## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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Except for Wang Xuedong, Fan Xun, Geng Tiejun, Ai Yang, Li Jungang, Xu Xiaowu, Fang Yunqun, Huang Min, Hu Xiaoyun and Huang Xuemei, the table below sets forth information on the other core management of the Company:

<u>Name</u>	<u>Age</u>	<u>Current position</u>	<u>Date of joining the Company</u>
Yuan Hong (袁虹)	40	General manager of the Small and Medium Enterprise Business Department	July 1999
Liu Xiaozhou (劉小舟)	40	General manager of Business Department II	April 2007
Wang Qian (汪謙)	36	Deputy general manager of the Treasury Department (in charge of daily work)	February 2004
Han Zhenhai (韓振海)	51	Full-time member of the Appraisals Department under the Leasing Business Review Committee	July 1999
Zhang Lingzhi (張凌智)	39	General manager of the Operation and Management Department	January 2008
Peng Nianhua (彭念華)	40	Deputy general manager of the Legal Affairs Department (in charge of daily work)	June 2009

### DIRECTORS

#### Executive Directors

**Mr. Wang Xuedong (王學東)**, aged 53, joined the Company in August 2014. He is currently the chairman of the Board and an executive Director of the Company. Mr. Wang Xuedong previously served as an assistant engineer of the second bureau of major construction under the former State Planning Commission (currently known as National Development and Reform Commission) from August 1983 to June 1988, and was an engineer and the deputy head of the second division under the water transportation project department of the National Transportation Investment Corporation (國家交通投資公司) successively from June 1988 to March 1994. He served as the deputy head and head of the second division of water transportation under the transportation credit bureau of CDB successively from March 1994 to January 1997, and was the head of the first division under the eastern China credit bureau of CDB from January 1997 to December 1999. He served as the vice president of the Shanghai Branch of CDB from December 1999 to March 2008, and was the president of the Hunan Branch of CDB from March 2008 to August 2014. Mr. Wang Xuedong has served as the chairman of the Board and an executive Director of the Company since October 2014.

Save as disclosed above, Mr. Wang Xuedong has not held a directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Wang Xuedong graduated from Dalian College of Technology (大連工學院) in Dalian, Liaoning Province, the PRC, majoring in port construction engineering, and obtained a bachelor's degree in engineering in July 1983. He graduated from Central University of Finance and Economics in Beijing, the PRC, majoring in money and banking, and obtained a master's degree in economics (part-time) in August 1999. Mr. Wang Xuedong obtained the qualification of senior engineer issued by CDB in November 1994. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of directors that need to be brought to the attention of the Shareholders and there is no additional information relating to Mr. Wang Xuedong which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

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## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Fan Xun (范珣)**, aged 49, joined the Company in March 2015. He is currently the vice chairman of the Board, an executive Director and the president of the Company. Mr. Fan Xun held several positions in CDB successively from June 1997 to July 2010, including a staff member of the capital bureau, a clerk at section level of the second division and the domestic debt management division under the treasury bureau, the head of the market research division and the market development division under the treasury bureau, a clerk at division level of the investment business bureau, the deputy director of the investment business bureau and the deputy director of the market and investment bureau. Mr. Fan Xun served as the chairman of the board of supervisors of CDB Securities from August 2010 to March 2015. He has served as the president, an executive Director and the vice chairman of the Board of the Company since May, June and July 2015, respectively.

Save as disclosed above, Mr. Fan Xun has not held a directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Fan Xun graduated from Tianjin University in Tianjin, the PRC, majoring in ocean and naval architecture and obtained a bachelor's degree in engineering in July 1989, and graduated from Tianjin College of Finance and Economics (天津財經學院) in Tianjin, the PRC, majoring in monetary banking, and obtained a master's degree in economics in July 1994. He graduated from the postgraduate institute of the People's Bank of China in Beijing, the PRC, majoring in international finance, and obtained a doctoral degree in economics in June 1997. Mr. Fan Xun obtained the qualification of senior economist issued by CDB in December 2000. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of directors that need to be brought to the attention of the Shareholders and there is no additional information relating to Mr. Fan Xun which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

**Mr. Geng Tiejun (耿鐵軍)**, aged 56, joined the Company in April 2008. He is currently an executive Director, a vice president and the chairman of the labor union of the Company. Mr. Geng Tiejun served as an assistant researcher in the research department of the China Enterprise Management Association (中國企業管理協會) from July 1987 to April 1992. He held several positions in China International Engineering Consulting Corporation (中國國際工程諮詢公司) successively from April 1992 to November 1997, including a principal staff member of the general manager office, an assistant to the general manager and the deputy head of the office research division. From November 1997 to April 2008, he held several positions in CDB successively, including the head of the business department of Chengdu office, the deputy head of the Sichuan division and the deputy head of the equity management division under the southwest credit bureau, and the head of the equity management division and securitization business division under the investment business bureau. He has served as an executive Director and the vice president of the Company since April 2008, and has served as the chairman of the labor union of the Company since December 2013.

Save as disclosed above, Mr. Geng Tiejun has not held a directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Geng Tiejun graduated from Hunan University in Changsha, Hunan Province, the PRC, majoring in chemical and analytical chemistry, and obtained a bachelor's degree in science in July 1985. He studied at a class for postgraduates under the theory department in the Party School of the Central Committee in Beijing, the PRC, majoring in economic management, and graduated from Stevens Institute of Technology in Hoboken, New Jersey, the U.S., majoring in project management and obtained a master's degree in management (part-time) in May 2007. Mr. Geng Tiejun obtained the qualification of associate researcher issued by the former State Planning Commission

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## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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(currently known as the National Development and Reform Commission) of China in October 1994. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of directors that need to be brought to the attention of the Shareholders and there is no additional information relating to Mr. Geng Tiejun which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

**Mr. Huang Min (黃敏)**, aged 33, joined the Company in March 2015. He is currently an executive Director, a vice president and the secretary of the Board. He served as the head of cadre appointment and removal at Hainan Airlines Co., Ltd. (海南航空股份有限公司) from October 2004 to October 2005. He served as the business head and the manager of the comprehensive management department in Yangtze River Leasing Co., Ltd. (長江租賃有限公司) successively from May 2006 to July 2009, and was the acting manager of the human resources management department, the general manager of the comprehensive management department and the general manager of the fourth business department in Tianjin Bohai Leasing Co., Ltd. (天津渤海租賃股份有限公司) from September 2008 to November 2012. He held several positions in Wanjiang Financial Leasing Co., Ltd. (皖江金融租賃有限公司) successively from November 2012 to March 2015, including the secretary of the board of directors, the general manager of the strategic innovation department and general aviation department, and assistant to the president. Mr. Huang Min has served as the vice president and an executive Director of the Company since April and June 2015, respectively, and has served as the secretary of the Board since January 2016.

Save as disclosed above, Mr. Huang Min has not held a directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Huang Min graduated from Renmin University of China in Beijing, the PRC, majoring in international politics, and obtained a bachelor's degree in laws in July 2004. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of directors that need to be brought to the attention of the Shareholders and there is no additional information relating to Mr. Huang Min which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### Non-Executive Directors

**Ms. Liu Hui (劉暉)**, aged 46, joined the Company in September 2015. She is currently a non-executive Director of the Company, as well as a deputy director of the market and investment bureau in CDB. Ms. Liu Hui has held several positions in CDB successively since July 1996, including a cadre of the finance and accounting bureau of CDB, a cadre in the finance and accounting division of Wuhan Branch, a clerk at deputy section level and clerk at section level of the general division of the financial and accounting bureau, a clerk at section level, the deputy head and head of the equity business division of the investment business bureau, head of the investment business division of the marketing and investment bureau and the deputy director of the marketing and investment bureau. Ms. Liu Hui has served as a non-executive director of Upper Chance Group Ltd. (浩迅集團公司) since May 2014, a non-executive director of Pak China Investment Company Limited since December 2012, and a non-executive Director of the Company since September 2015.

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## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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Save as disclosed above, Ms. Liu Hui has not held a directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Ms. Liu Hui graduated from the accounting department of Renmin University of China in Beijing, the PRC, majoring in international accounting, and obtained a bachelor's degree in economics in July 1993. She then graduated from the accounting department of Renmin University of China in Beijing, the PRC, majoring in accounting, and obtained a master's degree in economics in June 1996. Ms. Liu Hui obtained the qualification of senior accountant issued by CDB in November 2005. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of directors that need to be brought to the attention of the Shareholders and there is no additional information relating to Ms. Liu Hui which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

**Mr. Li Yingbao (李英寶)**, aged 53, joined the Company in September 2015. He is currently a non-executive Director of the Company, as well as a senior appraisal manager of the first assessment bureau in CDB. Mr. Li Yingbao served as an engineer of the transportation project department in China International Engineering Consulting Corporation from August 1991 to February 1998, and held several positions in CDB successively from February 1998 to June 2012, including a clerk at section level of the transportation environmental assessment bureau, a clerk at section level and the head of division of the second assessment bureau, and the deputy head and head of division of the first assessment bureau. Mr. Li Yingbao has served as the senior assessment manager of the first assessment bureau of CDB since June 2012, and has served as a non-executive Director of the Company since September 2015.

Save as disclosed above, Mr. Li Yingbao has not held a directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Li Yingbao graduated from Xi'an College of Highway (西安公路學院) in Xi'an, Shaanxi Province, the PRC, majoring in highways and urban roads, and obtained a bachelor's degree in engineering in July 1985. He then graduated from Xi'an College of Highway in Xi'an, Shaanxi Province, the PRC, majoring in highways and urban roads and obtained a master's degree in engineering in April 1991. Mr. Li Yingbao obtained the qualification of senior engineer issued by CDB in November 1998. In May 2004, the research on the "Evaluation Methods of the Civil Airport Construction Project" led and completed by Mr. Li Yingbao was awarded the Second Prize for Civil Aviation Science and Technology Progress in 2001 by the Civil Aviation Administration of China. In December 2009, the "Feasibility Study Report on the Acquisition of Light Rail Airport Line Project by Capital Airport Holding Company" led and completed by Mr. Li Yingbao was awarded the Third Prize for National Excellent Engineering Consulting Achievement in 2009 by the China National Association of Engineering Consultants. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of directors that need to be brought to the attention of the Shareholders and there is no additional information relating to Mr. Li Yingbao which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

**Independent Non-Executive Directors**

**Mr. Zheng Xueding (鄭學定)**, aged 53, joined the Company in January 2016. He is currently an independent non-executive Director of the Company, and has been a partner of Shenzhen Branch of Da Hua Certified Public Accountants (大華會計師事務所深圳分所) since January 2012. Mr. Zheng Xueding was a teacher in the department of accounting of Jiangxi College of Finance and Economics (currently known as Jiangxi University of Finance and Economics) from July 1984 to July 1988, and was a cadre of the accounting division under Shenzhen Municipal Bureau of Finance from January 1991 to January 1992. He served as the deputy secretary general and secretary general of Shenzhen Institute of Certified Public Accountants from January 1992 to December 2005 and a partner of Shenzhen Branch of Pan-China Certified Public Accountants (天健會計師事務所深圳分所) from January 2006 to December 2011. Mr. Zheng Xueding has been an independent director of Shenzhen Institute of Building Research Co., Ltd. (深圳市建築科學研究院股份有限公司) since September 2013, an independent director of Shenzhen Glacier Network Technology Co. Ltd. (深圳冰川網絡技術股份有限公司) since September 2012 and an independent director of Shenzhen Jintian Industry (Group) Co., Ltd. (深圳金田實業(集團)股份有限公司) (“Jintian Industry”) since January 2014. Jintian Industry was incorporated in the PRC and primarily engaged in property management and real estate businesses. Jintian Industry was listed on the Shenzhen Stock Exchange in 1991. Due to loss for three consecutive years, Jintian Industry was suspended from listing by the Shenzhen Stock Exchange in May 2001. Since then Jintian Industry has not conducted any substantial business operation. On April 21, 2014, Jintian Industry submitted a bankruptcy and restructuring petition to Shenzhen Intermediate People’s Court and commenced its bankruptcy and restructuring proceedings on February 5, 2015 after receiving the court decision. In November 2015, Shenzhen Intermediate People’s Court approved Jintian Industry’s restructuring plan and its bankruptcy and restructuring proceedings were terminated. The relevant restructuring fees and common benefits debt amounted to approximately RMB21.4 million. As of the Latest Practicable Date, Jintian Industry was still undergoing the execution of its restructuring plan. Mr. Zheng Xueding has served as a director of Jintian Industry since January 2014. He confirmed that he is not in any way related to the loss of Jintian Industry. Mr. Zheng Xueding has been an independent director of Ping An UOB Fund Management Co., Ltd. (平安大華基金公司) since January 2011, an independent director of Shenzhen Infogem Technologies Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 300085) since April 2014, and an independent director of Qinhuangdao Tianye Tolian Heavy Industry Co., Ltd. (深圳市銀之傑科技股份有限公司, listed on the Shenzhen Stock Exchange, stock code: 002459) since May 2014. Mr. Zheng Xueding has been a member of the sixth Standing Committee and the Planning and Budget Committee of the People’s Congress of Shenzhen since June 2015, and has served as an independent non-executive Director of the Company since January 2016.

Save as disclosed above, Mr. Zheng Xueding has not held a directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Zheng Xueding graduated from the department of accounting of Jiangxi University of Finance and Economics in Nanchang, Jiangxi Province, the PRC, majoring in industry accounting, and obtained a bachelor’s degree in economics in July 1984. He then graduated from the financial accounting department of Jiangxi University of Finance and Economics in Nanchang, Jiangxi Province, the PRC, majoring in accounting, and obtained a master’s degree in economics in July 1991. Mr. Zheng Xueding was granted with the qualification of certified public accountant by the Chinese Institute of Certified Public Accountants in August 1995 and the qualification of senior accountant by the Personnel Department of Guangdong Province in January 1998. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of directors that need to be brought to the attention of the Shareholders and there is no additional information relating to Mr. Zheng Xueding which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

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## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Xu Jin (徐進)**, aged 58, joined the Company in January 2016. He is currently an independent non-executive Director of the Company, and has been a professor of the School of Economics of Shenzhen University since October 2001. He has been a member of the Academic Committee of the Finance Society of Shenzhen, the Budget and Accounting Research Society of Shenzhen, and the Accounting Society of Shenzhen since July 2013, as well as a specialist of the Advisory Committee for Policy Decision of Shenzhen since January 2016. Mr. Xu Jin was a tutor and lecturer in the finance department of Jilin Institute of Finance and Trade (吉林財貿學院, currently known as the finance department of Changchun Taxation College (長春稅務學院)) from July 1986 to August 1995, and served as an associate professor of the finance department of Changchun Taxation College (currently known as the Institute of Taxation of Jilin University of Finance and Economics) from July 1998 to October 2001. He has served in several positions successively at Shenzhen University since October 2001, including as an associate professor and professor of the School of Economics, the dean of the finance department, the director of the Fiscal and Taxation Research Institute and the head of Community Finance Research Centre of China Minsheng Bank Shenzhen Branch (民生銀行深圳分行小區金融研究中心). Meanwhile, Mr. Xu Jin served as a visiting professor majoring in finance in Tianjin College of Commerce (天津商學院) from November 2002 to July 2004, and a standing director of the Shenzhen Certified Tax Agents Association from August 2003 to July 2011. He was a standing director of Shenzhen Local Taxation Research Academy (深圳地方稅收研究會) and Shenzhen International Taxation Research Academy (深圳國際稅收研究會) from November 2007 to September 2011. Mr. Xu Jin served as an external director of Shenzhen Guangming New District Urban Construction & Investment Co., Ltd. (深圳光明新區城投公司) from January 2011 to November 2015, and an independent director of Guangdong Baolilai Investment Co., Ltd. (廣東寶利來投資股份有限公司, currently known as China High-Speed Railway Technology Co., Ltd. (神戶高鐵技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000008)) from May 2013 to August 2015. He has served as an independent non-executive Director of the Company since January 2016.

Save as disclosed above, Mr. Xu Jin has not held a directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Xu Jin graduated from Jilin Institute of Economics and Trade (吉林經貿學院, currently known as the Jilin University of Finance and Economics) in Changchun, Jilin Province, the PRC, majoring in finance and obtained a bachelor's degree in economics in July 1986, and graduated from the tutor course of the Central Institute of Finance and Economics (中央財政金融學院, currently known as the Central University of Finance and Economics) in Beijing, the PRC, majoring in finance, and completed his postgraduate course in July 1988. He graduated from Renmin University of China in Beijing, the PRC, majoring in finance, and obtained a doctoral degree in economics in July 1998. Mr. Xu Jin obtained the qualification of finance professor issued by the Personnel Department of Guangdong Province in March 2005. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of directors that need to be brought to the attention of the Shareholders and there is no additional information relating to Mr. Xu Jin which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

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## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Zhang Xianchu (張宪初)**, aged 62, joined the Company in January 2016. He is currently an independent non-executive Director of the Company, and has been a teacher, tenured professor and deputy dean at the Faculty of Law in the University of Hong Kong since July 1997. He has served as a trustee of the Hong Kong Legal Education Trust Fund (香港法律教育信託基金) since May 2002 and a visiting professor of Fudan University since September 2003. He has served as an independent director of Jiangsu Nantong Xinhaixing (Group) Company (江蘇南通新海星(集團)公司) since 2004 and a visiting professor of Shantou University since 2006. He has been as a member of the Foreign Specialities Commission under the Trial Theory Study Committee of China Law Society (the Supreme People's Court) (中國法學會(最高人民法院)審判理論研究會涉外專業委員會) since March 2011 and an arbitrator of the Shanghai International Economic and Trade Arbitration Commission since May 2012. He has served as one of the three editors of the series of books of Asian commercial laws, financial laws and economic laws, and Asian commercial laws and practices published by Edward Elgar Publishing in the UK since June 2012, and has been an arbitrator of the South China International Economic and Trade Arbitration Commission since December 2012 and the director of the Chinese Judicial Studies Academy (中華司法研究會) under the Supreme People's Court since July 2015. He has also been a member of the editorial committee of The British Journal of Interdisciplinary Studies since September 2015 and an arbitrator of the Arbitration Commission of Tianjin Free Trade Zone in China since October 2015. He has served as a member of the editorial committee of University of Bologna Law Review since November 2015 and a visiting scholar of University of Michigan Law School since January 2016. Mr. Zhang Xianchu was a teacher at City University of Hong Kong from January 1995 to June 1997 and a senior researcher at Queen Mary University of London from May 1999 to May 2002. He served as a visiting professor of the Asian Transnational Program of Duke University-University of Hong Kong from June 1999 to June 2005 and a visiting professor of WTO Asia-Pacific Trade Policy Training Program from June 2003 to June 2009. He was also a visiting scholar of Academia Sinica from December 2008 to March 2009. Mr. Zhang Xianchu has been an independent non-executive Director of the Company since January 2016.

Save as disclosed above, Mr. Zhang Xianchu has not held a directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Zhang Xianchu graduated from China University of Political Science and Law in Beijing, the PRC, majoring in law, and obtained a bachelor's degree in law in July 1983. He graduated from the Law School of Indiana University (Bloomington) in Bloomington, Indiana, the U.S., majoring in comparative law, and obtained a master's degree in law in May 1988. He graduated from the Law School of Indiana University (Bloomington) in Bloomington, Indiana, the U.S., and obtained a doctoral degree in law in August 1992. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of directors that need to be brought to the attention of the Shareholders of the Company and there is no additional information relating to Mr. Zhang Xianchu which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.



**SUPERVISORS**

**Mr. Jiang Daozhen** (蔣道振), aged 49, joined the Company in March 2015. He is currently the chairman of the Board of Supervisors of the Company. Mr. Jiang Daozhen held several positions in CDB from April 1995 to April 2015 successively, including a staff member and a clerk at section level of the international financial organization loan division under the international finance bureau, a clerk at section level of the loan division and the foreign exchange credit management division under the international finance bureau, the deputy head of the foreign exchange credit management division under the international finance bureau, the secretary at deputy division level of the president office under the general office, the head of the second customer division under the business department of the head office, the deputy general manager of the business department of the head office and vice president of the Beijing Branch. Mr. Jiang Daozhen has served as the chairman of the Board of Supervisors of the Company since June 2015.

Save as disclosed above, Mr. Jiang Daozhen has not held a directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Jiang Daozhen graduated from Tsinghua University in Beijing, the PRC, majoring in water conservancy and hydropower engineering, and obtained a bachelor's degree in engineering in July 1990. He then graduated from North China College of Water Resources and Electric Power (華北水利水電學院) in Zhengzhou, Henan Province, the PRC, majoring in hydraulics and river dynamics and obtained a master's degree in engineering, in April 1995. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of supervisors that need to be brought to the attention of the Shareholders and there is no additional information relating to Mr. Jiang Daozhen which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

**Mr. Lei Yanzheng** (雷閻正), aged 51, joined the Company in December 2013. He is currently a Supervisor of the Company. Mr. Lei Yanzheng has been the secretary to the board of directors of AVIC Aircraft Co., Ltd. (中航飛機股份有限公司) since December 2012, and a deputy general manager of AVIC Xi'an Aircraft Industry (Group) Company Ltd. (中航工業西安飛機工業(集團)有限責任公司) and a deputy general manager of AVIC Aircraft Co., Ltd. Xi'an Branch (中航西安飛機分公司) since January 2014. Mr. Lei Yanzheng served in several positions successively in Xi'an Aircraft Industry from July 1986 to July 2011, including a technician of the power section, the manager of the 56th Factory, the secretary of the board of directors, the head of the planning department and deputy general manager of Xi'an Aircraft International Corporation (西安飛機國際航空製造股份有限公司). Mr. Lei Yanzheng has been a Supervisor of the Company since December 2013.

Save as disclosed above, Mr. Lei Yanzheng has not held any directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Lei Yanzheng graduated from Xi'an Metallurgy and Architecture College (西安冶金建築學院) in Xi'an, Shaanxi Province, the PRC, majoring in heating and ventilating, and obtained a bachelor's degree in engineering in July 1986. He then graduated from Northwestern Polytechnical University in Xi'an, Shaanxi Province, the PRC, majoring in management engineering, and obtained a master's degree in engineering in May 1998. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of supervisors that need to be brought to the attention of the Shareholders and there is no additional information relating to Mr. Lei Yanzheng which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

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## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Sun Zhikun (孫志坤)**, aged 38, joined the Company in June 2015. He is currently a Supervisor of the Company. Mr. Sun Zhikun has served as a director of Yangtze River Insurance Brokers Co., Ltd. (揚子江保險經紀有限公司) since November 2014, and a director of HNA Topwin Futures Co., Ltd. (海航東銀期貨有限公司) since January 2015. Mr. Sun Zhikun served as the personnel manager in the human resources department of HNA Group from July 2001 to October 2003, and was the personnel manager in the comprehensive management department of China Xinhua Airlines Co., Ltd. (中國新華航空有限責任公司) from October 2003 to December 2006. He was the manager of the comprehensive business office in the service department of Hainan Airlines Co., Ltd. (海南航空股份有限公司) from December 2006 to November 2008, and the manager of the human resources department of HNA Capital Holding Co., Ltd. (海航資本控股有限公司) from October 2008 to May 2010. He served as the general manager of business division I of Tianjin Yanshan Investment Management Company Limited (天津燕山投資管理有限公司) from June 2010 to December 2013 and the general manager of the human resources department of HNA Capital Group Co., Ltd. (海航資本集團有限公司) from December 2013 to November 2015. He has been a Supervisor of the Company since June 2015.

Save as disclosed above, Mr. Sun Zhikun has not held any directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Sun Zhikun graduated from Northwest University (西北大學) in Xi'an, Shaanxi Province, the PRC, majoring in management science, and obtained a bachelor's degree in business administration in July 2001. He then graduated from Beihang University in Beijing, the PRC, majoring in business administration, and obtained an MBA degree in July 2008. In August 2005, Mr. Sun Zhikun was granted the qualification of enterprises human resources manager by the Occupational Skill Testing Authority of the Ministry of Labor and Social Security. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of supervisors that need to be brought to the attention of the Shareholders and there is no additional information relating to Mr. Sun Zhikun which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

**Ms. Huang Xuemei (黃雪梅)**, aged 42, joined the Company in March 2000. She is currently an employee representative Supervisor, the general manager of the Compliance Department, a member of the labor union and a director of the Women Workers' Committee of the Company. Ms. Huang Xuemei has served in several positions successively in the Company since March 2000, including an assistant to the director of the Capital Department, the director of the Finance Department and Capital Department, the general manager of the Treasury Department, the general manager of the Risk Management Department and the general manager of the Compliance Department. Ms. Huang Xuemei has served as a director in 20 domestic SPCs of the Company since July 2013, a Supervisor of the Company since May 2015, and a director in other 13 domestic SPCs of the Company since October 2015.

Save as disclosed above, Ms. Huang Xuemei has not held any directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Ms. Huang Xuemei graduated from Capital University of Economics and Business in Beijing, the PRC, majoring in finance and insurance, and obtained a bachelor's degree in economics in July 1997. She graduated from the Chinese University of Hong Kong in Hong Kong, majoring in business administration and obtained an MBA degree in business administration in December 2010. In October 1998, Ms. Huang Xuemei was granted with the qualification of intermediate economist by Ministry of Personnel of the PRC (now known as Ministry of Human Resources and Social Security of the PRC). Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of supervisors that need to be brought to the attention of the Shareholders and there is no additional information relating to Ms. Huang Xuemei which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

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## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Zhuang Ganlang (莊贛浪)**, aged 43, joined the Company in July 2001. He is currently an employee representative Supervisor. He has been a senior manager of Business Department II of the Company since August 2015. Mr. Zhuang Ganlang was a designer in the 650th Institute of Hongdu Aviation Industry Group (洪都航空集團650所) from July 1995 to September 1998, and has served in several positions successively in the Company since July 2001, including a salesman of the Aircraft Leasing Department, the head of and assistant to the director of the Leasing Project Management Department, the senior manager and deputy general manager of the Risk Management Department, the deputy general manager of the Appraisals Department, the deputy general manager of the Financial Planning Department and a full-time member of the Leasing Business Review Committee under the Appraisals Department. Mr. Zhuang Ganlang has been a Supervisor of the Company since September 2009.

Save as disclosed above, Mr. Zhuang Ganlang has not held any directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Zhuang Ganlang graduated from Southeast University in Nanjing, Jiangsu Province, the PRC, majoring in mechanical manufacturing technology and equipment and obtained a bachelor's degree in engineering in July 1995. He then graduated from Jiangxi University of Finance and Economics in Nanchang, Jiangxi Province, the PRC, majoring in accounting with a master's degree in management in July 2001. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of supervisors that need to be brought to the attention of the Shareholders and there is no additional information relating to Mr. Zhuang Ganlang which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### SENIOR MANAGEMENT

**Mr. Wang Xuedong (王學東)** – for details of his biography, please refer to “– Directors – Executive Directors” in this section.

**Mr. Fan Xun (范珣)** – for details of his biography, please refer to “– Directors – Executive Directors” in this section.

**Mr. Geng Tiejun (耿鐵軍)** – for details of his biography, please refer to “– Directors – Executive Directors” in this section.

**Mr. Ai Yang (艾陽)**, aged 45, joined the Company in March 2015. He is currently a vice president of the Company. Mr. Ai Yang was a cadre in the highway project department of National Transportation Investment Corporation from July 1993 to March 1994. He served in several positions successively in CDB from March 1994 to November 2002, including a staff member of the transportation credit bureau, a clerk at deputy section level of the transportation credit bureau and the Southwest credit bureau, and a clerk at section level of the Southwest credit bureau and the second assessment bureau. From November 2002 to March 2011, he served in several positions successively in CDB Shanghai Branch, including the deputy head of the project appraisal division, the head of the business innovation division, the head of the financial market division and the head of the international cooperation division. He was a vice president of CDB Ningbo Branch from March 2011 to March 2015. Mr. Ai Yang has been a vice president of the Company since April 2015.

Save as disclosed above, Mr. Ai Yang has not held any directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Ai Yang graduated from Beijing University of Technology in Beijing, the PRC, majoring in transportation engineering, and obtained a bachelor's degree in engineering in July 1993.

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## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Li Jungang (李駿罡)**, aged 50, joined the Company in March 2015. He is currently a vice president of the Company. Mr. Li Jungang was a staff member of the Nantong Planning Committee from July 1990 to May 1993. He served as a deputy manager in Shenzhen Qingshuihe Industry Company Limited (深圳清水河實業公司) and its subsidiaries from May 1993 to February 1994. He was a principal staff member in China Southern Securities Company Limited (中國南方證券有限公司) from November 1994 to October 1996. He served in several positions successively in Shenzhen City Commercial Bank (深圳市商業銀行) from October 1996 to November 2007, including the deputy general manager of the corporate business department, the general manager of the credit and loan department, and the general manager of the asset and risk management department. From November 2007 to March 2015, he successively served as the head of client division III and client division I of CDB Shenzhen Branch. Mr. Li Jungang has been a vice president of the Company since April 2015.

Save as disclosed above, Mr. Li Jungang has not held any directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Li Jungang graduated from Hefei University of Technology (合肥工業大學) in Hefei, Anhui Province, the PRC, majoring in industrial management engineering, with a bachelor's degree in engineering in July 1987. He then graduated from Jiangxi College of Finance and Economics in Nanchang, Jiangxi Province, the PRC, majoring in industrial economics, with a master's degree in economics in June 1990. He graduated from Xiamen University in Xiamen, Fujian Province, the PRC, majoring in world economy with a doctoral degree in economics in June 2008. In May 1996, Mr. Li Jungang was granted with the qualification of accountant by the Ministry of Personnel of the PRC (currently known as the Ministry of Human Resources and Social Security of the PRC).

**Mr. Xu Xiaowu (徐曉武)**, aged 46, joined the Company in November 1999. He is currently a vice president of the Company. Mr. Xu Xiaowu was the assistant to the head of the finance department and the director of the settlement center in Shenzhen Southern Pharmaceutical Factory (深圳南方製藥廠) (currently known as China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. (華潤三九醫藥股份有限公司), a company listed on Shenzhen Stock Exchange, stock code: 000999) from July 1992 to November 1999. He was also a supervisor of Sanjiu Medical & Pharmaceutical Co., Ltd. (三九醫藥股份有限公司) (currently known as China Resources Sanjiu Medical & Pharmaceutical Co., Ltd.) from 1999 to 2002. Mr. Xu Xiaowu has been a vice president of the Company since November 1999.

Save as disclosed above, Mr. Xu Xiaowu has not held any directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Xu Xiaowu graduated from Wuhan University in Wuhan, Hubei Province, the PRC, majoring in auditing with a bachelor's degree in economics in July 1992. He then graduated from Xiamen University in Xiamen, Fujian Province, the PRC, majoring in world economy with a master's degree in economics in November 2008. Mr. Xu Xiaowu attended the EMBA course in Cheung Kong Graduate School of Business in Beijing, the PRC, from 2007 to 2009.

**Mr. Fang Yunqun (房雲群)**, aged 52, joined the Company in April 2008. He is currently a vice president of the Company. Mr. Fang Yunqun served in succession as cadre and deputy head of the capital and finance division in National Agriculture Investment Corporation (國家農業投資公司) from August 1988 to March 1994. He served in several positions successively in CDB from March 1994 to April 2008, including the deputy head of division of the agriculture credit bureau, the deputy head of division of the Southwest credit bureau, the deputy head of division of the finance and accounting bureau, the head of division of the settlement center and the head of division of the operation center. Mr. Fang Yunqun has served as a vice president of the Company since April 2008.

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## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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Save as disclosed above, Mr. Fang Yunqun has not held any directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Mr. Fang Yunqun graduated from Jiangxi University of Finance and Economics in Nanchang, Jiangxi Province, the PRC, majoring in accounting with a bachelor's degree in economics in July 1986. In October 1997, Mr. Fang was granted the qualification of senior accountant by CDB.

**Mr. Huang Min (黃敏)** – for details of his biography, please refer to “– Directors – Executive Directors” in this section.

**Ms. Hu Xiaoyun (胡曉雲)**, aged 44, joined the Company in December 2015. She is currently the chief financial officer and the general manager of the Financial Planning Department of the Company. She also served as an external tutor at the Central University of Finance and Economics. Ms. Hu Xiaoyun was a cadre in the finance division of Beijing Coal Mining Machinery Factory (北京煤礦機械廠) from July 1993 to January 1995, and held various positions successively in CDB from January 1995 to August 2010, including a cadre, clerk, clerk at deputy section level, clerk at section level of the accounting division I under the finance and the accounting bureau, the deputy head of the finance and accounting division, the operation division and the credit management division in CDB Tianjin Branch, the clerk at deputy division level of the account management division under the finance and accounting bureau, the deputy head of the financial planning division under the finance and accounting bureau, the deputy head of the account management division, the deputy head of the business integration division under the capital trading center, the head of the business integration division of the capital trading department under the research and development center, and the head of the trading product control division under the risk management bureau of CDB. Ms. Hu Xiaoyun served as the chief financial officer of CDB Securities from August 2010 to December 2015, has been the general manager of the Financial Planning Department of the Company since December 2015 and has been the chief financial officer of the Company since December 2015.

Save as disclosed above, Ms. Hu Xiaoyun has not held any directorship in any other listed company in the three years immediately preceding the Latest Practicable Date. Ms. Hu Xiaoyun graduated from Central Institute of Finance and Economics in Beijing, the PRC, majoring in accounting, with a bachelor's degree in economics in June 1993. She then graduated from Renmin University of China in Beijing, the PRC, majoring in law, with a master's degree in law in July 2000. She obtained a master's degree in economics in July 2008, from Peking University in Beijing, the PRC, majoring in finance. Ms. Hu Xiaoyun was granted the qualification of certified accountant by the Certified Public Accountant Examination Commission under the Ministry of Finance in May 1996 and registered as an individual member of the Chinese Institute of Certified Public Accountants in June 1996. She also obtained the PRC lawyer qualification by the Lawyer Qualification Credentials Committee under the Ministry of Justice of the PRC in May 1999. In May 2008, she obtained the qualification of trader in the National Interbank Borrowing and Lending Market by the National Interbank Funding Center (全國銀行間同業拆借中心). Ms. Hu Xiaoyun was elected as one of China's Leading Talents in Accounting (back-up) (全國會計領軍人才(後備)) by the Ministry of Finance in November 2011, and was awarded the second prize in Banking Technology Development by the PBOC in March 2012.

**CORE MANAGEMENT**

For details of the biographies of Wang Xuedong, Fan Xun, Geng Tiejun, Ai Yang, Li Jungang, Xu Xiaowu, Fang Yunqun, Huang Min, Hu Xiaoyun and Huang Xuemei, please refer to the above disclosure in this section.

**Ms. Yuan Hong (袁虹)**, aged 40, joined the Company in July 1999. She has held various positions successively in the Company, including a salesperson of the Leasing Business Department, an assistant to the director of Leasing Business Department II, the director of Leasing Business Department III, the director of the Customer Service Department, the director of the Risk Management Department, the general manager of Business Department III, the general manager of Leasing Business Department I, the general manager of Leasing Business Department II and the general manager of Business Department II. Since January 2016, she has served as the general manager of the Small and Medium Enterprise Business Department of the Company. Ms. Yuan Hong graduated from Zhongnan University of Economics and Law in Wuhan, Hubei Province, the PRC, majoring in trade and economics, and obtained a bachelor's degree in economics in June 1999.

**Mr. Liu Xiaozhou (劉小舟)**, aged 40, joined the Company in April 2007. He had held various positions successively in the Company, including an assistant to the president and the general manager of the Risk Management Department, the general manager of the Research and Development Department, the general manager of the Operation and Management Department, the general manager of Leasing Business Department I and the general manager of the Small and Medium Enterprise Business Department. Since January 2016, he has served as the general manager of Business Department II of the Company. Mr. Liu Xiaozhou graduated from the International Finance Department of Fudan University in Shanghai, the PRC, majoring in investment economics, and obtained a bachelor's degree in economics in July 1998. He graduated from Cranfield University, in the United Kingdom, majoring in business administration, and obtained a master's degree in management in June 2005. He graduated from China Europe International Business School in Shenzhen, Guangdong Province, the PRC, and obtained an MBA degree in October 2015. In May 2011, Mr. Liu Xiaozhou obtained the qualification of economist issued by the Bureau of Human Resources and Social Security of Shenzhen Municipality.

**Mr. Wang Qian (汪謙)**, aged 36, joined the Company in February 2004. He has held various positions successively in the Company, including a salesman of the Beijing representative office, a salesman of the Capital Department, the senior manager of the Finance Office and the senior manager of the Treasury Department. Since October 2010, he has served as the deputy general manager of the Treasury Department of the Company. Mr. Wang Qian graduated from Wuhan University in Wuhan, Hubei Province, the PRC, majoring in business administration, and obtained a bachelor's degree in management in June 2002.

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## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Han Zhenhai (韓振海)**, aged 51, joined the Company in July 1999. He has held various positions successively in the Company, including the customer manager of the Capital Department, the head of Project Department I, an assistant to the director and the director of Business Department II, the director of Business Department III, the general manager of the Risk Management Department, the general manager of the Appraisals Department, the general manager of Leasing Business Department IV and the general manager of Business Department I. Since January 2016, he has served as the full-time member of the Appraisals Department under the Leasing Business Review Committee of the Company. Mr. Han Zhenhai graduated from Dongbei University of Finance and Economics in Dalian, Liaoning Province, the PRC, majoring in trade and economics and obtained a bachelor's degree in economics in July 1990. In April 1992, Mr. Han Zhenhai obtained the qualification of assistant accountant issued by People's Construction Bank of China. In December 1995, he obtained the qualification of intermediate economist issued by the Ministry of Personnel of the PRC.

**Mr. Zhang Lingzhi (張凌智)**, aged 39, joined the Company in January 2008. He has held various positions successively in the Company, including the general manager of the Human Resource Department and the Business Department III. Since January 2016, he has served as the general manager of the Operation and Management Department of the Company. Mr. Zhang Lingzhi graduated from the Law School of Hunan Normal University in Changsha, Hunan Province, the PRC, majoring in philosophy and obtained a bachelor's degree in philosophy in July 1997. He graduated from Zhongnan University of Economics and Law in Wuhan, Hubei Province, the PRC, majoring in business administration, and obtained a master degree of business administration in September 2004. In May 2000, Mr. Zhang Lingzhi obtained the PRC lawyer qualification issued by the Ministry of Justice of the PRC.

**Mr. Peng Nianhua (彭念華)**, aged 40, joined the Company in June 2009. He has held various positions successively in the Company, including the manager, the senior manager and the deputy general manager of the Treasury Department. Since January 2015, he has served as the deputy general manager of the Legal Affairs Department (in charge of daily work) of the Company. Mr. Peng Nianhua graduated from the International Business School of Hunan University in Changsha, Hunan Province, the PRC, majoring in international finance, and obtained a bachelor's degree in economics in June 1999. He graduated from Peking University in Beijing, the PRC, majoring in law and obtained a master's degree in law in July 2008. In November 2003, Mr. Peng Nianhua obtained the qualification of intermediate economist issued by the Ministry of Personnel of the PRC.

### JOINT COMPANY SECRETARIES

**Mr. Huang Min (黃敏)** is one of our joint company secretaries. For details of his biography, please refer to “– Directors – Executive Directors” in this section.

**Ms. Wong Sau Ping (黃秀萍)** is one of our joint company secretaries. Ms. Wong is a senior manager of the Listing Service Department of TMF Hong Kong Limited (a fellow subsidiary of KCS Hong Kong Limited). She has over 14 years' experience in the company secretarial field. Ms. Wong was employed by one of the big four international audit firms to provide services for large and well-known companies listed on the Stock Exchange. Ms. Wong holds a bachelor's degree in business administration and a master's degree in professional accounting and information systems. She is a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

**CORE MANAGEMENT**

The core management of the Company consists of the chairman of the Board, executive Directors, senior management as well as the core members of our Leasing Business Development and Examination Committee, Leasing Business Review Committee, Asset and Liability Management Committee and Risk Management and Internal Control Committee. The core management is responsible for the daily business operations and management of the Group, as well as formulating the Group's business strategies, long-term development plan and investment strategies.

The composition and main responsibilities of our Leasing Business Development and Examination Committee, Leasing Business Review Committee, Asset and Liability Management Committee and Risk Management and Internal Control Committee are as below:

- Leasing Business Development and Examination Committee mainly consists of Fan Xun, Geng Tiejun, Huang Xuemei, Wang Qian, Zhang Lingzhi and Peng Nianhua. Fan Xun serves as the chairman of the Leasing Business Development and Examination Committee. The committee is primarily responsible for reviewing and deciding on whether to include the proposed projects submitted by the business departments into the preliminary pipeline, determining the list of crucial projects, and advising in relation to problems and difficulties in the course of business development.
- Leasing Business Review Committee mainly consists of Fan Xun, Geng Tiejun, Ai Yang, Li Jungang, Xu Xiaowu, Fang Yunqun, Huang Min, Hu Xiaoyun, Huang Xuemei, Yuan Hong, Liu Xiaozhou, Wang Qian, Han Zhenhai, Zhang Lingzhi and Peng Nianhua. Geng Tiejun serves as the chairman of the Leasing Business Review Committee. The committee is primarily responsible for reviewing and approving leasing projects, including both finance and operating lease projects, purchases of leased assets (with pre-existing leases), transfers of rights to finance leases receivable and acquisitions of operating lease assets (mainly aircraft).
- Asset and Liability Management Committee mainly consists of Fan Xun, Geng Tiejun, Xu Xiaowu, Hu Xiaoyun, Huang Xuemei, Wang Qian and Zhang Lingzhi. Fan Xun serves as the chairman of the Asset and Liability Management Committee. The committee is mainly responsible for managing market and liquidity risks as well as facilitating the management of our capital, assets and liabilities. Its main duties include analyzing and assessing the overall operations regarding our assets and liabilities and making appropriate management decisions based on the analysis of the macroeconomic environment, and coordinating and supervising the adjustments of the size and composition of our assets and liabilities as well as our sources of funding and scale of liquidity. It is also responsible for managing and controlling our market risk and liquidity risk, and reviewing our capital adequacy ratio and allocation of economic capital.



- Risk Management and Internal Control Committee mainly consists of Wang Xuedong, Fan Xun, Geng Tiejun, Xu Xiaowu, Fang Yunqun, Hu Xiaoyun, Huang Xuemei, Wang Qian, Zhang Lingzhi and Peng Nianhua. Wang Xuedong serves as the chairman of the Risk Management and Internal Control Committee. The committee is primarily responsible for reviewing the risk management objectives, risk appetite, strategies, and risk measurement models, methods and standards, formulating systematic regimes, procedures and methods within acceptable risk levels as determined by the Board, and taking appropriate risk control measures. It is also responsible for examining the stress test results of our comprehensive risks, assessing the impact of major risk events, determining risk mitigation plans, reviewing non-performing and risky projects promptly and proposing risk prevention policies and measures.

## **BOARD COMMITTEES**

The Company has established five Board committees in accordance with the relevant PRC laws and regulations and the corporate governance practice under the Hong Kong Listing Rules, including the Risk Management and Internal Control Committee, the Related Party Transaction Control Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee.

### **Risk Management and Internal Control Committee**

The Risk Management and Internal Control Committee of the Company consists of seven Directors, namely Wang Xuedong, Fan Xun, Geng Tiejun, Huang Min, Liu Hui, Li Yingbao and Zheng Xueding. Wang Xuedong currently serves as the chairman of the Risk Management and Internal Control Committee. The primary duties of the Risk Management and Internal Control Committee of the Company are as follows:

1. to supervise senior management's control on credit risk, liquidity risk, market risk, operational risk, compliance risk, reputational risk and other risks;
2. to make a regular assessment of the Company's risk policies, management status and risk tolerance capacity;
3. to make suggestions on the optimization of risk management and internal control of the Company;
4. other matters required by the laws, regulations, regulatory documents, and rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

**Related Party Transaction Control Committee**

The Related Party Transaction Control Committee of the Company consists of five Directors, namely Xu Jin, Geng Tiejun, Huang Min, Zheng Xueding and Zhang Xianchu. Xu Jin currently serves as the chairman of the Related Party Transaction Control Committee. The primary duties of the Related Party Transaction Control Committee of the Company are as follows:

1. to manage related party transactions;
2. to review and approve related party transactions;
3. to control the risks of related party transactions;
4. other matters required by the laws, regulations, regulatory documents, and rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

**Audit Committee**

The Audit Committee of the Company consists of five Directors, namely Zheng Xueding, Liu Hui, Li Yingbao, Xu Jin and Zhang Xianchu. Zheng Xueding currently serves as the chairman of the Audit Committee. The primary duties of the Audit Committee of the Company are as follows:

1. to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;
2. to review the financial information and relevant disclosures of the Company;
3. to consider and approve the internal control evaluation proposal of the Company, and supervise and evaluate the internal control of the Company;
4. to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of the internal audit of the Company and formulate the medium- to long-term audit plan, annual working plan and internal audit system setting plan of the Company as authorized by the Board, and report to the Board;
5. to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;
6. to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;
7. to monitor the non-compliance of the Company in respect of the financial reports and internal control;
8. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

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## **DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES**

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### **Remuneration Committee**

The Remuneration Committee of the Company consists of five Directors, namely Zhang Xianchu, Fan Xun, Li Yingbao, Zheng Xueding and Xu Jin. Zhang Xianchu currently serves as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are as follows:

1. to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval;
2. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

### **Nomination Committee**

The Nomination Committee of the Company consists of five Directors, namely Wang Xuedong, Liu Hui, Zheng Xueding, Xu Jin and Zhang Xianchu. Wang Xuedong currently serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are as follows:

1. to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;
2. to make recommendations to the Board on the nomination of candidates for Directors, presidents and secretary of the Board;
3. to preliminarily examine the eligibility of candidates for Directors and senior management;
4. to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees;
5. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

## **REMUNERATION AND COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

The Company offers the executive Directors, Supervisors (excluding external Supervisors, namely Lei Yanzheng and Sun Zhikun) and senior management, as its employees, with remuneration in the form of salaries, incentive payments, housing allowances, pensions and other social insurance benefits. Independent non-executive Directors receive compensation according to their duties (including serving as members or chairmen of the Board committees).

For the three years ended December 31, 2013, 2014 and 2015, the aggregate remuneration before tax paid to our Directors, Supervisors and senior management was RMB11,964,000, RMB10,498,000 and RMB12,373,000, respectively. In accordance with the arrangements currently in force, the aggregate remuneration before tax payable to the Directors and Supervisors for the year ending December 31, 2016 is estimated to be approximately RMB8,700,000.

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## **DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES**

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For the three years ended December 31, 2013, 2014 and 2015, the aggregate remuneration before tax paid to our five highest paid individuals by the Group was approximately RMB6,763,000, RMB6,135,000 and RMB7,022,000, respectively.

During the Track Record Period, no remuneration was paid by the Group or received by any Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

During the Track Record Period, none of our non-executive Directors and external Supervisors received any remuneration and none of the other Directors or Supervisors of the Company waived any remuneration. Save as disclosed above, during the Track Record Period, there were no other payments paid or payable to our Directors, Supervisors or five highest paid individuals by the Company or any of its subsidiaries.

### **COMPLIANCE ADVISOR**

We have appointed Zhongtai International Capital Ltd. as our compliance advisor (the “Compliance Advisor”) upon the proposed Listing pursuant to Rule 3A.19 of the Hong Kong Listing Rules.

We have appointed Zhongtai International Capital Ltd. as the Compliance Advisor of the Company pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the date of the Listing of our H Shares on the Stock Exchange and ending on the date on which the Company distributes the annual report in respect of the financial results for the first full financial year commencing after the date of the Listing, or the date on which the agreement between the Compliance Advisor and us is terminated, whichever is earlier.

The Compliance Advisor shall provide the Company with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and acting as one of the principal channels of communication between the Company and the Stock Exchange when necessary.

The Company agrees to indemnify the Compliance Advisor for actions against and losses incurred by the Compliance Advisor arising out of, or in connection with, certain events, including the performance by the Compliance Advisor of its duties under the agreement between the Compliance Advisor and us.

The Compliance Advisor will act as the additional channel of communication between the Company and the Stock Exchange.

The Company will terminate the appointment of the Compliance Advisor if the Compliance Advisor’s work does not meet our expectation. However, if, after the termination of the appointment of the Compliance Advisor, the Company does not have a compliance advisor pursuant to Rule 19A.05(3)(a) of the Listing Rules, the Company shall not be entitled to exercise such right unless a new compliance advisor acceptable to the Stock Exchange has been appointed by the Company in accordance with the requirements of Rule 19A.05(3)(a) of the Listing Rules. The Compliance Advisor will have the right to terminate its term of office at any time by notice.

## SHARE CAPITAL

This section presents certain information regarding the share capital of our Company following the completion of the Global Offering.

As of the Latest Practicable Date, the registered share capital of our Company was RMB9,500,000,000, divided into 9,500,000,000 Domestic Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be as follows:

Description of Shares	Number of Shares	Approximate percentage of registered share capital
Domestic Shares . . . . .	9,190,000,000	72.94%
H Shares converted from Domestic Shares and held by NSSF . . . . .	310,000,000	2.46%
H Shares to be issued under the Global Offering . . . . .	3,100,000,000	24.60%
<b>Total Share Capital . . . . .</b>	<b>12,600,000,000</b>	<b>100.00%</b>

Assuming the Over-allotment Option is exercised in full, the share capital of the Company immediately after the Global Offering will be as follows:

Description of Shares	Number of Shares	Approximate percentage of registered share capital
Domestic Shares . . . . .	9,143,500,000	69.98%
H Shares converted from Domestic Shares and held by NSSF . . . . .	356,500,000	2.73%
H Shares to be issued under the Global Offering . . . . .	3,565,000,000	27.29%
<b>Total Share Capital . . . . .</b>	<b>13,065,000,000</b>	<b>100.00%</b>

## CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

### Conversion of Domestic Shares

We have two classes of ordinary Shares, H Shares and Domestic Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange. Upon completion of the Global Offering, all unlisted Shares are Domestic Shares held by our Shareholders CDB, HNA Group, Xi'an Aircraft Industry, Jiangsu Jia Yuan, Qitian Holding, Bank of Urumqi, Sichuan Financial Leasing and Huilian Assets Management and, therefore, the scope of our unlisted Shares is the same as the scope of our Domestic Shares. The term "unlisted Shares" is used to describe whether certain Shares are listed on a stock exchange and is not unique to PRC laws.

According to stipulations made by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, the requisite internal approval processes (but without the necessity of shareholders' approval by class) have been duly completed and the approvals from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

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## SHARE CAPITAL

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If any of our Domestic Shares are to be converted and to be traded as H Shares on the Stock Exchange, such conversion will be subject to the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Stock Exchange is required for the listing of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any subsequent listing of additional Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No shareholder voting by class is required for the listing and trading of the converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

As confirmed by our PRC legal advisors, DeHeng Law Offices, the Articles of Association are consistent with the relevant PRC laws and regulations on the conversion of Domestic Shares.

### **Mechanism and Procedures for Conversion**

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from our Domestic Shares register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditioned on (i) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to trade on the Stock Exchange complying with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our promoters currently proposes to convert any of the unlisted Shares held by it into H Shares, except for the unlisted Shares to be converted and transferred to the NSSF in connection with the Global Offering, which is detailed in “– Transfer of State-owed Shares” of this section.

### **RANKING**

Our Domestic Shares and H Shares are both ordinary Shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC or through Shanghai-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be purchased or transferred between legal or natural persons of the PRC, qualified foreign institutional investors and qualified foreign strategic investors. We shall pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in RMB. See “Appendix IV – Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions” and “Appendix V – Summary of Articles of Association” in this prospectus for details of the circumstances under which general meetings and class meetings of the Company are required.

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## SHARE CAPITAL

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Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix V to this prospectus, our H Shares and our Domestic Shares will rank equally with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date. We have not approved any share issue plan other than the Global Offering.

### **TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE**

The Company Law provides that in relation to the Hong Kong Public Offering of a company, the shares issued by a company prior to the Hong Kong Public Offering shall not be transferred for a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date. However, the Shares to be transferred to NSSF by state-owned Shareholders in accordance with relevant PRC regulations regarding the reduction of state-owned shares are not subject to such statutory restrictions on transfer following their transfer to NSSF.

### **TRANSFER OF STATE-OWNED SHARES**

In accordance with relevant PRC regulations regarding the transfer of holdings in state-owned shares, state-owned shares of our Company are required to be transferred to NSSF and such number of Shares as in aggregate would be equivalent to 10% of the number of the Shares issued under the Global Offering. At the time of the listing of our H Shares on the Stock Exchange, such Shares will be converted into H Shares on a one-for-one basis. These H Shares will only be considered as part of the Shares to be held by public investors for the purpose of Rule 8.08 of the Listing Rules. We will not receive any proceeds from the transfer to NSSF of such state-owned Shares by the state-owned Shareholders or any subsequent disposal of such H Shares by NSSF.

The transfer of state-owned Shares held by CDB and Xi'an Aircraft Industry to NSSF was approved by MOF on February 6, 2016 and by NSSF on June 15, 2016. The conversion of those Domestic Shares into H Shares was approved by the CSRC on May 11, 2016. We have been advised by our PRC legal advisors, DeHeng Law Offices, the transfer and the conversion and the holding of H Shares by NSSF following such transfer and conversion have been approved by the relevant PRC authorities and are legal under the PRC law.

### **REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE**

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on an overseas stock exchange with the CSDC within 15 business days upon listing and provide a written report to the CSRC regarding the centralized registration and deposit of its non-overseas listed shares as well as the current offering and listing of shares.

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with six cornerstone investors (the “Cornerstone Investors” and each a “Cornerstone Investor”), pursuant to which the Cornerstone Investors have agreed to subscribe, or, if applicable, to cause their designated entities (each an “Investor Subsidiary”) to subscribe, for certain number of H Shares at the Offer Price (the “Cornerstone Placing”) as described below.

Assuming an Offer Price of HK\$1.90 (being the low end of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be 2,446,584,000 representing approximately (i) 78.9% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 19.4% of the Shares in issue upon completion of the Global Offering assuming that the Over-allotment Option is not exercised; and (iii) 18.7% of the Shares in issue upon completion of the Global Offering assuming that the Over-allotment Option is fully exercised. Assuming an Offer Price of HK\$2.18 (being the mid-point of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be 2,420,344,000, representing approximately (i) 78.1% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 19.2% of the Shares in issue upon completion of the Global Offering assuming that the Over-allotment Option is not exercised; and (iii) 18.5% of the Shares in issue upon completion of the Global Offering assuming that the Overallotment Option is fully exercised. Assuming an Offer Price of HK\$2.45 (being the high end of the Offer Price range set out in this prospectus), the total number of H Shares subscribed by the Cornerstone Investors would be 2,400,724,000, representing approximately (i) 77.4% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 19.1% of the Shares in issue upon completion of the Global Offering assuming that the Over-allotment Option is not exercised; and (iii) 18.4% of the Shares in issue upon completion of the Global Offering assuming that the Over-allotment Option is fully exercised.

The Cornerstone Placing will form part of the International Offering and none of such Cornerstone Investors will subscribe for any Offer Share under the Global Offering (other than and pursuant to their respective cornerstone investment agreement). The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Company except for the Offer Shares to be subscribed for by Three Gorges Capital (as defined below in this section). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, and except for Three Gorges Capital, none of the Cornerstone Investors will become a substantial shareholder of our Company (as defined under the Hong Kong Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in “Structure of the Global Offering – The Hong Kong Public Offering” in this prospectus.

To the best knowledge of our Company, as of the date of this prospectus, each of the Cornerstone Investors is an Independent Third Party and independent of other Cornerstone Investors, not our connected person and not an existing Shareholder or close associates of our Company.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or around Friday, July 8, 2016.



**CORNERSTONE INVESTORS**

We set out below a brief description of our Cornerstone Investors:

**Three Gorges Capital**

Three Gorges Capital Holdings Co., Ltd. (“Three Gorges Capital”) has agreed to subscribe for 1,306,500,000 Offer Shares at the Offer Price, representing (i) 42.1% of the Offer Shares, assuming that the Over-allotment Option is not exercised; and (ii) approximately 10.4% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Three Gorges Capital is a wholly-owned subsidiary directly held by China Three Gorges Corporation. As the capital operation service platform, financial investment platform and new business incubator platform of China Three Gorges Corporation, Three Gorges Capital primarily engaged in businesses including industrial investment, equity investment, securities investment, asset management and investment consultancy.

Immediately upon completion of the Global Offering, Three Gorges Capital will become a substantial shareholder and a connected person of the Company. Accordingly, the International Offer Shares which are acquired by Three Gorges Capital will not count towards the public float of our Company.

**China Re Group**

China Reinsurance (Group) Corporation (“China Re Group”) has agreed to subscribe for 370,800,000 Offer Shares at the Offer Price, representing (i) 12.0% of the Offer Shares, assuming that the Over-allotment Option is not exercised; and (ii) approximately 2.9% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

China Re Group was jointly incorporated by Ministry of Finance with 12.72% and Central Huijin with 71.56%. China Re Group provides comprehensive products and services including reinsurance, primary insurance, asset management and insurance brokerage, etc. China Re Group was listed on Main Board of Hong Kong Stock Exchange on October 26, 2015, with stock code of 01508.

**Hengjian International**

Hengjian International Investment Holding (Hong Kong) Limited (“Hengjian International”) has agreed to subscribe for 252,000,000 Offer Shares at the Offer Price, representing (i) 8.1% of the Offer Shares, assuming that the Over-allotment Option is not exercised; and (ii) approximately 2.0% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Hengjian International, incorporated in Hong Kong and wholly owned by Guangdong Hengjian Investment Holding Co., Ltd (“GD Hengjian”), serves as GD Hengjian’s only overseas investment vehicle. GD Hengjian is registered in the PRC, funded and established by the State-owned Assets Supervision and Administration Commission of Guangdong Province, and is the only provincial level state-owned capital management enterprise with the support of the People’s Government of Guangdong Province. GD Hengjian undertakes four pivotal roles including financing, investing, state-owned asset management, and capital management on behalf of People’s Government of Guangdong Province.

**Fortune Eris**

Fortune Eris Holding Company Limited (“Fortune Eris”) has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 2,000 H Shares) which may be purchased with an aggregate amount of US\$50 million at the Offer Price. Assuming the Offer Price of HK\$1.90, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Fortune Eris would subscribe for would be 204,284,000, representing (i) 6.6% of the Offer Shares, assuming that the Over-allotment Option is not exercised; and (ii) approximately 1.6% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$2.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Fortune Eris would subscribe for would be 178,044,000, representing (i) 5.7% of the Offer Shares, assuming that the Over-allotment Option is not exercised; and (ii) approximately 1.4% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK\$2.45, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Fortune Eris would subscribe for would be 158,424,000, representing (i) 5.1% of the Offer Shares, assuming that the Over-allotment Option is not exercised; and (ii) approximately 1.3% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Fortune Eris, a company incorporated in the British Virgin Islands, is a special investment vehicle directly and wholly owned by CSSC (Hong Kong) Shipping Company Limited (“CSSC Shipping”). CSSC Shipping was established by China State Shipbuilding Corporation in Hong Kong. CSSC Shipping is one of the leading financial services institutions in the field of shipping finance, focusing on financial leasing, assets management, consultancy, investment and financing for ship, offshore and marine engineering, among other services.

**BOCGI**

Bank of China Group Investment Limited (“BOCGI”) has agreed to subscribe for 159,000,000 Offer Shares at the Offer Price, representing (i) 5.1% of the Offer Shares, assuming that the Over-allotment Option is not exercised; and (ii) approximately 1.3% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

BOCGI is the principal vehicle and platform for the direct investment and management business of Bank of China Limited (“Bank of China”, listed on the Hong Kong Stock Exchange, stock code: 03988, and listed on the Shanghai Stock Exchange, stock code: 601988). It is also an integral part of the Bank of China in pursuit of internationalization and diversification of its business. Over the years, by exercising its strength as a professional investment platform, it has invested extensively in major infrastructure and key projects in the real estate, industry, energy, transportation, media, hotel and financial service industries.

**CCCC International**

CCCC International Holding Limited (“CCCC International”) has agreed to subscribe for 154,000,000 Offer Shares at the Offer Price, representing (i) 5.0% of the Offer Shares, assuming that the Over-allotment Option is not exercised; and (ii) approximately 1.2% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

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## CORNERSTONE INVESTORS

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CCCC International is a company incorporated in Hong Kong, and is a subsidiary and the overseas investment platform of China Communications Construction Company Limited (“CCCC”). CCCC was established in 2006 under the approval of the State Council. It is a listed company on the Hong Kong Stock Exchange (stock code: 1800) and the Shanghai Stock Exchange (stock code: 601800). According to its 2015 annual report, CCCC and its subsidiaries are a leading transportation infrastructure group in the PRC, and is an industry leader in each of its four core business, namely, infrastructure construction, infrastructure design, dredging and heavy machinery manufacturing. CCCC is also China’s largest port design and construction company, China’s leading highway and bridge construction and design company, China’s leading railway construction enterprise, China’s largest international engineering contractor and China’s largest engineering design company, as well as the world’s largest dredging company and container crane manufacturer.

### **Conditions Precedent**

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto) and not having been terminated;
- (b) the Listing Committee of the Hong Kong Stock Exchange having granted the Listing of, and permission to deal in, the H Shares and that such approval or permission has not been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange; and
- (c) the respective representations, warranties, undertakings and acknowledgements of the relevant Cornerstone Investor and the Company under the relevant cornerstone investment agreement are, at the relevant time, accurate and true in all material respects and not misleading and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

### **Restrictions on the Cornerstone Investors’ Investment**

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company, the Joint Global Coordinators and the Joint Sponsors, it will not, and will procure that the Investor Subsidiary (if any) will not, at any time during the period of six (6) months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the H Shares or any interest in any company or entity holding any of the relevant H Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investor.

For illustrative purpose only, the calculation of the number of H Shares agreed to be purchased by the Cornerstone Investors under this section is based on the exchange rate of US\$1.0 to HK\$7.7628.

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## SUBSTANTIAL SHAREHOLDERS

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Immediately following the completion of the Global Offering (and assuming the Over-allotment Option is not exercised), our share capital will comprise 9,190,000,000 Domestic Shares and 3,410,000,000 H Shares, representing approximately 72.94% and 27.06% of our total share capital, respectively.

The following table sets out the shareholdings of our substantial shareholders (as defined under Part XV of the SFO) immediately following the completion of the Global Offering (assuming Over-allotment Option is not exercised):

<u>Name of Shareholder</u>	<u>Class of Shares to be held after the Global Offering</u>	<u>Number of Shares to be held after the Global Offering</u>	<u>Nature of interest</u>	<u>Approximate percentage of shareholding in the relevant class of Shares after the Global Offering</u>	<u>Approximate percentage of shareholding in the total share capital of the Company after the Global Offering</u>
CDB . . . . .	Domestic Shares	8,145,494,832	Beneficial interest	88.63%	64.65%
Three Gorges Capital . .	H Shares	1,306,500,000	Beneficial interest	38.31%	10.37%
HNA Group . . . . .	Domestic Shares	795,625,000	Beneficial interest	8.66%	6.31%
China Re Group . . . . .	H Shares	370,800,000	Beneficial interest	10.87%	2.94%
NSSF . . . . .	H Shares	310,000,000	Beneficial interest	9.09%	2.46%
Hengjian International. .	H Shares	252,000,000	Beneficial interest	7.39%	2.00%
Fortune Eris . . . . .	H Shares	204,284,000 <sup>(1)</sup>	Beneficial interest	5.99%	1.62%

(1) Assuming an Offer Price of HK\$1.90 (being the low end of the Offer Price range set out in this prospectus).

## SUBSTANTIAL SHAREHOLDERS

The following table sets out the shareholdings of our substantial shareholders (as defined under Part XV of the SFO) immediately following the completion of the Global Offering (assuming Over-allotment Option is exercised in full):

Name of Shareholder	Class of Shares to be held after the Global Offering	Number of Shares to be held after the Global Offering	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering
CDB . . . . .	Domestic Shares	8,099,829,116	Beneficial interest	88.59%	62.00%
Three Gorges Capital . .	H Shares	1,306,500,000	Beneficial interest	33.32%	10.00%
HNA Group . . . . .	Domestic Shares	795,625,000	Beneficial interest	8.70%	6.09%
China Re Group . . . . .	H Shares	370,800,000	Beneficial interest	9.46%	2.84%
NSSF . . . . .	H Shares	356,500,000	Beneficial interest	9.09%	2.73%
Hengjian International. .	H Shares	252,000,000	Beneficial interest	6.43%	1.93%
Fortune Eris . . . . .	H Shares	204,284,000 <sup>(2)</sup>	Beneficial interest	5.21%	1.56%

(2) Assuming an Offer Price of HK\$1.90 (being the low end of the Offer Price range set out in this prospectus).

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering, have an interest or short position in our Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO. To our best knowledge, we are not aware of any relationship between our substantial shareholders as of the Latest Practicable Date. We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

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## RELATIONSHIP WITH CDB

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### OVERVIEW

As of the Latest Practicable Date, CDB, our sole Controlling Shareholder, owned approximately 88.95% of our total issued share capital. Immediately following the completion of the Global Offering, CDB will own approximately 64.65% of our total issued share capital (assuming the Over-allotment Option is not exercised) or approximately 62.00% of our total issued share capital (assuming the Over-allotment Option is exercised in full). CDB will remain as our sole Controlling Shareholder after the Listing.

### OUR RELATIONSHIP WITH CDB

#### Our principal business

Our principal business includes providing comprehensive leasing services to high-quality customers in industries including aviation, infrastructure, shipping, commercial vehicle and construction machinery (the “Restrained Business”).

#### Principal business of CDB

CDB was established on July 1, 1994 with a registered capital of approximately RMB421,248 million. As a development finance institution established by the PRC government, CDB provides strategic services for the medium to long-term development of the national economy, principally through the engagement of financial services such as medium to long-term credit lending and investment. CDB is a leading bank for China’s medium to long-term credit lending and the largest domestic bank for foreign currency loans in China. As of the Latest Practicable Date, the shareholders of CDB were the Ministry of Finance, Central Huijin, Wutongshu Investment Platform and NSSF, owning approximately 36.54%, 34.68%, 27.19% and 1.59% of its equity interest, respectively.

#### No competition with CDB under Rule 8.10 of the Listing Rules

CDB holds an approximately 8.45% equity interest in Sino-foreign Xinxin Financial Leasing Company Limited (芯鑫融資租賃有限公司) (“Xinxin Financial Leasing”) through its wholly owned subsidiary China Development Bank International Holdings Limited (國開國際控股有限公司). In addition, CDB, through its wholly owned subsidiary China Development Bank Financing Company Limited (國開金融有限責任公司) (“CDB Financing”), holds an approximately 22.29% equity interest in State Integrated Circuit Industry Investment Fund Company Limited (國家集成電路產業投資基金股份有限公司) (“State Integrated Circuit”), which, in turn, owns an approximately 35.21% equity interest in Xinxin Financial Leasing. CDB Financing has no control over the board of directors of State Integrated Circuit, thus is not able to exercise control over the 35.21% equity interest in Xinxin Financial Leasing held by State Integrated Circuit. CDB is not the largest shareholder of Xinxin Financial Leasing. In addition, the main business of Xinxin Financial Leasing focuses on integrated circuit industry, which is clearly delineated from our Restrained Business. Except as disclosed above, CDB does not hold any equity interest in any other company which is principally engaged in the leasing business. On the basis of the above, our Directors are of the view that CDB, the sole Controlling Shareholder of the Company, is not interested in a business, apart from the Company’s business, which competes or is likely to compete, either directly or indirectly, with the Company’s business under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

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## RELATIONSHIP WITH CDB

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Given that (i) our strategy is to focus our main businesses on industries including aviation, infrastructure, shipping, commercial vehicle and construction machinery, whereas the main business of Xinxin Financial Leasing focuses on the integrated circuit industry, our Directors are of the view that there is a clear delineation of the businesses of Xinxin Financial Leasing and our Company; and (ii) our Company would not consider acquiring Xinxin Financial Leasing from CDB given that CDB is not able to exert sufficient or effective control over Xinxin Financial Leasing for its 8.45% (less than 10%) equity interests in Xinxin Financial Leasing holding, it is in the best interests of our Company and Shareholders to exclude Xinxin Financial Leasing from our Company.

### COMPETING INTERESTS OF DIRECTORS

Our Directors have confirmed that they are not interested in any business, apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

### NON-COMPETITION UNDERTAKING

To avoid any actual or potential competition between the business of CDB and our Company, CDB undertook on June 13, 2016 (the "Non-Competition Undertaking") that, subject to certain exceptions and except as disclosed in this prospectus, CDB shall not, and shall procure that its associates will not, engage in any business which, directly or indirectly, competes with the Restrained Business, carried on by the Company within the period during which (a) the H Shares of our Company are listed on the Stock Exchange (including the circumstances under which trading of our H Shares is suspended in accordance with the Listing Rules), and (b) CDB and its associates, individually or directly and/or indirectly in aggregation, hold no less than 30% of the voting rights at the general meeting of our Company or control the exercise of no less than 30% voting rights at the general meeting of our Company (the "Restrained Period").

The Non-Competition Undertaking above does not apply in the following circumstances:

- CDB having interests in the shares of any member of our Group; or
- CDB having interests in the shares of a company other than our Group provided that:
  - (i) any Restrained Business conducted or engaged by such company (and its relevant assets) accounts for less than 10% of our Group's consolidated revenue and consolidated assets as shown in our Group's latest audited accounts; and
  - (ii) CDB and its associates are not entitled to appoint a majority of the directors of that company. In addition, that company shall at any time have at least one shareholder whose shareholding is more than the shareholding in aggregate owned by CDB and its associates, or that company is controlled by a third party; and
  - (iii) CDB and its associates are not in control of the board of directors of that company.

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## RELATIONSHIP WITH CDB

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### **Option for New Business Opportunities**

CDB has undertaken in the Non-Competition Undertaking that within the Restrained Period, if CDB and its associates become aware of, have received notice about, are recommended or provided with a new business opportunity which will directly or indirectly compete with the Restrained Business, including but not limited to the opportunities which are the same as or similar to the Restrained Business (the “New Business Opportunities”), CDB shall, and shall procure that its associates will refer or recommend the New Business Opportunities to our Group subject to relevant laws, requirements or contractual arrangements with third parties in accordance with the following:

- (i) CDB shall provide our Group with a written notification which includes all reasonable and necessary information known by CDB and/or its associates (including but not limited to the nature of the New Business Opportunities and necessary information relating to the cost of the relevant investment or acquisition) for our Group to consider (a) whether the New Business Opportunities constitute competition or potential competition to the Restrained Business; and (b) whether engaging in such New Business Opportunities would be in the best interests of our Group (the “Offer Notice”); and
- (ii) our Group shall respond to CDB and/or its associates within 30 days upon receipt of the Offer Notice. If our Group fails to reply to CDB and/or its associates within the above period, it shall be deemed to have abandoned the New Business Opportunities. If our Group determines to take up the New Business Opportunities, CDB and/or its associates would be obligated to offer such New Business Opportunities to our Group.

### **Pre-emptive Right**

CDB has undertaken that within the Restrained Period, if CDB and/or its associates intend to transfer, sell, lease or license concession to a third party any businesses engaged in by CDB and/or its associates which competes or potentially competes with the Restrained Business or any other businesses which would cause direct or indirect competition with the Restrained Business, it shall offer our Group such opportunity with a pre-emptive right on equal terms subject to the relevant laws, regulations and contractual arrangements with third parties in accordance with the following:

- (i) CDB and/or its associates shall provide our Group with written notice no later than the time of any such disposal (the “Disposal Notice”). For the avoidance of doubt, CDB and/or its associates are entitled to provide information and/or a Disposal Notice relating to such disposal to any third parties at the same time as or after providing the Disposal Notice to our Group;
- (ii) our Group shall reply to CDB and/or its associates in writing by whichever is the later of (a) the 30th day after receipt of the Disposal Notice and (b) the expiration of the period offered to third parties for them to reply, before exercising the pre-emptive right;



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## RELATIONSHIP WITH CDB

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- (iii) if our Group intends to take up such pre-emptive right, the terms shall be determined with reference to fair market price; and
- (iv) CDB and/or its associates shall not dispose of such businesses and interests to any third parties unless (a) our Group declines to purchase such businesses and interests in writing; (b) the notice of exercising such pre-emptive right has not been received by CDB and/or its associates from our Group by whichever is the later of (A) the 30th day after receipt of the Disposal Notice and (B) the expiration of the period offered to third parties for them to reply; or (c) our Group fails to offer CDB and/or its associates the same or more favorable terms of acquisition than those offered by any third parties to CDB and/or its associates.

For the avoidance of doubt, the terms of disposal offered by CDB and/or its associates to any third parties shall not be more favorable than those to be offered to our Group.

### **Option for Purchase**

Within the Restrained Period, on the condition that no relevant laws and regulations are breached and agreements with third parties are complied with, our Group is entitled to acquire any businesses operated by CDB and/or its associates which compete or potentially compete with the Restrained Business or to have the option to acquire any businesses or any interests engaged by CDB and/or its associates through the New Business Opportunities (the “Option for Purchase”). Our Group is entitled to exercise the Option for Purchase at any time, and CDB and/or its associates shall offer the Option for Purchase to our Group based on the conditions below:

- (i) the commercial terms of the proposed acquisition shall be formed solely by a committee consisting of our independent non-executive Directors after consulting the views of independent experts. Furthermore, such commercial terms shall be based on negotiation between the parties in line with the normal commercial practice of our Group, and which is fair, reasonable and in compliance with the interests of our Group as a whole, as in accordance with the negotiations with CDB and its associates.
- (ii) however, if a third party has the pre-emptive right in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited to, articles of association and/or shareholders’ agreements), our Group’s Option for Purchase shall be subject to such third-party rights. In such a case, CDB and/or its associates will use their best efforts to persuade the third party to waive its pre-emptive rights.

### **CDB’s Further Undertakings**

CDB has further undertaken that, subject to relevant laws, regulations or contractual arrangements with third parties:

- (i) upon the request of our Group, it shall provide, and shall procure that its associates will provide, any necessary information for the implementation of the Non-Competition Undertaking;
- (ii) it shall allow the authorized representatives or auditors of our Group to have reasonable access to the financial and corporate information necessary to its transactions with third parties, which would assist with the judgment of our Group in respect of whether CDB and/or its associates have complied with the Non-Competition Undertaking; and

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- (iii) it shall ensure that, within 10 days of receipt of the written request from our Group, necessary confirmation shall be made in writing to our Group as to the performance of the Non-Competition Undertaking by CDB and its associates, and the consent of CDB and its associates to allow such confirmation to be included in our annual reports.

### **Corporate measures in relation to the implementation of the Non-Competition Undertaking**

Our Company will also adopt the following procedures to ensure that the undertakings under the Non-Competition Undertaking are observed:

- (i) *Review by independent non-executive Directors* – our independent non-executive Directors will be responsible for reviewing compliance with the Non-Competition Undertaking, including the options for New Business Opportunities, pre-emptive right and Option for Purchase granted by CDB, and for deciding whether or not to take up business opportunities as referred to in the Offer Notice, Disposal Notice and/or the Option for Purchase. In deciding whether to take up such business opportunities, our independent non-executive Directors will consider various factors, including the due diligence to be conducted towards the target businesses, the purchase prices, and the benefits that it will bring to our Group, as well as whether we have adequate management and resources to manage and operate the business operations of such businesses.
- (ii) *Increased transparency* – CDB has undertaken that it will provide all information necessary for the exercise of the options for New Business Opportunities, pre-emptive right and Option for Purchase. We will provide our independent non-executive Directors with the Offer Notice or Disposal Notice (as the case may be) on the new business opportunity or pre-emptive rights referred to us by CDB within seven days of receipt, and our independent non-executive Directors may propose the exercise of the Option for Purchase at any time.
- (iii) *Public disclosure of decisions* – our Company will disclose decisions on matters reviewed by our independent non-executive Directors related to the exercise or non-exercise of options for New Business Opportunities, pre-emptive rights and Option for Purchase either in our annual reports, or by way of announcements to the public. Our independent non-executive Directors will report in our annual reports (a) their findings on the compliance by CDB with the Non-Competition Undertaking and (b) any decision made pursuant to the Options for New Business Opportunities, pre-emptive right and Option for Purchase granted to the Company, and the basis of such decision.

Our Directors are of the view that our independent non-executive Directors have sufficient experience in assessing whether or not to take up New Business Opportunities or exercise our pre-emptive right. In any event, our independent non-executive Directors may appoint a financial advisor or professional expert to provide advice, at the cost of the Company, in connection with the exercise or non-exercise of the option or pre-emptive rights under the Non-Competition Undertaking. Conflicted Director(s), if any, will abstain from relevant meetings.

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## RELATIONSHIP WITH CDB

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### Termination of the Non-Competition Undertaking

The Non-Competition Undertaking will become effective upon Listing and remain in full force.

It will be terminated upon the earlier of:

- (i) CDB and its associates individually, or directly and/or indirectly in aggregation, holding less than 30% of the voting rights or controlling the exercise of less than 30% of the voting rights, in our general meetings; and
- (ii) our H Shares ceasing to be listed on the Stock Exchange (except for the circumstances under which our H Shares are temporarily suspended from listing in accordance with the Listing Rules).

Based on the legally binding obligations of CDB as set out in the Non-Competition Undertaking and the related granting of the option for New Business Opportunities, pre-emptive right and Option for Purchase, and the information sharing and other mechanisms in place as described above to monitor compliance by CDB, our Directors are of the view that our Company has taken all appropriate and practicable measures to ensure compliance by CDB with its obligations under the Non-Competition Undertaking.

### INDEPENDENCE FROM CDB

Taking into consideration the following factors, our Directors believe that we can conduct our business independently from CDB and its associates after the Global Offering.

#### Operational Independence

We operate our businesses independently from CDB. We have obtained relevant qualifications and licenses, independent operating premises, domain names and electronic information systems needed for our businesses.

We have our own organizational structure with self-governing departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have adopted a set of corporate governance manuals, including the rules of procedure for general meetings, rules of procedure for Board meetings, and rules of procedure for meetings of the Board of Supervisors, which are based on relevant laws, rules and regulations.

We have entered into certain continuing connected transactions with CDB in relation to services provided to or by CDB and/or its associates. Such services are not provided to or by CDB and/or its associates on an exclusive basis and may be offered to or by Independent Third Parties on similar terms. See the section “Connected Transactions” of this prospectus for details.

Based on the above, our Directors are of the view that the Company operates independently from CDB.

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### Financial Independence

We have established our own finance department with a team of independent financial staff, and are responsible for our financial management, accounting, reporting, funding and internal control functions independently from CDB.

We can make financial decisions independently, and CDB does not interfere with our use of funds. We have also established an independent audit system, a standardized accounting system and a comprehensive financial management system. In addition, we maintain and manage bank accounts independently and CDB does not share any bank accounts with us. We are registered independently for tax in accordance with applicable laws and we pay tax independently pursuant to applicable PRC tax laws and regulations, rather than on a combined basis with CDB or other enterprises under its control.

In our ordinary course of business, we have been obtaining credit facilities to finance our leasing business and support our daily working capital from around 80 domestic and international banks. As of December 31, 2015, we have been granted credit facilities (comprising bank loans, due to banks and financial assets sold under repurchase agreements) of approximately RMB270 billion by Independent Third Party banks, out of which approximately RMB160 billion had not been used as of December 31, 2015. In addition, as of December 31, 2015, we had obtained bank loans of approximately RMB102,495 million, out of which RMB12,686 million was from CDB, accounting for approximately 12.38% of our then total bank loans. In December 2012, our Company issued US\$500 million five-year and US\$1 billion 10-year senior bonds through our offshore SPC, Amber Circle Funding Limited. The bonds are guaranteed by CDB Hong Kong branch.

In respect of our financing from CDB and the guarantee provided by CDB Hong Kong Branch for our bonds issued in 2012, taking into consideration that: (i) the amounts of our loans and guarantee from CDB are not significant compared with our total credit facilities; (ii) our Group has obtained the credit facilities from a number of Independent Third Party banks, and unused credit facilities are sufficient to cover our loans from CDB; (iii) our Group is able to issue offshore bonds relying solely on our own credit. In November 2014, our Company issued US\$250 million five-year and US\$400 million 10-year senior bonds based on our own credit; (iv) the credit financing from CDB to us is and will continue to be on normal commercial terms; (v) our Group has a record of fund-raising on a standalone basis without credit support from CDB; (vi) the Group has a strong financial position with our business operations established in relatively mature and developed markets; and (vii) the premature release of CDB's financing by us would involve high cost in time and expenses and would not be commercially reasonable or practical, which would be detrimental to the best interests of our Shareholders as a whole, our Directors are of the view that the Company has the ability to obtain financing independently, and our financing from CDB does not affect our financial independence.

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Pursuant to the requirements of the Measures on Financial Leasing Companies, the promoters of financial leasing companies should agree in the articles of association of leasing companies that they will give liquidity support when financial leasing companies have payment difficulties and make up the capital when the operating losses are eroding the capital. According to the Articles of Association, our promoters including CDB are obliged to give liquidity support when our Company has payment difficulties and make up the capital when the operating losses are eroding the capital. As advised by the Company's PRC legal advisors, DeHeng Law Offices, the Measures on Financial Leasing Companies or other relevant laws, rules and regulations do not set out any objective or quantitative basis for defining "payment difficulties" or "operating losses eroding the capital," or specify the extent or timing of the required liquidity support and capital injection. Accordingly, no such details are contained in the Articles of Association. The implementation details of such provision are subject to further interpretation of the competent authorities. The Company will monitor any new implementation rules or guidelines or regulatory opinion that may be issued by regulatory authorities in the future to assist its promoters in fulfilling such obligation.

Based on the above, our Directors are of the view that the Company is financially independent from CDB.

### Management Independence

Currently, two of the nine members of our Board also hold positions in CDB. The following table sets forth the positions held by our Board in CDB:

<u>Name</u>	<u>Major position held in our Company</u>	<u>Major position held in CDB</u>
Liu Hui	Non-executive Director	Deputy director of the Market and Investment Bureau of CDB
Li Yingbao	Non-executive Director	Senior appraisal manager of the First Appraisal Bureau of CDB

Ms. Liu Hui and Mr. Li Yingbao are our non-executive Directors and do not participate in our daily business operations and management. As members of the Board, Ms. Liu and Mr. Li only participate in formulating our corporate and business strategies and the decision-making process of significant events.

Save as disclosed above, as of the Latest Practicable Date, none of our Directors, Supervisors or senior management held any position in CDB.

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## RELATIONSHIP WITH CDB

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We believe our Directors, Supervisors and senior management can independently perform their duties in our Company and we can operate independently from CDB for the following reasons:

- (a) the decision-making mechanism of the Board as specified in the Articles of Association has set out relevant provisions to avoid conflicts of interest, including but not limited to: (i) if the relevant proposal causes conflicts of interest between us and CDB, the Director(s) associated with CDB should abstain from voting and should not be included in the quorum of the meeting of the Board, and the remaining seven Directors have sufficient relevant knowledge and experience to make decisions for us; and (ii) when connected transaction(s) are considered, independent non-executive Directors of the Company shall give their independent opinions to the Board and/or our Shareholders on such connected transaction(s) pursuant to the Listing Rules;
- (b) we have three independent non-executive Directors (representing one-third of the Board members) to balance the numbers of interested Director(s) and independent non-executive Directors for the protection of the interests of the Group and the Shareholders as a whole; and
- (c) our Directors are well aware of their fiduciary duties which, among other things, require them to act in the best interests of the Group and the Shareholders as a whole.

On the basis of the above, and taking into consideration the fact that there is no competition between us and CDB under Rule 8.10 of the Listing Rules, the Directors are of the view that our management is independent from CDB.

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*The following discussion and analysis should be read in conjunction with our consolidated financial statements included in “Appendix I – Accountants’ Report” together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those stated in the forward-looking statements. Factors that might cause future results to differ significantly from those stated in the forward-looking statements include, but are not limited to, those discussed in “Risk Factors” and “Forward-looking Statements” in this prospectus.*

### OVERVIEW

We are the sole leasing business platform and one of the key strategic business segments of CDB, dedicated to providing comprehensive leasing services to high-quality customers in industries, including aviation, infrastructure, shipping, commercial vehicle and construction machinery. We are a pioneer and a leader in the PRC leasing industry. Founded in 1984, we were among the first leasing companies in the PRC and the first CBRC-regulated leasing companies. According to Frost & Sullivan, we were the largest CBRC-regulated leasing company in the PRC in terms of total revenue in 2013, 2014 and 2015, respectively. Our business segments are:

- ***Aircraft Leasing:*** We mainly engage in the acquisition, leasing, management and disposal of commercial aircraft;
- ***Infrastructure Leasing:*** We mainly engage in the leasing of transportation, urban and energy infrastructure;
- ***Ship, Commercial Vehicle and Construction Machinery Leasing:*** We mainly engage in the leasing of vessels, commercial vehicles and construction machinery; and
- ***Other Leasing Business:*** We mainly engage in the leasing of commercial properties, and manufacturing equipment used in various sectors such as chemicals, papermaking, textile, coal and steel.

In 2013, 2014 and 2015, our total revenue and other income was RMB11,677.2 million, RMB11,665.1 million and RMB10,981.3 million, respectively; and our profit for the year was RMB1,886.8 million, RMB1,916.1 million and RMB1,052.5 million, respectively.

### Asset Quality and Profitability

During the Track Record Period, our profitability declined and asset quality deteriorated due primarily to a significant increase in the non-performing assets of our Other Leasing Business, while the asset quality of our Aircraft Leasing and Infrastructure Leasing businesses had remained sound. This is mainly attributable to a combination of the following: (i) certain of our lessees, especially SMEs that operate in the traditional manufacturing industries, experienced operational difficulties and defaulted on our leases, amid the PRC economic slowdown and adverse market conditions; and (ii) our operational and risk management experience in our Other Leasing Business was limited, and we were unable to adequately identify and mitigate the risks associated with this business. Our non-performing assets had increased, resulting in an increase in our impairment losses. In addition, we decided to increase our allowance coverage ratio for non-performing finance lease related assets to over 150% by the end of 2015 for meeting a more stringent CBRC regulatory requirement that will come into effect as of December 31, 2016. This has also resulted in a substantial increase in our impairment losses in 2015. As of December 31, 2013, 2014 and 2015, the non-performing asset ratio of our finance lease business was 0.65%, 1.67% and 2.21%, respectively, and our impairment losses were RMB439.8 million, RMB798.4 million and RMB2,008.2 million, respectively. See “– Asset Quality” and “– Results of Operations – Total Expenses – Impairment losses.” In addition, our net interest margin of finance lease business decreased during the Track Record Period, primarily due to (i) our decision to select projects with lower risk but lower interest rates in response to the changing macroeconomic conditions, and (ii) an increase in our non-performing assets, which no longer generated income. The decrease in net interest margin in 2015 was also because of the time lag between the interest-bearing liabilities of our finance lease business and our finance lease income in respect of the impact of the significant reductions in the PBOC benchmark interest rates in 2015. The decrease in net interest margin in 2014 was also because the funding costs of Renminbi in the first half of 2014 increased following the inadequate market liquidity of Renminbi in the second half of 2013. Consequently, our profitability decreased during the Track Record Period. In 2013, 2014 and 2015, we generated RMB181.4 million, RMB247.7 million and RMB116.6 million of finance lease income, respectively, from our finance leased assets which became non-performing in 2015; and in 2013 and 2014, we generated RMB123.7 million and RMB76.6 million of finance lease income, respectively, from our finance leased assets which became non-performing in 2014.

We have adopted a series of measures to improve profitability and asset quality. We intend to continue to focus on Aircraft Leasing and Infrastructure Leasing since (i) we have competitive advantages with a proven track record in these two segments, (ii) the asset quality of these two segments remained sound during the Track Record Period, and (iii) we are more experienced in serving large and medium-sized enterprises, and most of the customers in these two segments are large and medium-sized enterprises. For our Other Leasing Business, we intend to gradually reduce our existing leased asset balance relating to industries with higher credit risk. In terms of sector selection, we prefer manufacturing enterprises in emerging sectors with strategic importance, such as advanced manufacturing, and environment-friendly sectors as well as sectors encouraged by the NDRC. In terms of customer selection, we prefer large enterprises, industry leaders or high-quality listed companies. We intend to further strengthen our management of credit risk by improving credit enhancement measures and enhancing our macroeconomic and industrial research, post-lease management, collateral management and risk mitigation at various stages of our business. With regard to our existing non-performing assets, we proactively monitor these assets, and manage most of the projects by on-site follow-ups. We also actively explore alternatives, such as debt restructuring, asset restructuring, and asset disposal to reduce our non-performing assets. See “Risk Management – Credit Risk Management.”



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Our Directors expect that the foregoing measures would help gradually stabilize and improve our asset quality and profitability in the foreseeable future. However, due to factors beyond our control, there can be no assurance that this goal will be achieved. See “Risk Factors – Risks Relating to Our Business and Industry – Any inability to maintain our asset quality may have a material adverse impact on our business, financial condition and results of operations.”

### **BASIS OF PRESENTATION**

Our predecessor, Shenzhen Leasing Company Limited, was founded in Shenzhen in 1984. In 2008, CDB became our sole Controlling Shareholder through share acquisition and capital increase. We were restructured into a joint stock limited company in September 2015. See “History, Reorganization and Corporate Structure – Reorganization” for details. Our Controlling Shareholder remains unchanged before and after the Reorganization. Accordingly, the relevant assets and liabilities of our subsidiaries have been recognized at historical cost, except for certain financial instruments that are measured at their fair value.

Our financial statements have been prepared in accordance with IFRS and include applicable disclosure requirements of the Hong Kong Listing Rules and the Hong Kong Companies Ordinance. We prepared our financial statements on a historical cost basis except for certain financial instruments that are measured at their fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Our financial statements are presented in Renminbi, which is our functional currency. We translated our foreign currency financial statements into Renminbi financial statements.

The financial information incorporates our financial statements and financial statements of entities that we have controlled. Control is achieved where we have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by our other members. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

### **PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

The following factors are the principal factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects.

#### **PRC and Global Economic and Market Environment**

Our business and financial condition are largely affected by the PRC and global macroeconomic and market conditions. We generate most of our revenue from our leasing services, the growth of which is dependent on the demand for leasing services from the PRC and overseas markets. After 30 years of rapid development, the economy of China, where we operate our principal business, has entered the “new normal” growth phase, and the economy has started to grow in a slower but more manageable manner. In addition, our business and financial condition are also affected by the changing macroeconomic and local policies in China and abroad, involving inflation or deflation, fluctuations in currency, accessibility to financing and the levels of interest rates.

Our business involves various industries, any volatility of which could affect our business, financial condition and results of operations. Our business primarily comprises Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and

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Other Leasing Business. These business segments are affected, to various extents, by the economic cycle of the relevant industries. The nature, timing and extent of changes in industry-wide conditions are largely unpredictable. When the industry environment is favorable, companies in the industry will expand their business, resulting in increased demand for our leasing services. As the industry cycle heads for a downturn, the unfavorable economic and market conditions may lead to a decline in demand for our services, which may, in turn, result in the default of our customers and deterioration of our leased asset quality.

By business segment, our business, financial condition and results of operations may be affected by the factors below:

- Our Aircraft Leasing business largely depends on the market demand for aircraft, the competition within the aircraft leasing industry, fuel prices, the regulatory environment in the commercial aviation industry and our ability to acquire new aircraft.
- Our customers of the Infrastructure Leasing business mainly comprise enterprises associated with the PRC local governments. Major factors that affect our Infrastructure Leasing business include policies, fiscal budget, financial resources, creditworthiness of the local governments, and the governments' financing plans based on their existing infrastructure assets.
- For our Ship, Commercial Vehicle and Construction Machinery Leasing business, changes in macroeconomic and market conditions may affect the freight and passenger volumes in shipping and highway transportation, and cause changes in the number of infrastructure projects, which may affect the business of our lessees.
- Our customers of the Other Leasing Business are generally SMEs from various industries, such as commercial property, textile, chemical, steel and coal. Due to the constraint in size, SMEs may lack the financial and management resources necessary to withstand the adverse impact of substantial economic volatility or an increasingly stringent regulatory environment, which could leave them more susceptible to the macroeconomic recession. Furthermore, some lessees may reduce or cease their business scale as required by the PRC government due to concerns over environmental impacts and excess production capacity in certain manufacturing industries. As a result, these lessees may delay or default on their lease payments, which could lead to an increase in our non-performing assets.

### **Regulatory Environment and Government Policies**

We are a leasing company regulated by the CBRC. We are also subject to the regulation of the PBOC and the SAFE. Our regulators supervise and regulate us by imposing a series of regulatory ratios such as the capital adequacy ratio, and the maximum amount of lease financing towards a single shareholder or customer. Despite the rapid growth of the PRC leasing industry in recent years, the relevant regulatory regime is still under development. Promulgation of new rules and regulations, and changes in interpretation or application of existing rules and regulations, may affect our implementation of new businesses, the concentration of our clients, and our operating costs, which may affect our business strategies and prospects as well as our ability to effectively compete with other companies not similarly affected. See "Business – Legal and Regulatory."

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In addition, our business development and strategies are also subject to government policies. For example, since 2013, the State Council and the CBRC began to encourage financial institutions (including us) to increase their financing support for SMEs, subject to commercial sustainability and effective risk management. Therefore, we selectively expanded our leasing business to other industries since 2013 and expanded our customer base from large and medium-sized companies to SMEs. In addition, the State Council stated in its guiding opinions in 2015 that leading PRC financial leasing companies with international competitiveness should continue to strengthen their core business segments, such as aircraft leasing, ship leasing and construction machinery leasing, and to participate in leasing business relating to infrastructure development, such as urban and rural public utilities. Such opinions provided a clear guidance for our future business development.

### Interest Rates

In 2015, our finance lease income and operating lease income accounted for 54.6% and 42.3% of our total revenue and other income, respectively, and our interest expense accounted for 52.2% of our total expense. Since both the lease income we receive from leases and the interest we pay on our indebtedness are affected by market interest rates, high volatility in market interest rates will directly affect our financing cost, lease income and net interest margin, and in turn affect our profit margin and financial condition. Fluctuations in market interest rates are subject to various factors beyond our control, such as the regulatory framework of the banking and financial sectors in the PRC and the domestic and international economic and political environment. In addition, the changes in public perceptions of our credit risk will also affect our financing cost.

The majority of the assets and liabilities of our finance lease business are denominated in Renminbi, therefore they are primarily affected by the fluctuations in the Renminbi interest rate. For example, the PBOC reduced its benchmark rate five times in 2015, resulting in a decrease in the one-year benchmark lending rate from 5.60% on January 1, 2015 to 4.35% on December 31, 2015. In addition, the PBOC also reduced the deposit reserve ratio three times in 2015, resulting in ample liquidity in the market and a decrease in interbank borrowing costs. A significant decrease in the benchmark rate led to a decrease in our finance lease income and interest expenses in 2015, while the net interest margin of our finance lease business narrowed in the same period. This was partially due to a lag between the period for charging interest on us by banks and our re-adjustment to the interest on finance leases received from our customers. See “Risk Management – Market Risk Management” for details.

In recent years, the PBOC promulgated a series of measures to gradually liberalize the interest rate regime in China. We adopted a diversified pricing model and management tools for our assets and liabilities according to changes in the market. We identified and measured the impact of changes in interest rates on our operations, mainly through exposure analysis and sensitivity analysis, and controlled interest rate risk through the combination of active assets and liabilities matching management and hedging by derivative financial products. See “Risk Management – Market Risk Management” for details.

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### Exchange Rate

Fluctuations in the exchange rate of Renminbi against the US dollar will affect our financial condition. A majority of our assets and liabilities are denominated in Renminbi, and the remainder is predominantly denominated in US dollars. The leasing business that is priced in US dollars mainly involves our Aircraft Leasing and Ship Leasing businesses. Similarly, we have US dollar-denominated liabilities through bank borrowings and bond issuances. The fluctuations of the foreign exchange rate between the US dollar and Renminbi would affect our US dollar-denominated income and expense, resulting in exchange gains or losses. Meanwhile, as our consolidated financial statements are presented in Renminbi, the fluctuations of the foreign exchange rate will also affect the translation value of our foreign currency balance sheet. We identified and measured the impact of changes in the exchange rate on our operations, mainly through foreign exchange exposure and exchange rate sensitivity analysis, and mitigated exchange rate risk through actively adjusting asset-liability structure and derivative financial instruments. See “Risk Management – Market Risk Management” for details.

### Sources of Funding

Our financing ability and sources are other major factors in determining whether we can expand our business successfully. As our operating lease and finance lease businesses require a significant amount of capital, we need adequate and timely sources of cash to further develop our business. Our major financing sources include bank borrowings, issue of notes, repurchase transactions and interbank lending. As of December 31, 2015, our borrowings, notes payable, financial assets sold under repurchase agreements, and due to banks and other financial institutions were RMB102.5 billion, RMB13.8 billion, RMB5.9 billion and RMB4.9 billion, respectively.

Our ability to raise funds may be affected by the PRC and global credit environment, including changes in financial policies or regulations, fluctuations in credit supply and demand and new requirements that affect the fund-raising channels directly, and these changes will affect our operations, business expansion and profitability. Due to our high credit rating, we are capable of enhancing our funding abilities and diversifying our financing channels to reduce our funding costs. For example, as of April 30, 2016, we had business relationships with approximately 80 banks, providing us with an aggregate uncommitted credit facility (comprising bank loans, due to banks and financial assets sold under repurchase agreements) of approximately RMB330 billion, approximately RMB210 billion of which was unutilized. We also raised financing directly from the overseas capital markets. Since 2012, we have issued overseas bonds with an aggregate principal amount of US\$2,150 million, which established a pricing benchmark to facilitate our future bond issue.

### Asset Quality and Provisioning Policy

The industries and the customers we choose have a direct impact on our asset quality. We believe that our focus on target industries, in which we have comparative advantages, and our prudent risk management system help us effectively manage our credit risk and asset quality. We closely monitor our non-performing assets, follow our provision policies stringently, and actively dispose of non-performing assets. However, factors beyond our control, such as the slowdown of PRC economic growth that affect the business and operating environment of our customers, together with policies and regulations that may affect the credit environment, may have an impact on our asset quality.

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As required by the CBRC, we set aside allowance for impairment losses for both our performing and non-performing assets. The amount of these provisions is determined on the bases of relevant guidelines from the CBRC and our internal provision policy, after taking into consideration factors such as the nature and characteristics of our industry-specific customers, credit record, economic conditions and trends, history of write-offs, defaulted payments and the value of the assets underlying the leases as collateral. We measure and monitor the asset quality of our asset portfolio by classifying assets using a five-category asset classification system model pursuant to the CBRC's guidelines on asset risk classification for non-banking financial institutions under its regulation. Under our five-category asset classification system, the first two categories ("normal" and "special mention") consist of the assets that are not regarded as non-performing assets in the absence of objective evidence of impairment, and we make provisions for impairment losses for these two categories of assets on a collective assessment basis. The remaining three categories ("substandard," "doubtful" and "loss") are regarded as non-performing assets and are assessed for impairment individually since objective evidence of impairment has appeared in such assets individually.

Our provisions may prove to be inadequate if unanticipated adverse changes occur in the PRC economy or other economies in which we operate or if other adverse events affecting specific customers, industries or markets have occurred. In addition, regulatory institutions in the industry may also require higher provision coverage for financial leasing companies. Under such circumstances, we may need to make additional provisions for our assets, which may affect our financial condition, results of operations and profitability. For details, see "Risk Management – Credit Risk Management."

### **Competition**

The leasing industry has developed rapidly and become increasingly competitive. According to Frost & Sullivan, there were 32 CBRC-regulated leasing companies and 2,045 MOFCOM-regulated leasing companies in China as of December 31, 2014.

Due to the diverse and international nature of our business, we mainly compete with PRC and overseas leasing companies, including bank-affiliated, captive and independent leasing companies. Some of these competitors may have greater financial and management resources than we do, and some are regulated by MOFCOM under a different regulatory system from that of the CBRC. Some of our competitors may have more operational and financial resources as well as customer networks and relationships, lower financing costs, and higher risk tolerance or different methods of risk assessment, such that they can consider or afford a wider variety of investments, establish more relationships and bid more aggressively on assets available for sale. In addition, some of our competitors may offer better terms to prospective lessees than us.

We also compete with major commercial bank and other financial services providers in China and abroad. These institutions may provide financing with more favorable terms to our current and prospective customers. Manufacturers and distributors of commercial vehicles and construction machinery may also offer financing terms and product support more favorable to our current and potential lessees than our finance leases could provide.

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In terms of operating leases of our Aircraft Leasing business, we generally face competition in the acquisitions of new aircraft, sales of aircraft and portfolio acquisitions from domestic and overseas medium-sized and large aircraft leasing companies, airlines, aircraft brokers, aircraft manufacturers and investors and funds with greater capital to invest in aircraft. The competition for a leasing transaction mainly depends on the aircraft models, aircraft conditions, specification and configuration, aircraft slots, rental, lease tenure, leasing conditions, management experience and reputation. The competition in the purchases and sales of leased aircraft mainly depends on the availability of the leased aircraft, price, the terms they are subject to and the creditworthiness of the lessees, if any. We may not always be able to compete successfully with our competitors in the aircraft acquisition or sales market.

### **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

We have identified certain accounting policies and estimates significant to the preparation of our financial statements in accordance with IFRS. The Accountants' Report in Appendix I to this prospectus sets forth these significant accounting policies in note 3, which are important for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in note 4 of the Accountants' Report in Appendix I to this prospectus. In the application of our accounting policies, our management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements.

#### **Significant Accounting Policies**

##### ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for goods or services provided in the normal course of business. Revenue is shown net of value-added tax. Revenue is recognized when it is probable that the economic benefits will flow into us and when it can be measured reliably, based on the following specific revenue recognition criteria:

- (i) Operating lease income is recognized on a straight-line basis over the relevant lease term;
- (ii) Finance lease income is recognized as revenue in each period according to the effective interest rate method during the lease term;
- (iii) Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to us and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount on initial recognition of the asset;

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- (iv) Other income mainly includes consultancy fee income, leasing project management fee income and gains on disposal of operating lease assets. Consultancy fee income is recognized in accordance with the terms of the contract when the relevant services have been rendered. Leasing project management fee income is recognized in accordance with the management service contracts and by reference to the agreed rate of the management fee on a daily basis. Operating lease asset sales income is recognized as income when all the following conditions are satisfied: (i) we have transferred to the buyer the significant risks and rewards of ownership of the assets; (ii) we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the assets sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to us; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### *Leasing*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *(i) We as lessee under operating leases*

Operating lease payments are recognized on a straight-line basis over the relevant lease term. Initial direct costs incurred are recognized as expenses in profit or loss for the period. Contingent rentals under operating leases are recognized as expenses in the periods when they are incurred.

#### *(ii) We as lessor under operating leases*

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are recognized as expenses in the period in which they are incurred.

#### *(iii) We as lessor under finance leases*

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognized as a finance lease receivable. At the same time, the unguaranteed residual value is recorded. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognized as unearned finance income.

Unearned finance income is recognized as finance income for the period using the effective interest method over the lease term. Contingent rentals under finance lease are recognized as revenue in the periods in which they are incurred.

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### *Derivative financial instruments*

We enter into a variety of derivative financial instruments to manage our exposure to interest rate and foreign exchange rate risks, including currency forward and interest rate swap.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

### *Hedge accounting*

We designate certain derivatives as hedging instruments, for cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, we document whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

#### *(i) Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the “net investment gains (losses)” line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when we revoke the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.



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### *(ii) Hedges of net investments in foreign operations*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of “foreign currency translation reserve.” The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the “net investment gains (losses)” line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

### **Application of International Financial Reporting Standards**

For the purpose of preparing and presenting the Financial Information, we have consistently applied IFRS which are effective for the accounting period beginning on January 1, 2014 during the Track Record Period. We have not applied in advance the following significant new and revised IFRS that have been issued but are not yet effective, which are relevant to our financial performance. The Accountants’ Report in Appendix I to this prospectus sets forth the application of new and revised IFRS in note 2, which are important for an understanding of the application of the new and revised IFRS on our financial condition and results of operations. Our management has identified the following IFRS that they believe may have a material impact on our financial performance in the future.

#### ***IFRS 9 Financial instruments***

IFRS 9 will be effective for annual periods beginning on or after January 1, 2018. IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include (i) impairment requirements for financial assets, and (ii) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” measurement category for certain simple debt instruments. IFRS 9 has the following key requirements that are relevant to us.

With respect to the recognition and measurement of financial instruments, all recognized financial assets that are within the scope of IAS 39 are subsequently measured at amortized cost or fair value under IFRS 9. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods and their fair value changes are recognized in profit or loss. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair

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value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. All of the above represent new requirements for classification and measurement for financial assets under IFRS 9 that will change the way the Group classifies and measures its financial assets in “financial assets at fair value through profit or loss,” “held-to-maturity investments,” “loans and receivables” and “available-for-sale financial assets” under the existing IAS 39. Our Directors anticipate that the application of this new requirement under IFRS 9 will have no significant impact on our financial position or performance.

With respect to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Our Directors anticipate that the application of this new requirement under IFRS 9 in the future may have a material impact on amounts reported in respect of our financial assets and financial liabilities. Our Directors are in the process of assessing their impact on the consolidated financial statements. It is not practicable to provide a reasonable estimate of the effect until we perform a detailed review.

With respect to hedge accounting, while IFRS 9 retains the three types of hedge accounting mechanisms currently available in IAS 39, it introduced greater flexibility to the types of transactions, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship.” Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced. Our Directors are in the process of assessing their impact on the consolidated financial statements. It is not practicable to provide a reasonable estimate of the effect until we perform a detailed review.

### ***IFRS 15 Revenue from contracts with customers***

IFRS 15 will be effective for annual periods beginning on or after January 1, 2018. In May, 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 “Revenue,” IAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a five-step approach to revenue recognition: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. Our Directors are in the process of assessing their impact on the consolidated financial statements. It is not practicable to provide a reasonable estimate of the effect until we perform a detailed review.

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### *IFRS 16 Leases*

IFRS 16 will be effective for annual periods beginning on or after January 1, 2019. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A lessee is required to recognize a right-of-use asset and a lease liability at the commencement of the lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 – Property, Plant and Equipment, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments. Our Directors do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on our results, but we expect that certain portion of these lease commitments will be required to be recognized in our consolidated statements of financial position as right-of-use assets and lease liabilities. Our Directors do not expect the adoption of IFRS 16 would have a significant impact on our consolidated financial statements since we act as the lessor.

### **PRINCIPAL COMPONENTS OF CONSOLIDATED INCOME STATEMENTS**

#### **Revenue and Other Income**

Our revenue and other income primarily consists of finance lease income, operating lease income, net investment gains (losses), and other income gains or losses.

#### *Finance lease income*

Our finance lease income consists of the interest income from our Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business. Finance lease income represents interest income from our direct finance lease services and sale-and-leaseback services.

#### *Operating lease income*

Our operating lease income consists of rental income mainly from our Aircraft Leasing business.

#### *Net investment gains (losses)*

Our net investment gains (losses) include (i) net realized gains or losses from derivatives, (ii) net realized gains from financial assets at fair value through profit or loss, (iii) unrealized fair value change of derivatives, and (iv) unrealized fair value change of financial assets at fair value through profit or loss.

Our net realized gains or losses from derivatives refer to the net gains or losses resulting from interest rate swaps and foreign currency forwards for the purpose of hedging interest rate and foreign exchange rate risks.

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Our net realized gains from financial assets at fair value through profit or loss refer to the net gains resulting from financial products which we purchased for cash management purposes.

Unrealized fair value change of derivatives refers to the net change of the derivatives of interest rate swaps and foreign currency forwards we purchased not for the purpose of hedging interest rate and exchange rate risks.

Unrealized fair value change of financial assets at fair value through profit or loss refers to unrealized gains resulting from the fixed-income financial products which we purchased for cash management purposes.

### *Other income gains or losses*

Our other income gains or losses primarily include (i) interest income from deposits placement with financial institutions, (ii) management fee income, (iii) gain on disposal of operating lease assets, (iv) consulting fee income, (v) foreign exchange gains (losses), net, and (vi) government grants and incentives.

Interest income from deposits placement with financial institutions refers to the interest income generated from our deposits in and placement to banks and other financial institutions.

Management fee income refers to the income generated from leasing projects which we sold to other parties but are still managed by us on behalf of buyers. We refer to these projects as entrusted leasing projects.

Gain on disposal of operating lease assets refers to the gains resulting from the sale of our operating lease assets, such as aircraft.

Consulting fee income refers to the revenue from providing financial advisory services to clients.

Foreign exchange gains (losses), net refers to the gains or losses caused by a change in the exchange rate used.

Government grants and incentives refer to the fiscal support of the financial industry or aircraft leasing industry awarded by the central and local government to us, including the fiscal support from the Shenzhen government because we are headquartered in Shenzhen and from Shanghai Free Trade Zone and Tianjin Free Trade Zone due to our incorporation of aircraft leasing SPCs there.

### **Total Expenses**

Our total expenses include (i) depreciation and amortization, (ii) staff costs, (iii) fee and commission expenses, (iv) interest expense, (v) other operating expenses, and (vi) impairment losses.

### *Depreciation and amortization*

Our depreciation and amortization relates primarily to depreciation of investment properties, depreciation of equipment held for operating lease businesses and property and equipment held for administrative purpose, amortization of land use rights, and amortization of other intangible assets.

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### *Staff costs*

Our staff costs primarily include salaries, bonuses and allowances, social welfare and other welfare benefits paid to our employees, including our management and directors.

### *Fee and commission expenses*

Our fee and commission expenses primarily include business collaboration fee for leasing projects and bank charges.

Business collaboration fee for leasing projects refers to the fees we pay to CDB and other financial institutions for account management and business referrals.

Bank charges refer to the charges when we use other banks as an intermediary during our financing transactions.

### *Interest expense*

Our interest expense is primarily from (i) borrowings, (ii) due to banks and other financial institutions, (iii) financial assets sold under repurchase agreements, (iv) notes payable, and (v) deposits from lessees.

The interest expense from borrowings refers to the interest we paid to the financial institutions for secured bank loans and unsecured bank loans.

The interest expense from due to banks and other financial institutions refers to the interests we pay for interbank lending.

The interest expense from financial assets sold under repurchase agreements refers to the interest we paid to other financial institutions for conducting repurchase transactions.

The interest expense from notes payable means the interest we paid for the corporate bonds we issued.

The interest expense from deposits from lessees means the interest expense we paid to lessees on the security deposits contributed from lessees.

### *Other operating expenses*

Our other operating expenses include, among others, auditor's remuneration, business taxes and surcharges, operating lease rentals in respect of rented premises, maintenance cost and rental charge, loss on disposal of operating lease assets, business travel and transportation expenses, and sundry expenses.

### *Impairment losses*

Our impairment losses relate primarily to finance leases receivable, accounts receivable and other assets.

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### Income tax expense

We are subject to income tax on an enterprise basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. During the Track Record Period, all of our PRC subsidiaries were subject to an Enterprise Income Tax rate of 25.0%. Our Hong Kong subsidiary is subject to Hong Kong profit tax at the rate of 16.5% on the estimated assessable profits during the Track Record Period. Our SPCs incorporated in Ireland are subject to income tax at the rate of 12.5% on their profits from the aircraft leasing business. Our subsidiaries incorporated in Cayman Islands are not subject to any income or capital gain tax under the current laws of the Cayman Islands.

Our effective income tax rate was 24.5%, 19.5% and 19.0% in 2013, 2014 and 2015, respectively. As we enjoy a low tax rate in Ireland on our Aircraft Leasing business, and have the deferral of PRC income tax on the potential dividends from our overseas SPCs, our effective tax rate was below the statutory Enterprise Income Tax rate of 25.0% during the Track Record Period. We paid or made provisions for all relevant taxes and there were no material disputes with the relevant tax authorities during the Track Record Period. As of the Latest Practicable Date and during the Track Record Period, we fulfilled all our tax obligations and did not have any unresolved tax disputes.

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table summarizes our results of operations for the years indicated:

	Year ended December 31,		
	2013	2014	2015
	(RMB in millions)		
<b>Revenue</b>			
Finance lease income . . . . .	6,679.3	7,014.9	5,994.7
Operating lease income . . . . .	4,370.0	4,310.0	4,646.2
<b>Total revenue</b> . . . . .	<b>11,049.3</b>	<b>11,324.9</b>	<b>10,640.9</b>
Net investment gains (losses). . . . .	15.6	(3.8)	77.2
Other income gains or losses . . . . .	612.3	344.0	263.2
<b>Total revenue and other income</b> . . . . .	<b>11,677.2</b>	<b>11,665.1</b>	<b>10,981.3</b>
Depreciation and amortization . . . . .	(1,988.3)	(1,860.3)	(2,034.7)
Staff costs . . . . .	(100.5)	(108.9)	(123.1)
Fee and commission expenses . . . . .	(75.1)	(77.4)	(55.9)
Interest expense . . . . .	(5,700.2)	(6,036.1)	(5,055.2)
Other operating expenses . . . . .	(874.1)	(404.4)	(404.6)
Impairment losses. . . . .	(439.8)	(798.4)	(2,008.2)
<b>Total expenses</b> . . . . .	<b>(9,178.0)</b>	<b>(9,285.5)</b>	<b>(9,681.7)</b>
<b>Profit before income tax</b> . . . . .	<b>2,499.2</b>	<b>2,379.6</b>	<b>1,299.6</b>
Income tax expense . . . . .	(612.4)	(463.5)	(247.1)
<b>Profit for the year</b> . . . . .	<b>1,886.8</b>	<b>1,916.1</b>	<b>1,052.5</b>

The following discussion and analysis compares our operating results in 2013, 2014 and 2015.

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### RESULTS OF OPERATIONS

#### Total Revenue

##### *Comparison between 2015 and 2014*

Our total revenue decreased by 6.0% to RMB10,640.9 million in 2015 from RMB11,324.9 million in 2014, due primarily to a decrease in our finance lease income, partially offset by an increase in our operating lease income.

##### *Comparison between 2014 and 2013*

Our total revenue increased slightly to RMB11,324.9 million in 2014 from RMB11,049.3 million in 2013, due primarily to an increase in our finance lease income.

#### *Finance lease income*

Our finance lease income segment represented 60.4%, 61.9% and 56.3% of our total revenue for 2013, 2014 and 2015, respectively.

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

	Year ended December 31,		
	2013	2014	2015
	(RMB in millions)		
<b>Finance lease income</b>			
Aircraft Leasing . . . . .	227.7	205.1	228.9
Infrastructure Leasing . . . . .	4,118.9	3,913.9	3,306.0
Ship, Commercial Vehicle and Construction Machinery Leasing . . . . .	1,226.7	1,384.6	1,193.0
Other Leasing Business . . . . .	1,106.0	1,511.3	1,266.8
<b>Total</b> . . . . .	<b>6,679.3</b>	<b>7,014.9</b>	<b>5,994.7</b>

##### *Comparison between 2015 and 2014*

Our finance lease income decreased by 14.5% to RMB5,994.7 million in 2015 from RMB7,014.9 million in 2014, due primarily to the reduced finance lease interest rate following the substantial reductions of the PBOC benchmark interest rates in 2015. The PBOC benchmark interest rate for one-year term loans decreased from 5.60% as of January 1, 2015 to 4.35% as of December 31, 2015, while our average yield of finance lease business decreased from 7.71% in 2014 to 6.59% in 2015. Our average monthly balance of finance lease related assets remained relatively stable at RMB90,980.8 million in 2015 as compared to RMB90,981.9 million in 2014.

*Aircraft Leasing.* Our finance lease income from Aircraft Leasing increased by 11.6% to RMB228.9 million in 2015 from RMB205.1 million in 2014, due to our execution of additional aircraft finance lease projects in 2015, resulting in an increase in our average monthly balance of finance lease related assets of Aircraft Leasing to RMB3,409.6 million in 2015 from RMB2,949.9 million in 2014. This was partially offset by the decrease in our finance lease interest rate.

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*Infrastructure Leasing.* Our finance lease income from Infrastructure Leasing decreased by 15.5% to RMB3,306.0 million in 2015 from RMB3,913.9 million in 2014, due primarily to the decrease in our finance lease interest rate following the substantial reductions of the PBOC benchmark interest rates in 2015. This decrease was partially offset by an increase in the amount of lease financing provided to lessees in the Infrastructure Leasing business, resulting in an increase in our average monthly balance of finance lease related assets of Infrastructure Leasing to RMB49,185.4 million in 2015 from RMB48,798.8 million in 2014.

*Ship, Commercial Vehicle and Construction Machinery Leasing.* Our finance lease income from our Ship, Commercial Vehicle and Construction Machinery Leasing decreased by 13.8% to RMB1,193.0 million in 2015 from RMB1,384.6 million in 2014, due primarily to the decrease in our finance lease interest rate following the substantial reductions of the PBOC benchmark interest rates in 2015, and our efforts to reduce the amount of lease financing to our lessees in this segment to strengthen the risk management of our commercial vehicle leasing business in light of the increased credit risk in this segment. Our average monthly balance of finance lease related assets of Ship, Commercial Vehicle and Construction Machinery Leasing decreased to RMB19,530.4 million in 2015 from RMB20,317.7 million in 2014.

*Other Leasing Business.* Our finance lease income from Other Leasing Business decreased by 16.2% to RMB1,266.8 million in 2015 from RMB1,511.3 million in 2014, due primarily to the decrease in our finance lease interest rate and an increase in our non-performing assets in this segment, which no longer generated revenue. Our average monthly balance of finance lease related assets of Other Leasing Business decreased to RMB18,855.4 million in 2015 from RMB18,915.5 million in 2014.

### *Comparison between 2014 and 2013*

Our finance lease income increased by 5.0% to RMB7,014.9 million in 2014 from RMB6,679.3 million in 2013, due primarily to our continued expansion in Ship, Commercial Vehicle and Construction Machinery Leasing business and selective entry into Other Leasing Business, resulting in an increase in our average monthly balance of finance lease related assets to RMB90,981.9 million in 2014 from RMB83,053.2 million in 2013. Our finance lease interest rate, which generally benchmarked the PBOC benchmark interest rate, remained relatively stable in 2014 and 2013.

*Aircraft Leasing.* Our finance lease income from Aircraft Leasing decreased by 9.9% to RMB205.1 million in 2014 from RMB227.7 million in 2013, due primarily to the expiration of certain aircraft finance lease contracts, resulting in a decrease in our average monthly balance of finance lease related assets of Aircraft Leasing to RMB2,949.9 million in 2014 from RMB3,218.9 million in 2013.

*Infrastructure Leasing.* Our finance lease income from Infrastructure Leasing decreased by 5.0% to RMB3,913.9 million in 2014 from RMB4,118.9 million in 2013, due primarily to a decrease in our lease financing to lessees in the Infrastructure Leasing business resulting from the adverse market conditions in 2014 given the PRC government's administrative measures to restrict the size and methods of financing provided to local government financing vehicles. Consequently, our average monthly balance of finance lease related assets of Infrastructure Leasing decreased to RMB48,798.8 million in 2014 from RMB49,529.4 million in 2013. For details of the PRC government's administrative measures on local government financing vehicles, see "Regulatory Environment – The PRC Regulatory Environment – Supervision on Business with Specific Industries and Clients."



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*Ship, Commercial Vehicle and Construction Machinery Leasing.* Our finance lease income from Ship, Commercial Vehicle and Construction Machinery Leasing increased by 12.9% to RMB1,384.6 million in 2014 from RMB1,226.7 million in 2013, due primarily to the growth of this segment in line with increased market demand. Our average monthly balance of finance lease related assets of Ship, Commercial Vehicle and Construction Machinery Leasing increased to RMB20,317.7 million in 2014 from RMB18,007.0 million in 2013.

*Other Leasing Business.* Our finance lease income from Other Leasing Business increased by 36.6% to RMB1,511.3 million in 2014 from RMB1,106.0 million in 2013, as we selectively entered certain industries to diversify our customer base and revenue mix. As a result, our average monthly balance of finance lease related assets of Other Leasing Business increased to RMB18,915.5 million in 2014 from RMB12,297.9 million in 2013.

### *Operating lease income*

Our operating lease income represented 39.6%, 38.1% and 43.7% of our total revenue in 2013, 2014 and 2015, respectively.

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

	Year ended December 31,		
	2013	2014	2015
	(RMB in millions)		
<b>Operating lease income</b>			
Aircraft Leasing . . . . .	3,452.6	4,201.0	4,500.3
Infrastructure Leasing . . . . .	–	95.0	119.8
Ship, Commercial Vehicle and Construction Machinery Leasing . . . . .	–	–	3.8
Other Leasing Business . . . . .	917.4	14.0	22.3
<b>Total . . . . .</b>	<b>4,370.0</b>	<b>4,310.0</b>	<b>4,646.2</b>

Operating lease income from Aircraft Leasing represented substantially all of our operating lease income, which contributed 79.0%, 97.5% and 96.9% of the total operating lease income for 2013, 2014 and 2015, respectively.

### *Comparison between 2015 and 2014*

Our operating lease income increased by 7.8% to RMB4,646.2 million in 2015 from RMB4,310.0 million in 2014, due primarily to (i) increases in the number of our aircraft held under operating lease to 140 as of December 31, 2015, from 125 as of December 31, 2014, and in the net book value of our aircraft held under operating lease as of December 31, 2015 as compared to that as of December 31, 2014 in line with the expansion of our aircraft leasing business, and (ii) the growth in demand for our aircraft operating lease services resulting from favorable conditions of the global and PRC aviation industries in 2015.

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### *Comparison between 2014 and 2013*

Our operating lease income decreased slightly to RMB4,310.0 million in 2014 from RMB4,370.0 million in 2013, due primarily to the effect of our disposal of operating lease assets in our Other Leasing Business, largely offset by the continued growth in our aircraft operating lease income, while the number of our aircraft held under operating lease increased to 125 as of December 31, 2014 from 114 as of December 31, 2013 and the net book value of our aircraft held under operating lease increased as of December 31, 2014 as compared to that as of December 31, 2013. In December 2013, we disposed of telecom equipment operating lease assets for RMB5,618.1 million as a result of our efforts to actively manage our asset portfolio. On the other hand, our aircraft operating lease business continued to grow through aircraft portfolio acquisition and sale-and-leaseback transactions.

### *Net investment gains (losses)*

#### *Comparison between 2015 and 2014*

Our net investment gains were RMB77.2 million in 2015 as compared to a loss of RMB3.8 million in 2014, due primarily to (i) changes in realized and unrealized gains or losses from currency forwards resulting from exchange rate fluctuations between Renminbi and the US dollar in 2015, and (ii) an increase in the unrealized fair value of fixed-income asset management schemes purchased in the fourth quarter of 2015 following our receipt of regulatory approval for conducting fixed-income investment.

#### *Comparison between 2014 and 2013*

Our net investment losses were RMB3.8 million in 2014 as compared to a gain of RMB15.6 million in 2013, due primarily to changes in realized and unrealized gains or losses from the currency forwards resulting from exchange rate fluctuations between Renminbi and the US dollar in 2014.

### *Other income gains or losses*

#### *Comparison between 2015 and 2014*

Other income gains or losses decreased by 23.5% to RMB263.2 million in 2015 from RMB344.0 million in 2014, due primarily to (i) the foreign exchange losses resulting from the exchange rate fluctuations between Renminbi and the US dollar in 2015, and (ii) a decrease in interest income from deposits with financial institutions, resulting from our decreased average balance with those institutions reflecting our cash management decisions.

#### *Comparison between 2014 and 2013*

Other income gains or losses decreased by 43.8% to RMB344.0 million in 2014 from RMB612.3 million in 2013, due primarily to a decrease in management fee income as we had fewer entrusted infrastructure leasing projects in 2014 and a decrease in consulting fee income due primarily to the adjustment of our short-term business focus.

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## FINANCIAL INFORMATION

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### **Total Expenses**

#### *Comparison between 2015 and 2014*

Our total expenses increased slightly to RMB9,681.7 million in 2015 from RMB9,285.5 million in 2014, due primarily to an increase in depreciation and amortization as a result of the increasing operating lease assets, and an increase in impairment losses reflecting our increased non-performing assets and our decision to increase our provisioning by the end of 2015 for meeting a more stringent CBRC regulatory requirement that will come into effect as of December 31, 2016. This was partially offset by a decrease in our interest expense, resulting from the substantial reductions of the PBOC benchmark interest rates in 2015.

#### *Comparison between 2014 and 2013*

Our total expenses increased slightly to RMB9,285.5 million in 2014 from RMB9,178.0 million in 2013, due primarily to (i) an increase in interest expense from borrowings resulting from our business expansion, especially in the Aircraft Leasing business, and (ii) an increase in impairment losses resulting from our allowance for impairment losses in line with an increase in non-performing assets. These increases were partially offset by a decrease in other operating expenses following our disposal of certain operating lease assets.

### **Depreciation and Amortization**

#### *Comparison between 2015 and 2014*

Depreciation and amortization expenses increased by 9.4% to RMB2,034.7 million in 2015 from RMB1,860.3 million in 2014, due primarily to an increase in our operating lease assets, especially in Aircraft Leasing as the number of our aircraft held under operating lease increased to 140 as of December 31, 2015 from 125 as of December 31, 2014.

#### *Comparison between 2014 and 2013*

Depreciation and amortization expenses decreased by 6.4% to RMB1,860.3 million in 2014 from RMB1,988.3 million in 2013, due primarily to our sales of telecom operating lease assets in December 2013 and the resulting decrease in our depreciation of operating lease assets in 2014. This was largely offset by an increase in our aircraft assets in 2014.

### **Staff costs**

#### *Comparison between 2015 and 2014*

Staff costs increased by 13.0% to RMB123.1 million in 2015 from RMB108.9 million in 2014, due primarily to an increase in the number of our employees to 202 as of December 31, 2015 from 174 as of December 31, 2014.

#### *Comparison between 2014 and 2013*

Staff costs increased by 8.4% to RMB108.9 million in 2014 from RMB100.5 million in 2013, due primarily to an increase in our performance-based remuneration paid to employees as a result of our business growth.

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## FINANCIAL INFORMATION

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### ***Fee and commission expenses***

#### *Comparison between 2015 and 2014*

Fee and commission expenses decreased by 27.8% to RMB55.9 million in 2015 from RMB77.4 million in 2014, due primarily to a decrease in business collaboration fee that we paid to CDB which reflected the results of our commercial negotiation with CDB, partially offset by an increase in bank charges resulting from our increased financing activities in 2015.

#### *Comparison between 2014 and 2013*

Fee and commission expenses increased slightly to RMB77.4 million in 2014 from RMB75.1 million in 2013, due primarily to an increase in commission paid to banks resulting from our increased financing activities, largely offset by a decrease in our business collaboration fee for leasing projects following our commercial negotiation with CDB.

### ***Interest expense***

#### *Comparison between 2015 and 2014*

Interest expense decreased by 16.3% to RMB5,055.2 million in 2015 from RMB6,036.1 million in 2014, due primarily to (i) a decreased market interest rate resulting from improved market liquidity caused by reductions of the PBOC benchmark interest rates and deposit reserve rates in 2015, (ii) a decrease in the domestic funding costs of US dollar financing in the second half of 2015 resulting from adequate liquidity of US dollars in China; and (iii) a decrease in our international funding costs as a result of our receipt of “A+,” “A+” and “A1” international credit ratings from Standard & Poor’s, Fitch and Moody’s, respectively, in 2014.

#### *Comparison between 2014 and 2013*

Interest expense increased slightly to RMB6,036.1 million in 2014 from RMB5,700.2 million in 2013, due primarily to our increased amount of borrowings to finance our business expansion in 2014. The interest rate of borrowing in 2014 and 2013 remained relatively stable, but our average monthly balance of borrowing increased in 2014 as compared to that in 2013.

### ***Other operating expenses***

#### *Comparison between 2015 and 2014*

Other operating expenses remained stable at RMB404.6 million in 2015 and RMB404.4 million in 2014.

#### *Comparison between 2014 and 2013*

Other operating expenses decreased by 53.7% to RMB404.4 million in 2014 from RMB874.1 million in 2013, due primarily to a decrease in maintenance cost and rental charge resulting from the disposition of telecom equipment operating lease assets in December 2013 as a result of our efforts to actively manage our asset portfolio. Maintenance cost refers to the expenses we incurred to keep such operating lease assets in good condition. As we disposed of these assets in December 2013, we did not incur any maintenance cost in 2014 and 2015.

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## FINANCIAL INFORMATION

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### ***Impairment losses***

#### *Comparison between 2015 and 2014*

Impairment losses increased significantly to RMB2,008.2 million in 2015 from RMB798.4 million in 2014, due primarily to (i) an increase in allowance to non-performing financing lease related assets to 150.47% in 2015 from 127.48% in 2014 reflecting our decision to increase our provisioning by the end of 2015 for meeting a more stringent CBRC regulatory requirement that will come into effect as of December 31, 2016, and (ii) an increase in our allowance for impairment losses following an increase in our non-performing assets to RMB2,203.7 million as of December 31, 2015 from RMB1,552.5 million as of December 31, 2014, resulting from the slowdown of the PRC economy and overcapacity in some traditional sectors which we served in our Other Leasing Business in 2015, such as textile and chemical.

#### *Comparison between 2014 and 2013*

Impairment losses increased by 81.5% to RMB798.4 million in 2014 from RMB439.8 million in 2013, due primarily to a substantial increase in our allowance for impairment losses following an increase in our non-performing assets from RMB567.2 million as of December 31, 2013 to RMB1,552.5 million as of December 31, 2014, which resulted from the slowdown in the PRC economy and unfavorable market environment in some sectors which we served in our Other Leasing Business in 2014. See “– Asset Quality – Other Leasing Business.”

### ***Profit before income tax***

Our profit before income tax decreased by 45.4% in 2015 to RMB1,299.6 million from RMB2,379.6 million in 2014. Our profit before income tax decreased by 4.8% to RMB2,379.6 million in 2014 from RMB2,499.2 million in 2013. Our profit margin before income tax was 22.6%, 21.0% and 12.2% for 2013, 2014 and 2015, respectively.

#### *Net interest margin and net interest spread of finance lease business*

We measure the margins of our finance lease business through net interest margin, which is calculated by dividing net interest income by the average monthly balance of finance lease related assets.

## FINANCIAL INFORMATION

The following table sets forth our interest income, interest expense, net interest income, net interest spread and net interest margin of our finance lease business for the years indicated:

	Year ended December 31,		
	2013	2014	2015
	(RMB in millions, except percentages)		
<b>Finance lease business</b>			
Interest income <sup>(1)</sup> . . . . .	6,679.3	7,014.9	5,994.7
Interest expense <sup>(2)</sup> . . . . .	4,110.2	4,491.6	3,623.2
Net interest income . . . . .	2,569.1	2,523.3	2,371.5
Average balance of finance lease related assets . . . . .	83,053.2	90,981.9	90,980.8
Average balance of interest-bearing liabilities <sup>(3)</sup> . . . . .	79,644.9	85,974.0	82,755.7
Average yield <sup>(4)</sup> . . . . .	8.04%	7.71%	6.59%
Average cost <sup>(5)</sup> . . . . .	5.16%	5.22%	4.38%
Net interest spread of finance lease business <sup>(6)</sup> . . . . .	2.88%	2.49%	2.21%
Net interest margin of finance lease business <sup>(7)</sup> . . . . .	3.09%	2.77%	2.61%

- (1) Interest income is our finance lease income.
- (2) Interest expense is the cost of interest-bearing liabilities of finance lease business. In the segments involving both finance lease and operating lease business, interest expense of finance lease business is calculated by the total interest expense times the proportion of the average monthly balance of finance lease related assets to the average monthly balance of leased assets in the segment.
- (3) Average balance of interest-bearing liabilities is the monthly average of the interest-bearing liabilities of finance lease business. In the segments involving both finance lease and operating lease business, the average balance of interest-bearing liabilities of finance lease business is calculated by the total average monthly balance of interest-bearing liabilities times the proportion of the average monthly balance of finance lease related assets to the average monthly balance of leased assets in the segment.
- (4) Calculated by dividing finance lease income by the average monthly balance of our finance lease related assets.
- (5) Calculated by dividing the cost of the interest-bearing liabilities of finance lease business by the average monthly balance of total interest-bearing liabilities for finance lease business.
- (6) Calculated as the difference between the average yield of finance lease related assets and the average cost of the interest-bearing liabilities of finance lease business.
- (7) Calculated by dividing net interest income by the average monthly balance of total interest-earning assets for finance lease business.

Our net interest margin of finance lease business decreased from 3.09% in 2013 to 2.77% in 2014, and further decreased to 2.61% in 2015. Our net interest spread decreased from 2.88% in 2013 to 2.49% in 2014, and further decreased to 2.21% in 2015. These decreases were primarily due to (i) our decision to select less risky projects with lower finance lease interest rates in response to the change in macroeconomic conditions, and (ii) an increase in our non-performing assets, which no longer generated income. In 2013, 2014 and 2015, we generated RMB181.4 million, RMB247.7 million and RMB116.6 million of finance lease income, respectively, from our finance leased assets which became non-performing in 2015; and in 2013 and 2014, we generated RMB123.7 million and RMB76.6 million of finance lease income, respectively, from our finance leased assets which became non-performing in 2014. The decreases in net interest margin of finance lease business from 3.09% in 2013 to 2.77% in 2014 and net interest spread from 2.88% in 2013 to 2.49% in 2014, were also because the funding costs of Renminbi in the first half of 2014 increased as a result of the inadequate market liquidity of Renminbi in the second half of 2013. The decreases in net interest margin of finance lease business from 2.77% in 2014 to 2.61% in 2015, and net interest spread from 2.49% in 2014 to 2.21% in 2015, were also because our cost of interest-bearing liabilities of finance lease business decreased slower than our finance lease income when the PBOC benchmark interest rates reduced substantially in 2015.

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## FINANCIAL INFORMATION

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### *Net lease yield and profit margin before income tax of operating lease business*

In contrast to finance lease business, we measure the margins of our operating lease business through profit margin before income tax, which is calculated by dividing the profit before tax of the operating lease business by operating lease income, because the cost of our operating lease business is primarily composed of depreciation and interest expense. We also measure net lease yield, which is calculated by dividing the difference between operating lease income and interest expense of operating lease business by the average monthly balance of operating lease assets.

The following table sets forth our net lease yield and profit margin before income tax of operating lease business for the years indicated:

	Year ended December 31,		
	2013	2014	2015
Net lease yield of operating lease business <sup>(1)</sup> . . . . .	6.35%	7.63%	8.56%
Profit margin before income tax of operating lease business <sup>(2)</sup> . . . . .	9.78%	16.55%	20.64%

(1) Calculated by dividing the net lease income of operating lease business by the monthly average balance of total operating lease assets. Net lease income of operating lease business is calculated as the difference between operating lease income and the interest expense of operating lease business. In the segments involving both finance lease and operating lease business, interest expense of operating lease business is calculated by total interest expense times the proportion of monthly average balance of operating lease assets to average balance of leased assets in the segment.

(2) Calculated by dividing profit before income tax of operating lease business by operating lease income. In the segments involving both finance lease and operating lease business, the interest expense of operating lease business is calculated by total interest expense times the proportion of monthly average balance of operating lease assets to average balance of leased assets in the segment. Staff cost, fee and commission expenses and other operating expenses of the operating lease business are calculated by total staff cost, fee and commission expenses and other operating expenses times the proportion of operating lease income to total revenue.

Both net lease yield and profit margin before income tax of our operating lease business increased during the Track Record Period, due primarily to a decrease in our US dollar financing costs during this period and an increase in the gross lease yield of our Aircraft Leasing business in 2015, reflecting the increased average age of our aircraft.

### **Income tax expense**

#### *Comparison between 2015 and 2014*

Our income tax expense decreased by 46.7% to RMB247.1 million in 2015 from RMB463.5 million in 2014. This was due primarily to a decrease in the taxable income and the effective income tax rate. Our effective income tax rate decreased to 19.0% in 2015 from 19.5% in 2014, due primarily to the increasing proportion of the taxable income generated from our overseas SPCs with a lower income tax rate in 2015.

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## FINANCIAL INFORMATION

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### *Comparison between 2014 and 2013*

Our income tax expense decreased by 24.3% to RMB463.5 million in 2014 from RMB612.4 million in 2013. This was due to (i) a decrease in our taxable income and the increased profits from subsidiaries with lower income tax rates in 2014; and (ii) a decrease in our effective income tax rate to 19.5% in 2014 from 24.5% in 2013 when certain of our overseas SPCs declared onward dividends to our Company which resulted in an increase in our income tax paid in China.

### **Profit for the year**

### *Comparison between 2015 and 2014*

Our profit for the year decreased by 45.1% to RMB1,052.5 million in 2015 from RMB1,916.1 million in 2014. Our net profit margin decreased to 9.9% in 2015 from 16.9% in 2014, due primarily to (i) an increase in impairment losses reflecting our decision to change our provisioning policy by the end of 2015 for meeting a more stringent CBRC regulatory requirement that will come into effect as of December 31, 2016, (ii) an increase in our impairment losses following a substantial increase in our non-performing assets, resulting from the slowdown in the PRC economy, unfavorable market conditions and overcapacity in some traditional sectors which we served in our Other Leasing Business in 2015, such as textile and chemical, and (iii) a decrease in net interest margin of our finance lease business resulting from increasing market competition and adverse changes in PRC macroeconomic conditions.

### *Comparison between 2014 and 2013*

Our profit for the year increased slightly to RMB1,916.1 million in 2014 from RMB1,886.8 million in 2013. Our net profit margin decreased slightly to 16.9% in 2014 from 17.1% in 2013, due primarily to (i) an increase in our impairment losses in 2014, and (ii) a decrease in the net interest margin of our finance lease business in 2014. These were partially offset by the increase in profit margin before income tax of our operating lease business.



## FINANCIAL INFORMATION

### DESCRIPTION OF CERTAIN LINE ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out our consolidated statement of financial position as of the dates indicated:

	As of December 31,		
	2013	2014	2015
	(RMB in millions)		
<b>Assets</b>			
Cash and bank balances . . . . .	12,747.7	6,010.7	6,313.9
Placement to banks and other financial institutions . . .	–	500.0	1,100.0
Financial assets at fair value through profit and loss . .	–	–	1,558.6
Derivative financial assets . . . . .	46.4	10.0	2.0
Accounts receivable . . . . .	25,378.7	14,064.5	13,827.1
Finance leases receivable . . . . .	68,754.8	76,911.7	80,945.1
Prepayments . . . . .	1,055.1	4,142.2	6,862.8
Available-for-sale financial assets . . . . .	122.4	122.4	122.4
Investment properties . . . . .	139.7	395.8	376.2
Property and equipment . . . . .	32,097.3	36,201.7	42,248.7
Deferred tax assets . . . . .	267.3	409.5	703.1
Other assets . . . . .	1,769.0	1,597.4	1,635.2
<b>Total assets . . . . .</b>	<b>142,378.4</b>	<b>140,365.9</b>	<b>155,695.1</b>
<b>Liabilities</b>			
Borrowings . . . . .	100,516.1	93,460.3	102,494.5
Due to banks and other financial institutions . . . . .	3,000.0	3,500.0	4,900.0
Financial assets sold under repurchase agreements . . . .	7,329.9	5,512.2	5,922.3
Derivative financial liabilities . . . . .	409.6	397.3	435.9
Accrued staff costs . . . . .	28.3	25.1	33.5
Tax payable . . . . .	207.9	311.9	242.0
Notes payable . . . . .	9,049.5	13,017.0	13,834.8
Deferred tax liabilities . . . . .	79.2	164.1	266.9
Other liabilities . . . . .	9,629.1	9,967.8	12,572.3
<b>Total liabilities . . . . .</b>	<b>130,249.6</b>	<b>126,355.7</b>	<b>140,702.2</b>
<b>Total equity . . . . .</b>	<b>12,128.8</b>	<b>14,010.2</b>	<b>14,992.9</b>

The following discussion compares the major components of our consolidated statement of financial position as of December 31, 2013, 2014 and 2015.

#### **Total Assets**

The principal components of our assets are finance leases receivable, accounts receivable, property and equipment and prepayments, which collectively represented 89.4%, 93.6% and 92.4% of our total assets as of December 31, 2013, 2014 and 2015, respectively.

#### ***Finance leases receivable***

Finance leases receivable is the major component of our assets and is comprised of (i) the gross amount of the finance leases receivable, (ii) unearned finance income, and (iii) allowance for impairment losses. The gross amount of the finance leases receivable is the balance of the lease agreements entered by us and classified as finance leases. The unearned finance income is the difference between the net value and the gross value for the finance leases receivable, which will be allocated to the remaining period of the lease. The allowance for impairment losses represent the expected amount of impairment losses deducted from our finance leases receivable as a result of the material default of our customers in satisfying their payment obligations under the finance lease agreements.

## FINANCIAL INFORMATION

The following table sets forth a breakdown of our finance leases receivable as of the dates indicated:

	As of December 31,		
	2013	2014	2015
	(RMB in millions)		
<b>Finance leases receivable – gross</b> . . . . .	<b>90,795.9</b>	<b>101,478.0</b>	<b>104,171.4</b>
Less: Unearned finance income . . . . .	(20,895.7)	(22,728.6)	(20,262.8)
<b>Finance leases receivable – net</b> . . . . .	<b>69,900.2</b>	<b>78,749.4</b>	<b>83,908.6</b>
Less: Allowance for impairment losses . . . . .	(1,145.4)	(1,837.7)	(2,963.5)
<b>Finance leases receivable – carrying value.</b> . . . . .	<b>68,754.8</b>	<b>76,911.7</b>	<b>80,945.1</b>

As of December 31, 2015, our finance leases receivable amounted to RMB80,945.1 million, an increase of 5.2% from RMB76,911.7 million as of December 31, 2014, due primarily to the increase in finance lease business in the fourth quarter of 2015. The finance leases receivable increased by 11.9% to RMB76,911.7 million as of December 31, 2014 from RMB68,754.8 million as of December 31, 2013, due primarily to the continued growth of our finance lease business in 2014, partially offset by an increase in impairment losses.

### *Accounts receivable*

Our accounts receivable include operating leases receivable, advances for finance lease projects and other accounts receivable. Operating leases receivable refer to the payment receivable from operating lease assets. Advances for finance lease projects refer to the payments in advance for those finance lease projects which were contracted but had not yet met all leasing conditions, especially in Infrastructure Leasing and Ship Leasing businesses. Other accounts receivable refers to the accounts receivable generated from the sales of leased assets.

As of December 31, 2015, our accounts receivable slightly decreased to RMB13,827.1 million from RMB14,064.5 million as of December 31, 2014, a decrease of 44.6% from RMB25,378.7 million as of December 31, 2013. These decreases in our accounts receivable were due primarily to changes in our advances for finance lease projects and other accounts receivable discussed below.

As of December 31, 2015, our advances for finance lease projects amounted to RMB12,845.6 million, a decrease of 8.5% from RMB14,041.7 million as of December 31, 2014, a decrease of 16.6% from RMB16,840.9 million as of December 31, 2013. These decreases in advances for finance lease projects were primarily due to the fact that certain prepayments for finance lease projects subsequently became finance leases receivable after the leasing projects met the leasing conditions.

As of December 31, 2015, our other accounts receivable before allowance for impairment losses increased significantly to RMB1,031.4 million from RMB12.7 million as of December 31, 2014, due primarily to an increase in receivables relating to our sales of finance leased assets. As of December 31, 2014, our other accounts receivable before allowance for impairment losses amounted to RMB12.7 million, a significant decrease from RMB8,511.4 million as of December 31, 2013 as we received payments from purchasers of certain of our leased assets and executed an option to buy back certain of our previously disposed leased assets, significantly reducing our other accounts receivable.

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### *Prepayments*

As of December 31, 2015, our prepayments were RMB6,862.8 million, an increase of 65.7% from RMB4,142.2 million as of December 31, 2014. Prepayments increased significantly to RMB4,142.2 million as of December 31, 2014 from RMB1,055.1 million as of December 31, 2013. These changes were due primarily to the increase in prepayments for aircraft purchase.

### *Property and equipment*

Property and equipment is composed of equipment held for operating lease businesses and property and equipment held for administrative purpose. Equipment held for operating lease businesses consists of aircraft and equipment. Property and equipment held for administrative purpose consists of (i) buildings, (ii) computer and electronic equipment, (iii) motor vehicles, (iv) office equipment, (v) improvements and (vi) construction in progress.

As of December 31, 2015, our equipment held for operating lease businesses increased by 16.3% to RMB41,871.0 million from RMB35,989.6 million as of December 31, 2014, an increase of 12.4% from RMB32,019.0 million as of December 31, 2013. These increases were due primarily to the expansion of our aircraft fleet.

As of December 31, 2015, our property and equipment held for administrative purpose increased by 78.1% to RMB377.7 million from RMB212.1 million as of December 31, 2014, which was a significant increase from RMB78.3 million as of December 31, 2013. These changes were due primarily to the increase in construction in progress of our new office building.

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

	As of December 31,		
	2013	2014	2015
	(RMB in millions)		
<b>Property and equipment</b>			
Equipment held for operating lease businesses . . . . .	32,019.0	35,989.6	41,871.0
Property and equipment held for administrative purpose . . .	78.3	212.1	377.7
<b>Total</b> . . . . .	<b>32,097.3</b>	<b>36,201.7</b>	<b>42,248.7</b>

### *Cash and bank balances*

As of December 31, 2015, our cash and bank balances were RMB6,313.9 million, an increase of 5.0% from RMB6,010.7 million as of December 31, 2014, due primarily to changes in the liquidity reserve resulting from our liquidity management. Cash and bank balances decreased by 52.8% to RMB6,010.7 million as of December 31, 2014 from RMB12,747.7 million as of December 31, 2013, due primarily to our efforts to proactively reduce cash and cash balances after we improved our cash management with respect to adequate market liquidity.

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## FINANCIAL INFORMATION

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### *Placement to banks and other financial institutions*

As of December 31, 2015, December 31, 2014 and December 31, 2013, our placement to banks and other financial institutions was RMB1,100.0 million, RMB500.0 million and nil, respectively. The balance was volatile due to the short-term nature of the interbank borrowing.

### *Financial assets at fair value through profit and loss*

As of December 31, 2015, December 31, 2014 and December 31, 2013, our financial assets at fair value through profit and loss was RMB1,558.6 million, nil and nil, respectively, due primarily to our investments in fixed-income asset management schemes purchased in the fourth quarter of 2015 following our receipt of regulatory approval for fixed-income investment.

### *Derivative financial assets*

Our derivative financial assets include currency forwards and interest rate swaps. The currency forwards have been entered into since 2013 to hedge the foreign exchange risk of the overseas subsidiaries. The interest rate swap contracts were entered into to swap our exposure to the floating rate borrowing into fixed rate borrowing. See “Risk Management – Market Risk Management.”

### *Other assets*

Other assets primarily include interest receivable, other receivables, prepaid expenses, deductible value-added tax and land use rights. As of December 31, 2015, our other assets increased slightly to RMB1,635.2 million from RMB1,597.4 million as of December 31, 2014, due primarily to the increase in other receivables resulting from the termination of an aircraft purchase agreement and the pending refund of prepaid deposits due to the supplier’s failure to deliver an aircraft. Other assets decreased by 9.7% to RMB1,597.4 million as of December 31, 2014 from RMB1,769.0 million as of December 31, 2013, as we collected part of our other receivables from third parties.

### *Finance lease related assets and operating lease asset*

Our finance lease related assets consist of finance leases receivables, and accounts receivable – advances for finance lease projects, while our operating lease assets consist of investment properties, and property and equipment – equipment held for operating lease businesses. We do not report our finance lease related assets or operating lease assets as a single line item on our consolidated statements of financial position. However, we discuss our finance lease related assets or operating lease assets as a combined item in the following analysis to give investors an overall understanding of our assets relating to our finance lease business and operating lease business.

## FINANCIAL INFORMATION

### *Finance lease related assets*

The following table sets forth a breakdown of our finance lease related assets as of the dates indicated:

	As of December 31,		
	2013	2014	2015
	(RMB in millions)		
<b>Finance lease related assets</b>			
Finance leases receivable . . . . .	68,754.8	76,911.7	80,945.1
Accounts receivable – advances for finance lease projects . .	16,840.9	14,041.7	12,845.6
<b>Total . . . . .</b>	<b>85,595.7</b>	<b>90,953.4</b>	<b>93,790.7</b>

### *Operating lease assets*

The following table sets forth a breakdown of our operating lease assets as of the dates indicated:

	As of December 31,		
	2013	2014	2015
	(RMB in millions)		
<b>Operating lease assets</b>			
Investment properties . . . . .	139.7	395.8	376.2
Property and equipment – Equipment held for operating lease businesses . . . . .	32,019.0	35,989.6	41,871.0
<b>Total . . . . .</b>	<b>32,158.7</b>	<b>36,385.4</b>	<b>42,247.2</b>

## SELECTED FINANCIAL RATIOS

The following table sets forth our selected financial ratios for the year indicated:

	Year ended December 31,		
	2013	2014	2015
<b>Profitability indicators</b>			
Return on average total assets <sup>(1)</sup> . . . . .	1.33%	1.36%	0.71%
Return on average equity <sup>(2)</sup> . . . . .	17.06%	14.66%	7.26%
Net interest spread of finance lease business <sup>(3)</sup> . . . . .	2.88%	2.49%	2.21%
Net interest margin of finance lease business <sup>(4)</sup> . . . . .	3.09%	2.77%	2.61%
Net lease yield of operating lease business <sup>(5)</sup> . . . . .	6.35%	7.63%	8.56%
Gross lease yield of Aircraft Leasing business <sup>(6)</sup> . . . . .	11.90%	11.86%	12.33%
Profit margin before income tax of operating lease business <sup>(7)</sup> . . . . .	9.78%	16.55%	20.64%
Cost-to-income ratio <sup>(8)</sup> . . . . .	4.99%	4.63%	5.05%
Net profit margin before tax and impairment losses <sup>(9)</sup> . . . . .	26.60%	28.06%	31.09%
Net profit margin <sup>(10)</sup> . . . . .	17.08%	16.92%	9.89%

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- (1) Calculated by dividing net profit for the year by average balance of total assets at the beginning and the end of the year.
- (2) Calculated by dividing net profit for the year by average balance of total shareholders' equity at the beginning and the end of the year.
- (3) Calculated as the difference between the average yield on the finance lease related assets and the average cost of the interest-bearing liabilities of finance lease business.
- (4) Calculated by dividing net interest income by the average monthly balance of the finance lease related assets.
- (5) Calculated by dividing net lease income of operating lease business by the average monthly balance of total operating lease assets.
- (6) Calculated by dividing the operating lease income of our Aircraft Leasing business by the average monthly net book value of our aircraft fleet.
- (7) Calculated by dividing profit before income tax of operating lease business by operating lease income.
- (8) Calculated by dividing the sum of the depreciation and amortization expenses of property and equipment held for administrative purposes, staff costs and other operating expenses, excluding the one-time maintenance charge of RMB420.4 million associated with an operating lease project which we transferred in 2013, by total revenue and other income.
- (9) Calculated by dividing profit before tax and impairment losses for the year by the revenue for the year.
- (10) Calculated by dividing net profit for the year by the revenue for the year.

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

	Regulatory requirements	As of December 31,		
		2013	2014	2015
<b>Capital adequacy indicators<sup>(1)</sup></b>				
Core tier-one capital adequacy ratio <sup>(2)</sup> . . . . .	≥6.3% <sup>(3)</sup>	9.01%	10.03%	9.54%
Tier-one capital adequacy ratio <sup>(4)</sup> . . . . .	≥7.3% <sup>(3)</sup>	9.01%	10.03%	9.54%
Capital adequacy ratio <sup>(5)</sup> . . . . .	≥9.3% <sup>(3)</sup>	9.48%	10.34%	10.23%
<b>Asset quality indicators</b>				
Allowance to non-performing finance lease related assets <sup>(6)</sup> . . . . .	≥150% <sup>(7)</sup>	211.51%	127.48%	150.47%
Allowance to total finance lease related assets <sup>(8)</sup> . . . . .	≥2.5% <sup>(7)</sup>	1.38%	2.13%	3.33%

- (1) Calculated based on the Capital Administrative Measures published by CBRC on June 7, 2012, which became effective on January 1, 2013 and replaced the Capital Adequacy Measures.
- (2) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets. For the components of our core tier-one capital as calculated by the Capital Administrative Measures, see "Regulatory Environment – The PRC Regulatory Environment – Supervision over Capital Adequacy."
- (3) Indicates requirements to be met by the end of 2015. For details, see "Regulatory Environment – The PRC Regulatory Environment – Supervision over Capital Adequacy."
- (4) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets. For the components of our tier-one capital as calculated by the Capital Administrative Measures, see "Regulatory Environment – The PRC Regulatory Environment – Supervision over Capital Adequacy."
- (5) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets. For the components of our total capital as calculated by the Capital Administrative Measures, see "Regulatory Environment – The PRC Regulatory Environment – Supervision over Capital Adequacy."
- (6) Calculated by dividing allowance for impairment losses on finance lease related asset by non-performing finance lease related assets.
- (7) Indicates requirements to be met by the end of 2016. For details, see "Regulatory Environment – The PRC Regulatory Environment – Loan Classification, Allowance and Write-offs."
- (8) Calculated by dividing allowance for impairment losses on finance lease related assets by total finance lease related assets before allowance for impairment losses.

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### SUMMARY SEGMENT RESULTS

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. We have four business segments: (i) Aircraft Leasing, (ii) Infrastructure Leasing, (iii) Ship, Commercial Vehicle and Construction Machinery Leasing, and (iv) Other Leasing Business.

The following table sets forth our segment revenue and other income after inter-segment eliminations for the years indicated:

	Year ended December 31,					
	2013		2014		2015	
	(RMB in millions, except percentages)					
<b>Segment revenue and other income</b>						
Aircraft Leasing . . . . .	3,834.3	32.8%	4,607.8	39.6%	4,916.6	44.8%
Infrastructure Leasing . . . . .	4,469.3	38.3	4,087.4	35.0	3,520.2	32.1
Ship, Commercial Vehicle and Construction Machinery Leasing . . . . .	1,266.4	10.8	1,404.2	12.0	1,211.7	11.0
Other Leasing Business . . . . .	2,107.2	18.1	1,565.7	13.4	1,332.8	12.1
<b>Total . . . . .</b>	<b>11,677.2</b>	<b>100.0%</b>	<b>11,665.1</b>	<b>100.0%</b>	<b>10,981.3</b>	<b>100.0%</b>

Segment revenue and other income primarily consists of finance lease income, operating lease income, interest income, income from management fee and income from consulting fee. Our total revenue and other income amounted to RMB11,677.2 million, RMB11,665.1 million, and RMB10,981.3 million in 2013, 2014 and 2015, respectively. Revenue and other income from aircraft and Infrastructure Leasing represented the majority of our revenue and other income, which collectively contributed 71.1%, 74.6% and 76.9% of the total revenue and other income for 2013, 2014 and 2015, respectively. The increasing weight of these two segments reflected our segment focus.

The following table sets forth our segment expenses after inter-segment eliminations for the years indicated:

	Year ended December 31,					
	2013		2014		2015	
	(RMB in millions, except percentages)					
<b>Segment expenses</b>						
Aircraft Leasing . . . . .	3,245.5	35.4%	3,749.3	40.4%	3,795.3	39.2%
Infrastructure Leasing . . . . .	3,040.2	33.1	2,832.2	30.5	2,299.4	23.8
Ship, Commercial Vehicle and Construction Machinery Leasing . . . . .	1,030.6	11.2	1,197.2	12.9	1,220.6	12.6
Other Leasing Business . . . . .	1,861.7	20.3	1,506.8	16.2	2,366.4	24.4
<b>Total . . . . .</b>	<b>9,178.0</b>	<b>100.0%</b>	<b>9,285.5</b>	<b>100.0%</b>	<b>9,681.7</b>	<b>100.0%</b>

Segment expenses primarily consist of depreciation and amortization, staff costs, fee and commission expenses, interest expense, other operating expenses and impairment losses. The expenses from our Aircraft Leasing and Infrastructure Leasing represented the majority of our expenses, which collectively contributed 68.5%, 70.9% and 63.0% of total expenses for 2013, 2014 and 2015, respectively.

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The following table sets forth our segment results (profit/(loss) before income tax) after inter-segment eliminations for the years indicated:

	Year ended December 31,					
	2013		2014		2015	
	(RMB in millions, except percentages)					
<b>Segment profit/(loss) before income tax</b>						
Aircraft Leasing . . . . .	588.8	23.6%	858.5	36.1%	1,121.2	86.3%
Infrastructure Leasing . . . . .	1,429.1	57.2	1,255.2	52.7	1,220.8	93.9
Ship, Commercial Vehicle and Construction Machinery Leasing . . . . .	235.8	9.4	207.0	8.7	(9.0)	(0.7)
Other Leasing Business . . . . .	245.5	9.8	58.9	2.5	(1,033.4)	(79.5)
<b>Total . . . . .</b>	<b>2,499.2</b>	<b>100.0%</b>	<b>2,379.6</b>	<b>100.0%</b>	<b>1,299.6</b>	<b>100.0%</b>

Segment profit/(loss) before income tax is calculated as segment revenue and other income minus segment expenses. The profit/(loss) before income tax from our Aircraft Leasing and Infrastructure Leasing represented the majority of our profit/(loss) before income tax, which collectively contributed 80.8%, 88.8% and 180.2% of total profit/(loss) before income tax for 2013, 2014 and 2015, respectively.

The following table sets forth our segment profit margin before income tax after inter-segment eliminations for the years indicated:

	Year ended December 31,		
	2013	2014	2015
<b>Segment profit margin before income tax</b>			
Aircraft Leasing . . . . .	16.0%	19.5%	23.7%
Infrastructure Leasing . . . . .	34.7	31.3	35.6
Ship, Commercial Vehicle and Construction Machinery Leasing . . . . .	19.2	14.9	(0.7)
Other Leasing Business . . . . .	12.1	3.9	(80.2)
<b>Total . . . . .</b>	<b>22.6%</b>	<b>21.0%</b>	<b>12.2%</b>

Segment profit margin before income tax is calculated as segment profit before income tax divided by segment revenue.

The following table sets forth our segment assets as of the dates indicated:

	As of December 31,					
	2013		2014		2015	
	(RMB in millions, except percentages)					
<b>Segment assets</b>						
Aircraft Leasing . . . . .	42,292.7	29.8%	46,027.3	32.9%	55,788.3	36.0%
Infrastructure Leasing . . . . .	59,639.7	42.0	51,995.4	37.2	60,660.9	39.2
Ship, Commercial Vehicle and Construction Machinery Leasing . . . . .	20,659.0	14.5	21,038.1	15.0	20,070.1	12.9
Other Leasing Business . . . . .	19,519.7	13.7	20,895.6	14.9	18,472.7	11.9
<b>Total . . . . .</b>	<b>142,111.1</b>	<b>100.0%</b>	<b>139,956.4</b>	<b>100.0%</b>	<b>154,992.0</b>	<b>100.0%</b>

Segment assets primarily consist of accounts receivable, finance leases receivable and property and equipment. The largest contributors to assets were aircraft and infrastructure, which collectively contributed 71.8%, 70.1% and 75.2% of total assets in 2013, 2014 and 2015, respectively.



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### Aircraft Leasing

#### *Comparison between 2015 and 2014*

Segment profit before income tax of our Aircraft Leasing increased by 30.6% to RMB1,121.2 million in 2015 from RMB858.5 million in 2014, due primarily to:

- Segment revenue and other income of our Aircraft Leasing increased by 6.7% to RMB4,916.6 million in 2015 from RMB4,607.8 million in 2014 due primarily to the growth in operating lease income of the Aircraft Leasing segment driven by the expansion of operating lease assets in line with the increased market demand.
- Segment expenses of our Aircraft Leasing increased slightly to RMB3,795.3 million in 2015 from RMB3,749.3 million in 2014, due primarily to the decrease in the interest expense of Aircraft Leasing because of the substantial decrease in market interest rates and the decrease in US dollar funding costs as our bargaining power was enhanced following the receipt of our international credit ratings from Standard & Poor's, Fitch and Moody's in the second half of 2014.

Segment profit margin before income tax of our Aircraft Leasing increased to 23.7% in 2015 from 19.5% in 2014, due primarily to (i) an increase in gross lease yield of this segment in line with the increase in the average age of our aircraft, (ii) a further decrease in our international US dollar funding costs following the receipt of our credit ratings from Standard & Poor's, Fitch and Moody's in the second half of 2014 and (iii) the decrease in our domestic funding costs of US dollars as a result of adequate market liquidity of US dollars in China.

#### *Comparison between 2014 and 2013*

Segment profit before income tax of our Aircraft Leasing increased by 45.8% to RMB858.5 million in 2014 from RMB588.8 million in 2013, due primarily to:

- Segment revenue and other income of our Aircraft Leasing increased by 20.2% to RMB4,607.8 million in 2014 from RMB3,834.3 million in 2013 due primarily to (i) our growth in Aircraft Leasing as we further developed our aircraft operating lease business through aircraft portfolio acquisition and providing sale-and-leaseback services, and (ii) other income generated from our aircraft sales.
- Segment expenses of our Aircraft Leasing increased by 15.5% to RMB3,749.3 million in 2014 from RMB3,245.5 million in 2013, due primarily to the increase in depreciation and interest expense of the newly purchased aircraft.

Segment profit margin before income tax of our Aircraft Leasing increased to 19.5% in 2014 from 16.0% in 2013, due primarily to (i) the decrease in the domestic funding costs of US dollar financing as a result of increasing liquidity in China, and (ii) the increase of other income from our aircraft sales.

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### Infrastructure Leasing

#### *Comparison between 2015 and 2014*

Segment profit before income tax of our Infrastructure Leasing decreased slightly to RMB1,220.8 million in 2015 from RMB1,255.2 million in 2014, due primarily to:

- Segment revenue and other income of our Infrastructure Leasing decreased by 13.9% to RMB3,520.2 million in 2015 from RMB4,087.4 million in 2014, due primarily to the decrease in our finance lease income as a result of the reduction in the PBOC benchmark interest rates in 2015, partially offset by an increase in our lease financing to lessees in the Infrastructure Leasing, primarily because (i) we proactively explored the business expansion opportunities in accordance with our business focus on Infrastructure Leasing, (ii) our business gradually recovered from the short-term impact on our Infrastructure Leasing business due to adverse market conditions in 2014 given the PRC government's administrative measures to restrict the size and methods of financing provided to the local government financing vehicles, and (iii) the market demand increased as a result of the proactive fiscal policy implemented by the PRC government in 2015.
- Segment expenses of our Infrastructure Leasing decreased by 18.8% to RMB2,299.4 million in 2015 from RMB2,832.2 million in 2014, due primarily to a decrease in our Renminbi funding costs as a result of the adequate market liquidity caused by a series of monetary easing policies, such as the reductions of the PBOC benchmark interest rates and the deposit reserve rate.

Segment profit margin before income tax of our Infrastructure Leasing increased to 35.6% in 2015 from 31.3% in 2014, primarily because our segment profit remained stable while our revenue and other revenue decreased in 2015.

#### *Comparison between 2014 and 2013*

Segment profit before income tax of our Infrastructure Leasing decreased by 12.2% to RMB1,255.2 million in 2014 from RMB1,429.1 million in 2013, due primarily to:

- Segment revenue and other income of our Infrastructure Leasing decreased by 8.5% to RMB4,087.4 million in 2014 from RMB4,469.3 million in 2013, due primarily to (i) a decrease of amount of lease financing provided to lessees in the infrastructure leasing resulting from adverse market conditions in 2014 given the PRC government's administrative measures to restrict the size and methods of financing provided to local government financing vehicles, and (ii) the decrease in our management fee income and consulting fee income resulting from the adjustment of our short-term business focus. For details of the PRC government's administrative measures on local government financing vehicles, please see "Regulatory Environment – The PRC Regulatory Environment – Supervision on Business with Specific Industries and Clients."
- Segment expenses of our Infrastructure Leasing decreased by 6.8% to RMB2,832.2 million in 2014 from RMB3,040.2 million in 2013 due primarily to a decrease in interest expense in line with the decrease in our amount of lease financing provided to lessees in the infrastructure leasing business resulting from the short-term impact of the PRC government's administrative measures.

Segment profit margin before income tax of our Infrastructure Leasing decreased to 31.3% in 2014 from 34.7% in 2013 as a result of the foregoing.

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### Ship, Commercial Vehicle and Construction Machinery Leasing

#### *Comparison between 2015 and 2014*

Segment profit before income tax of our Ship, Commercial Vehicle and Construction Machinery Leasing was a loss of RMB9.0 million in 2015 compared to RMB207.0 million in 2014, due primarily to:

- Segment revenue and other income of our Ship, Commercial Vehicle and Construction Machinery Leasing decreased by 13.7% to RMB1,211.7 million in 2015 from RMB1,404.2 million in 2014, due primarily to (i) the reductions in the benchmark interest rates in 2015, and (ii) a decrease in our lease financing to lessees in this segment in 2015, resulting from our proactive adjustments in line with the increasing credit risk relating to the shipping, commercial vehicle and construction machinery industry.
- Segment expenses of our Ship, Commercial Vehicle and Construction Machinery Leasing increased slightly to RMB1,220.6 million in 2015 from RMB1,197.2 million in 2014 due primarily to an increase in our allowance for impairment losses reflecting our decision to change our provisioning policy by the end of 2015 for meeting a more stringent CBRC regulatory requirement that will come into effect as of December 31, 2016. These increases have been largely offset by (i) a decrease in our Renminbi funding costs, resulting from the increasing market liquidity in China, and (ii) a decrease in our expenses in line with our efforts to reduce our lease financing provided to lessees.

Segment profit margin before income tax of our Ship, Commercial Vehicle and Construction Machinery Leasing was negative 0.7% in 2015 as compared to 14.9% in 2014, due primarily to an increase in impairment losses of this segment reflecting our decision to increase our provisioning by the end of 2015 for meeting a more stringent CBRC regulatory requirement that will come into effect as of December 31, 2016.

#### *Comparison between 2014 and 2013*

Segment profit before income tax of our Ship, Commercial Vehicle and Construction Machinery Leasing decreased by 12.2% to RMB207.0 million in 2014 from RMB235.8 million in 2013, due primarily to:

- Segment revenue and other income of our Ship, Commercial Vehicle and Construction Machinery Leasing increased by 10.9% to RMB1,404.2 million in 2014 from RMB1,266.4 million in 2013 due primarily to our increased lease financing in line with increased market demand, partially offset by a decrease in our lease financing to lessees in commercial vehicle leasing, resulting from our decision to manage the credit risk in this segment.
- Segment expenses of our Ship, Commercial Vehicle and Construction Machinery Leasing increased by 16.2% to RMB1,197.2 million in 2014 from RMB1,030.6 million in 2013 due primarily to (i) an increase in interest expense in line with our business expansion in Ship Leasing and Construction Machinery Leasing, and (ii) an increase in impairment losses in this segment, resulting from the default of certain construction machinery customers and some commercial vehicle dealers under unfavorable market conditions.

Segment profit margin before income tax of our Ship, Commercial Vehicle and Construction Machinery Leasing decreased to 14.9% in 2014 from 19.2% in 2013, due primarily to the increase of impairment losses of this segment resulting from an increase of the non-performing assets.

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## FINANCIAL INFORMATION

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### Other Leasing Business

#### *Comparison between 2015 and 2014*

Segment profit before income tax of our Other Leasing Business decreased significantly to a loss of RMB1,033.4 million in 2015 from RMB58.9 million in 2014, due primarily to:

- Segment revenue and other income of our Other Leasing Business decreased by 14.9% to RMB1,332.8 million in 2015 from RMB1,565.7 million in 2014 due primarily to (i) a decrease in finance lease revenue as a result of the reductions in the PBOC benchmark interest rates in 2015, and (ii) the increase in our non-performing assets, which no longer generated revenue.
- Segment expenses of our Other Leasing Business increased by 57.0% to RMB2,366.4 million in 2015 from RMB1,506.8 million in 2014 due primarily to an increase in impairment losses in line with the substantial increase in non-performing assets as a result of production overcapacity in certain traditional manufacturing industries, industry-wide financing difficulties faced by the lessees and the resulting lack of liquidity, and operating or financial difficulties that resulted partly from the slowdown of the PRC economy.

Segment profit margin before income tax of our Other Leasing Business was negative 80.2% in 2015 as compared to 3.9% in 2014, due primarily to the increase of the foregoing impairment losses in Other Leasing Business.

#### *Comparison between 2014 and 2013*

Segment profit before income tax of our Other Leasing Business decreased by 76.0% to RMB58.9 million in 2014 from RMB245.5 million in 2013, due primarily to:

- Segment revenue and other income of our Other Leasing Business decreased by 25.7% to RMB1,565.7 million in 2014 from RMB2,107.2 million in 2013 due primarily to the disposition of telecom equipment operating lease assets in December, 2013, which no longer generated revenue in 2014.
- Segment expenses of our Other Leasing Business decreased by 19.1% to RMB1,506.8 million in 2014 from RMB1,861.7 million in 2013 due primarily to a substantial decrease in total expenses as a result of the disposition of telecom equipment operating lease assets in December 2013, such as depreciation and other operating expenses, partially offset by an increase in impairment losses in line with the substantial increase in our non-performing assets resulting from production overcapacity in certain traditional manufacturing industries, industry-wide financing difficulties faced by the lessees and the resulting lack of liquidity, and certain SME guarantors' failing to perform their obligations resulting from poor management when some SME lessees in other industries guaranteed by them faced operational difficulties in 2014.

Segment profit margin before income tax of our Other Leasing Business decreased to 3.9% in 2014 from 12.1% in 2013, due primarily to the increase of impairment losses, which substantially narrowed our profit margin before income tax.

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### ASSET QUALITY

Our asset classification system is based on Governing Principles on the Risk-based Classification of Non-banking Financial Institutions Assets (Provisional) (非銀行金融機構資產風險分類指導原則(試行)) issued by the CBRC on February 5, 2004, Guidelines on the Risk-based Classification of Loan (貸款風險分類指引) released by the CBRC on April 4, 2007, and Operation Guidelines on the Five-category Asset Quality Classification of Non-banking Financial Institutions in Shenzhen (Provisional) (深圳市非銀行類金融機構資產質量五級分類操作指引(試行)) issued by Shenzhen CBRC in November, 2004. In addition, we modeled our provisioning policies for financial assets after the statutory requirements relating to the asset quality classification of the China banking system in accordance with certain accounting standards and the accompanying guidance. During the Track Record Period, our operating lease business had no non-performing assets. The following discussion and analysis of asset quality contains the analysis of non-performing assets with respect to total assets before allowance for impairment losses and finance lease related assets before allowance for impairment losses.

#### Asset quality – Classification criteria

We classify both total assets and finance lease related assets in accordance with the regulatory requirements of the CBRC and our internal risk management policies. See “Risk Management – Credit Risk Management – Asset Portfolio Management” for our asset quality classification criteria.

#### Distribution of total assets by classification

The following table sets forth, as of the dates indicated, the distribution of our total assets before allowance for impairment losses by the five-category classification:

	As of December 31,		
	2013	2014	2015
	(RMB in millions except percentages)		
<b>Five-category</b>			
Normal . . . . .	138,209.2	134,476.3	151,208.9
Special mention . . . . .	4,805.4	6,335.4	5,515.7
Substandard . . . . .	401.2	829.9	1,423.7
Doubtful . . . . .	165.4	722.0	779.4
Loss . . . . .	0.6	0.6	0.6
<b>Total assets before allowance for impairment losses . . . .</b>	<b>143,581.8</b>	<b>142,364.2</b>	<b>158,928.3</b>
Non-performing assets <sup>(1)</sup> . . . . .	567.2	1,552.5	2,203.7
Non-performing asset ratio <sup>(2)</sup> . . . . .	0.40%	1.09%	1.39%

(1) Non-performing assets are defined as the last three categories of assets recognized under the five-category assets classification system, including “substandard,” “doubtful” and “loss” of our total assets before allowance for impairment losses.

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

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Our non-performing assets increased by 41.9% to RMB2,203.7 million as of December 31, 2015 from RMB1,552.5 million as of December 31, 2014. Our non-performing asset ratio increased to 1.39% as of December 31, 2015 from 1.09% as of December 31, 2014, due primarily to the increase in non-performing assets in our manufacturing equipment leasing to textile and chemical industries in Other Leasing Business.

Our non-performing assets increased significantly to RMB1,552.5 million as of December 31, 2014 from RMB567.2 million as of December 31, 2013. Our non-performing asset ratio increased to 1.09% as of December 31, 2014 from 0.40% as of December 31, 2013, due primarily to (i) production overcapacity in certain traditional manufacturing industries, (ii) industry-wide financing difficulties faced by the lessee and the resulting lack of liquidity, and (iii) operating and financial difficulties of lessees that resulted partly from the slowdown of the PRC economy.

### Distribution of finance lease related assets by classification

The following table sets forth, as of the dates indicated, the distribution of our finance lease related assets portfolio by the five-category classification:

	As of December 31,		
	2013	2014	2015
	(RMB in millions, except percentages)		
<b>Five-category</b>			
Normal . . . . .	81,422.8	86,277.3	90,803.2
Special mention . . . . .	4,805.4	5,102.9	4,071.0
Substandard . . . . .	401.2	829.9	1,423.7
Doubtful . . . . .	165.4	722.0	722.6
Loss . . . . .	0.6	0.6	0.6
<b>Finance lease related assets . . . . .</b>	<b>86,795.4</b>	<b>92,932.7</b>	<b>97,021.1</b>
Non-performing finance lease related assets <sup>(1)</sup> . . . . .	567.2	1,552.5	2,146.9
Non-performing asset ratio of finance lease business <sup>(2)</sup> . . . . .	0.65%	1.67%	2.21%

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

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

Our non-performing finance lease related assets increased by 38.3% to RMB2,146.9 million as of December 31, 2015 from RMB1,552.5 million as of December 31, 2014. The non-performing asset ratio of finance lease business increased to 2.21% as of December 31, 2015 from 1.67% as of December 31, 2014, due primarily to the same reasons set forth in the foregoing analysis of the non-performing asset ratio for the same year.

Our non-performing finance lease related assets increased by 173.7% to RMB1,552.5 million as of December 31, 2014 from RMB567.2 million as of December 31, 2013. The non-performing asset ratio of finance lease business increased to 1.67% as of December 31, 2014 from 0.65% as of December 31, 2013, due primarily to the same reasons set forth in the foregoing analysis of the non-performing asset ratio for the same year.

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### Non-performing finance lease related assets by segment

The following table sets forth the breakdown of our non-performing finance lease related assets among our four segments, as of the dates indicated:

	As of December 31,					
	2013		2014		2015	
	Assets	Ratio	Assets	Ratio	Assets	Ratio
	(RMB in millions, except percentages)					
<b>Non-performing finance lease related assets</b>						
Aircraft Leasing . . . . .	–	–	72.3	2.20%	–	–
Infrastructure Leasing . . . . .	–	–	–	–	–	–
Ship, Commercial Vehicle and Construction Machinery Leasing . . . . .	271.8	1.40%	398.3	1.93	355.0	1.91%
Other Leasing Business . . . . .	295.4	1.75	1,081.9	5.41	1,791.9	10.03
<b>Total . . . . .</b>	<b>567.2</b>	<b>0.65%</b>	<b>1,552.5</b>	<b>1.67%</b>	<b>2,146.9</b>	<b>2.21%</b>

#### *Aircraft Leasing*

Our non-performing finance lease related assets in Aircraft Leasing were nil as of December 31, 2013 and December 31, 2015. Non-performing finance lease related assets increased to RMB72.3 million as of December 31, 2014, as one of our aircraft leasing customers experienced financial difficulties and defaulted on its lease payments. The foregoing non-performing asset was then disposed of in 2015.

#### *Infrastructure Leasing*

Our non-performing finance lease related assets in Infrastructure Leasing was nil during the Track Record Period due primarily to our prudent risk management and our strength in providing lease services to clients in our Infrastructure Leasing segment.

#### *Ship, Commercial Vehicle and Construction Machinery Leasing*

Our non-performing finance lease related assets in Ship, Commercial Vehicle and Construction Machinery Leasing decreased by 10.9% to RMB355.0 million as of December 31, 2015 from RMB398.3 million as of December 31, 2014 as we collected part of overdue principal and interest by enhancing our collection of receivables. Our non-performing finance lease related assets increased by 46.5% to RMB398.3 million as of December 31, 2014 from RMB271.8 million as of December 31, 2013, primarily because (i) certain construction machinery customers defaulted due to adverse market changes in the construction machinery industry in 2014, and (ii) some of our commercial vehicle dealers defaulted due to their weak financial condition as market demand decreased.

During the Track Record Period, the non-performing asset ratio of finance lease business in Ship, Commercial Vehicle and Construction Machinery Leasing was generally higher than our Aircraft Leasing and Infrastructure Leasing because ship, commercial vehicle and construction machinery industries are generally cyclical and more sensitive to changes in the macroeconomic and market environments. During the Track Record Period, the credit risk of our finance lease services in the shipping industry increased, reflecting the downturn of the global marine transportation industry. The credit risks of our finance lease services in the construction machinery and commercial vehicle sectors increased in line with the slowdown of fixed asset investment in China.

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### *Other Leasing Business*

During the Track Record Period, the non-performing asset ratio of our finance lease business in our Other Leasing Business has historically been relatively higher than our other three segments, primarily due to (i) our operational and risk management experience was limited and were not fully adapted to manage these newly-entered sectors and deal with SMEs, resulting in an increased exposure to credit risk, and (ii) the slowdown of the PRC economy growth and challenging business environment in certain traditional industries in recent years, resulting in a higher default rate and non-performing asset ratio during the Track Record Period.

The following table sets forth the breakdown of our non-performing finance lease related assets by industry in our Other Leasing Business as of the dates indicated:

	As of December 31,					
	2013		2014		2015	
	Assets	Ratio	Assets	Ratio	Asset	Ratio
	(RMB in millions, except percentages)					
<b>Non-performing finance lease related assets – Other Leasing Business segment</b>						
Manufacturing equipment						
– Chemical . . . . .	131.6	9.44%	131.6	9.34%	368.7	18.99%
– Papermaking . . . . .	–	–	20.7	0.99	–	–
– Textile . . . . .	23.7	2.71	342.7	27.78	488.1	42.82
– Coal . . . . .	–	–	–	–	–	–
– Steel . . . . .	–	–	–	–	–	–
– Electronic . . . . .	–	–	–	–	–	–
– Others <sup>(1)</sup> . . . . .	40.0	1.06	177.8	3.92	526.1	11.28
Commercial property . . . . .	100.1	1.36	409.1	5.19	409.1	6.58
<b>Total . . . . .</b>	<b>295.4</b>	<b>1.75%</b>	<b>1,081.9</b>	<b>5.41%</b>	<b>1,792.0</b>	<b>10.03%</b>

(1) Others mainly comprise: non-performing finance lease related assets of manufacturing equipment in industries including building materials, agriculture, oil and gas, mechanical equipment and car manufacturing.

### *Manufacturing equipment*

Non-performing finance lease related assets in the manufacturing equipment sector represented the majority of our non-performing finance lease related assets in our Other Leasing Business, which collectively contributed to 66.1%, 62.2%, and 77.2% of our non-performing finance lease related assets in Other Leasing Business as of December 31, 2013, 2014 and 2015.

Our non-performing finance lease related assets in connection with chemical manufacturing equipment increased significantly to RMB368.7 million as of December 31, 2015 from RMB131.6 million as of December 31, 2014 and December 31, 2013, due primarily to the additional non-performing finance lease related assets in the lease projects of chemical manufacturing equipment as a result of the production overcapacity of the chemical products during the Track Record Period.



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Our non-performing finance lease related assets in connection with papermaking equipment were RMB20.7 million as of December 31, 2014, due primarily to operating and financial difficulties of a lessee in the papermaking industry. Our non-performing finance lease related assets in connection with papermaking equipment were nil as of December 31, 2013 and December 31, 2015.

Our non-performing finance lease related assets in connection with textile manufacturing equipment increased by 42.4% to RMB488.1 million as of December 31, 2015 from RMB342.7 million as of December 31, 2014, a significant increase from RMB23.7 million as of December 31, 2013, due primarily to (i) production overcapacity and industry-wide financing difficulties faced by lessees in the textile industry in 2014 and 2015, resulting in the lack of liquidity and the default of some of our clients, and (ii) certain SME guarantors' failing to perform their obligations resulting from their poor management when some SME lessees in the textile industry guaranteed by them faced operational difficulties in 2014.

Our non-performing finance lease related assets in connection with other manufacturing equipment increased significantly to RMB526.1 million as of December 31, 2015 from RMB177.8 million as of December 31, 2014, a significant increase from RMB40.0 million as of December 31, 2013, due primarily to (i) operating and financial difficulties of the lessees resulting partially from the slowdown of the PRC economy, and (ii) certain SME guarantors' failing to perform their obligations resulting from their poor management when some SME lessees in other industries guaranteed by them faced operational difficulties in 2014.

We had no non-performing finance lease related assets in connection with coal, steel and electronic manufacturing equipment during the Track Record Period.

### *Commercial Property*

Our non-performing finance lease related assets in commercial property sector increased significantly to RMB409.1 million as of December 31, 2015 and December 31, 2014 from RMB100.1 million as of December 31, 2013, primarily due to (i) a downturn in the real estate industry, especially in tier-three and tier-four cities in China where most of the non-performing projects are located, (ii) our over-optimism in the assessment of our lessees' creditworthiness, and (iii) our lack of experience in the commercial property leasing market.

To control the quality of our assets, we became more prudent in the selection of industries to enter and customers to cooperate with. Meanwhile, we also strengthened our risk management policies. See "Business – Other Leasing Business" and "Risk Management – Credit Risk Management" for details.

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### Changes in the asset quality of our finance lease business

The following table sets forth changes in the outstanding balance of the non-performing finance lease related assets as of the dates indicated:

	Amount	Non-performing finance lease related asset ratio
	(RMB in millions)	
<b>As of December 31, 2013.</b> . . . . .	567.2	0.65%
Downgrades <sup>(1)</sup> . . . . .	1,085.4	
Upgrades . . . . .	–	
Recoveries . . . . .	–	
Transfers-out <sup>(2)</sup> . . . . .	(100.1)	
Write-offs . . . . .	–	
<b>As of December 31, 2014.</b> . . . . .	1,552.5	1.67%
Downgrades <sup>(1)</sup> . . . . .	1,332.8	
Upgrades . . . . .	–	
Recoveries . . . . .	(3.0)	
Transfers-out <sup>(2)</sup> . . . . .	–	
Write-offs . . . . .	(735.4)	
<b>As of December 31, 2015.</b> . . . . .	2,146.9	2.21%

- (1) Represents downgrades of finance leases receivable classified as pass or special mention at the end of the previous year and finance leases receivable newly reclassified in the current year to non-performing categories.  
(2) Consists primarily of the transfer of Non-performing finance lease related assets to foreclosed assets.

### Allowance for finance lease business

We assess our finance lease related assets for impairment, and determine a level of allowance for impairment losses in accordance with impairment under IFRS. See “– Principal Factors Affecting Our Results of Operations – Asset Quality and Provisioning Policy” for details.

### Distribution of allowance by assessment methodology of finance lease related assets

The following table sets forth the distribution of allowance by our assessment methodology as of the dates indicated:

	As of December 31,		
	2013	2014	2015
	(RMB in millions, except percentages)		
<b>Asset allowance for impairment losses</b>			
Individually assessed . . . . .	192.7	670.5	1,307.6
Collectively assessed . . . . .	1,007.0	1,308.7	1,922.8
<b>Total</b> . . . . .	<b>1,199.7</b>	<b>1,979.2</b>	<b>3,230.4</b>
Non-performing finance lease related assets . . . . .	567.2	1,552.5	2,146.9
Allowance to non-performing finance lease related assets . .	211.51%	127.48%	150.47%

Our allowance to non-performing finance lease related assets increased to 150.47% as of December 31, 2015 from 127.48% as of December 31, 2014, due primarily to our decision to increase our provisioning by the end of 2015 for meeting a more stringent CBRC regulatory requirement that will come into effect as of December 31, 2016. Our allowance to non-performing finance lease related asset decreased to 127.48% as of December 31, 2014, a decrease from 211.51% as of December 31, 2013, due primarily to an increase in our non-performing finance lease related assets from certain traditional manufacturing industries adversely affected by changes in the PRC economy and market conditions.

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### Write-offs

The following table sets forth our write-offs of finance lease related assets for the years indicated:

	Year ended December 31,		
	2013	2014	2015
	(RMB in millions)		
Write-offs . . . . .	104.3	–	735.4

Our write-offs of finance lease related assets were RMB735.4 million in 2015, primarily in our commercial property leasing and manufacturing equipment leasing projects. We had no write-offs in 2014. Our write-offs were RMB104.3 million in 2013, primarily in our manufacturing equipment leasing projects. For our risk management with respect to our asset portfolio, see “Risk Management – Credit Risk Management – Asset Portfolio Management” for details.

### Impacts of the new regulatory requirements of allowance by the end of 2016

Pursuant to the Management Measures on the Loan Loss Provision of Commercial Banks (《商業銀行貸款損失準備管理辦法》) issued on July 27, 2011 by the CBRC and implemented on January 1, 2012, our allowance to non-performing finance lease related assets and allowance to total finance lease related assets are required to reach 150% and 2.5% as of December 31, 2016, respectively. The implementation of the new regulatory requirements may increase our impairment losses and negatively affect our results of operations in 2016.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

Historically, we have funded our working capital and other financing requirements primarily from cash generated from our business operations, bank loans, issue of bonds, financial assets sold under repurchase agreements and due to banks and other financial institutions. We managed our capital structure and funding in accordance with the economic and market environment. Our source of funding primarily includes:

- *Bank borrowings:* We obtain short-term and long-term liquidity from banks through secured or unsecured bank borrowings. Secured bank borrowings were collateralized by leased assets and bank deposits. Unsecured bank borrowings did not require collateral and were the main source of our short-term liquidity. As of April 30, 2016, the aggregate balance of our bank borrowings was RMB109,745.3 million.
- *Issue of bonds:* We meet our long-term financing demands by issuing bonds with a term exceeding one year. As of April 30, 2016, the aggregate balance of our long-term bonds was RMB13,767.9 million.

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- *Finance assets sold under repurchase agreements:* We contract to sell our leased assets, mainly infrastructure finance lease projects, such as road and rail transit, to counterparties, such as banks and other financial institutions, for short-term or long-term financing and agree to repurchase such assets at a later date. As of April 30, 2016, the balance of our financial assets sold under repurchase agreements was RMB5,713.3 million.
- *Due to banks and other financial institutions:* We obtain short-term liquidity within three months from the PRC interbank lending market. As of April 30, 2016, we had fully repaid our interbank lending.

We determine the allocation of capital and other resources to each business line, mainly based on our corporate strategy, capital requirements and projected future cash flow from each business line, and applicable regulatory requirements, such as those in relation to liquidity, capital adequacy and risk management.

After the Global Offering, we intend to finance future financing requirements through the same sources of funds discussed above, together with the net proceeds received from the Global Offering. We do not anticipate any changes to the availability of financing to fund our operations in the future, although there is no assurance that we will be able to access any financing on favorable terms or at all.

Taking into account the net proceeds from the Global Offering and the financial resources available to us, including cash flows from operating activities, bank loans, issue of bonds, repurchase agreements and due to banks and other financial institutions, our Directors believe that we have sufficient working capital for our present requirements, that is at least 12 months from the date of this prospectus.

### Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year ended December 31,		
	2013	2014	2015
		(RMB in millions)	
Net cash flow from operating activities . . . . .	5,270.7	(803.8)	11,841.9
Net cash flow from investing activities . . . . .	(6,443.9)	(7,917.1)	(9,903.9)
Net cash flow from financing activities . . . . .	(286.4)	3,613.4	(584.2)
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>	<b>(1,459.6)</b>	<b>(5,107.5)</b>	<b>1,353.8</b>
Cash and cash equivalents at the beginning of the year . . . . .	12,028.9	10,569.3	5,461.8
<b>Cash and cash equivalents at the end of the year . . . . .</b>	<b>10,569.3</b>	<b>5,461.8</b>	<b>6,815.6</b>

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### *Cash flow from operating activities*

Our cash flow from operating activities consists primarily of cash generated or paid in relation to our leasing business, borrowings, due to banks and other financial institutions, and repurchase transactions. Cash flow from operating activities reflects (i) profit before income tax adjusted for non-cash and non-operating items, such as depreciation and amortization, and impairment losses; (ii) the effects of changes in working capital, such as increases or decreases in finance leases receivable, accounts receivable, prepayments, borrowings and financial assets sold under repurchase agreements; and (iii) other cash items such as income taxes paid.

Our net cash flow from operating activities were positive in 2013 and 2015, and negative in 2014. Our profit before income tax amounted to RMB2,499.2 million, RMB2,379.6 million and RMB1,299.6 million, respectively, for 2013, 2014 and 2015.

In 2015, we had net cash inflow in operating activities of RMB11,841.9 million resulting from our operating cash flows before the changes in working capital of RMB5,699.8 million and the positive effect of the changes in working capital. Our changes in working capital primarily reflected (i) an increase in borrowings of RMB10,248.2 million due primarily to the increase of new finance lease projects in 2015, (ii) an increase in due to banks and other financial institutions of RMB1,400.0 million due primarily to our temporary liquidity needs at the end of 2015, and (iii) an increase in other liabilities of RMB1,703.7 million due primarily to payment for the purchase of asset portfolios. These cash inflows were partially offset by an increase in finance leases receivable of RMB7,110.6 million due primarily to the increased amount of lease financing in the fourth quarter of 2015.

In 2014, we had net cash outflow in operating activities of RMB803.8 million resulting from our operating cash flows before the changes in working capital of RMB5,328.2 million and negative effect of changes in working capital. Our changes in working capital primarily reflected (i) an increase in finance leases receivable of RMB8,849.2 million as a result of the growth of our finance lease business in 2014, (ii) a decrease in borrowings of RMB7,055.8 million as we improved our liquidity management and reduced our bank borrowings in 2014, and (iii) a decrease in RMB1,817.7 million in financial assets sold under repurchase agreements as we improved our liquidity management and thereby decreased the use of this method to meet our financing demands. These cash outflows were partially offset by a decrease in accounts receivable of RMB11,226.9 million as we received payments from purchasers of certain of our leased assets and executed an option to buy back certain of our previously disposed leased assets, significantly reducing our other accounts receivable.

In 2013, we had net cash inflow in operating activities of RMB5,270.7 million resulting from our operating cash flows before the changes in working capital of RMB5,227.3 million and positive effect of changes in working capital. Our changes in working capital primarily reflected (i) an increase in borrowings of RMB7,939.1 million as we funded our business mainly through bank loans in 2013, (ii) an increase in due to banks and other financial institutions of RMB1,500.0 million, due to our decision to raise additional financing for new leasing projects in the beginning of 2014, (iii) a decrease in accounts receivable of RMB6,503.8 million primarily as we duly collected the accounts receivable and some prepayments for finance lease projects subsequently became finance leases receivable when the projects met the leasing conditions, and (iv) an increase in other liabilities of RMB2,217.2 million due primarily to an increase in the guaranteed deposits and maintenance deposits from lessees in line with our business expansion. These cash inflows were partially offset by (i) an increase in finance leases receivable of RMB12,872.8 million as a result of the growth of our finance lease business in 2013, and (ii) a decrease of RMB4,118.1 million in financial assets sold under repurchase agreements as a result of our reduced use of financial assets sold under repurchase agreements to provide liquidity as we strengthened our cash management in 2013.

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### *Cash flow from investing activities*

Our cash flows from investing activities consist primarily of our pledged and restricted bank deposits, purchases of property and equipment, purchases of investment properties, purchases of intangible assets and disposal of property and equipment. Our cash inflows from investing activities consist primarily of proceeds from the disposal of property and equipment, financial assets at fair value through profit or loss, and available-for-sale financial assets.

In 2015, our net cash outflow from investing activities was RMB9,903.9 million, due primarily to purchases of property and equipment of RMB9,417.5 million, mainly related to our acquisition of aircraft, and purchases of financial assets at fair value through profit and loss of RMB1,500.0 million resulting from our investment in fixed-income asset management schemes in the fourth quarter of 2015 following our receipt of regulatory approval for fixed-income investments.

In 2014, our net cash outflow from investing activities was RMB7,917.1 million, due primarily to purchases of property and equipment of RMB9,443.4 million, mainly relating to our acquisition of aircraft, partially offset by a decrease in pledged and restricted bank deposits as we reduced our borrowings that were secured by bank deposits in 2014.

In 2013, our net cash outflow in investing activities was RMB6,433.9 million due primarily to purchases of property and equipment of RMB5,198.5 million, mainly relating to our acquisition of aircraft, and an increase in pledged and restricted bank deposits of RMB1,495.0 million as we increased our borrowings that were secured by bank deposits in 2013.

### *Cash flow from financing activities*

Our cash flows from financing activities primarily include proceeds from the issue of notes payable, notes issuance cost, dividends paid and notes interest paid.

In 2015, our net cash outflow from financing activities was RMB584.2 million, due primarily to payment of notes interest.

In 2014, our net cash inflow in financing activities was RMB3,613.4 million, due primarily to proceeds from issue of notes payable of RMB3,947.5 million, partially offset by the payment of notes interest of RMB308.5 million.

In 2013, our net cash outflow from financing activities was RMB286.4 million, due primarily to the payment of notes interest.

## **INDEBTEDNESS**

As of April 30, 2016, the latest date for determining our indebtedness, we had RMB109,745.3 million of borrowings, RMB5,713.3 million of financial assets sold under repurchase agreements and RMB13,767.9 million of notes payable. As of the same date, we had fully repaid our due to banks and other financial institutions.

### **Borrowings**

As of December 31, 2015 and April 30, 2016, our unsecured bank borrowings amounted to RMB76,370.2 million and RMB86,553.7 million, respectively. As of the same dates, RMB26,124.3 million and RMB23,191.6 million of our bank borrowings were secured by our leased assets or bank deposits.

As of April 30, 2016, we had business relationships with approximately 80 banks, with the total principal amount of the uncommitted credit facility of approximately RMB330 billion, approximately RMB210 billion of which was unutilized.

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### Financial Assets Sold Under Repurchase Agreements

We also manage our liquidity through financial assets sold under repurchase agreements, mainly in relation to our leased assets in the Infrastructure Leasing business. As of December 31, 2015 and April 30, 2016, the balances of our financial assets sold under repurchase agreements were RMB5,922.3 million and RMB5,713.3 million, respectively. As of the same dates, all outstanding balances of financial assets sold under repurchase agreements were secured by finance leases receivable.

### Due to Banks and Other Financial Institutions

We are a member of the interbank lending market in China and able to obtain interbank lending with a term within three months to quickly replenish our short-term liquidity. As of December 31, 2015, the balance of our due to banks and other financial institutions was RMB4,900.0 million. As of the same date, all of the outstanding balance of our due to banks and other financial institutions was unsecured. We paid interest rates which ranged between 1.52% and 6.80% on interbank borrowing, benchmarking the SHIBOR from January 1, 2013 to December 31, 2015. As of April 30, 2016, we had fully repaid our due to banks and other financial institutions.

### Issue of Bonds

We finance our long-term business expansion by issuing bonds with a term exceeding one year. As of December 31, 2015 and April 30, 2016, the balances of our notes payable were RMB13,834.8 million and RMB13,767.9 million, respectively.

During the Track Record Period, our overseas subsidiaries issued two guaranteed unsecured notes with an aggregate principal amount of US\$650.0 million. We used the proceeds to primarily replenish our working capital. As of April 30, 2016, the outstanding principal amount of bonds issued by us was US\$2,150.0 million. The table below sets forth certain information on our outstanding bonds:

	<u>Bonds due 2017</u>	<u>Bonds due 2022</u>	<u>Bonds due 2019</u>	<u>Bonds due 2024</u>
Principal amount (US\$ in millions) . . . . .	500.0	1,000.0	250.0	400.0
Coupon rate . . . . .	2.00%	3.25%	3.25%	4.25%
Maturity date . . . . .	December 4, 2017	December 4, 2022	December 2, 2019	December 2, 2024
Bond rating . . . . .	Aa3/AA-	Aa3/AA-	A+	A+
Rating agency . . . . .	Moody's/ Standard & Poor's	Moody's/ Standard & Poor's	Fitch	Fitch
Issue date . . . . .	December 4, 2012	December 4, 2012	December 2, 2014	December 2, 2014
Offer price . . . . .	99.537%	99.223%	99.470%	99.092%
Listing venue . . . . .	Hong Kong Stock Exchange	Hong Kong Stock Exchange	Hong Kong Stock Exchange	Hong Kong Stock Exchange

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Our bonds issued in 2012 were guaranteed by our related party, the Hong Kong branch of CDB. Bonds issued by our offshore subsidiary in 2014 enjoyed the benefit of a keepwell and assets purchase deed given by us and were guaranteed by one of our SPCs incorporated in Ireland.

Apart from the foregoing, we did not have, as of December 31, 2015, any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities. During the Track Record Period, we did not have any material default on our indebtedness, and as of the Latest Practicable Date, all of our outstanding short-term and long-term debt instruments were not subject to any material restrictive covenants.

Our Directors have confirmed that there has not been any material change in our indebtedness since December 31, 2015 to the date of this prospectus.

On January 14, 2016, our shareholders approved and authorized us to issue foreign currency-denominated or Renminbi-denominated debt securities with a maximum principal amount of RMB23.0 billion within a year. In February 2016, Shenzhen CBRC approved our plans to issue financial institution bonds in China with a maximum principal amount of RMB10.0 billion. Subject to the approval by the PBOC, which we expect to obtain in 2016, we intend to issue these bonds in one or multiple tranches during 2016, subject to market conditions and our funding needs. We also appointed CDB, CDB Securities and other underwriters in China to underwrite our financial institution bonds.

### CAPITAL EXPENDITURE

Our capital expenditures principally comprise expenditures for the purchase of property, equipment, intangible assets in relation to our Aircraft Leasing segment and construction of our office building. The following table sets forth our capital expenditures for the years indicated:

	Year ended December 31,		
	2013	2014	2015
	(RMB in millions)		
Purchase of property, equipment and other intangible assets . . . . .	8,382.3	6,788.3	6,703.2

Our capital expenditures were RMB8,382.3 million, RMB6,788.3 million and RMB6,703.2 million in 2013, 2014 and 2015, respectively. The capital expenditures were primarily used for the acquisition of aircraft. As of December 31, 2015, we estimated that our capital expenditure for 2016 will be approximately RMB8,128.6 million, most of which will be used for the acquisition of aircraft. We intend to finance our capital expenditures by a combination of cash from operating activities, bank borrowings and the net proceeds from the Global Offering.



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### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

#### Capital Commitments

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,		
	2013	2014	2015
	(RMB in millions)		
Contracted but not provided for . . . . .	10,824.1	44,581.9	40,596.7

We have funded and will continue to fund our capital commitments by cash generated from our operations and borrowings. During the Track Record Period, our capital commitments were mainly attributable to the acquisition of aircraft.

#### Finance Lease Commitments

The following table sets forth our finance lease commitments as of the dates indicated:

	As of December 31,		
	2013	2014	2015
	(RMB in millions)		
Finance lease commitments . . . . .	4,106.1	417.0	1,990.0

As of December 31, 2013, our finance lease commitments principally related to the finance lease contracts in our Ship, Commercial Vehicle and Construction Machinery Leasing and Aircraft Leasing. As of December 31, 2014, our finance lease commitments principally related to the finance lease contracts in our Ship, Commercial Vehicle and Construction Machinery Leasing and Infrastructure Leasing. As of December 31, 2015, our finance lease commitments primarily related to the finance lease contracts in our Infrastructure Leasing.

#### Operating Lease Commitments

##### *As lessee*

We lease some of our office properties from third parties under non-cancellable operating leases. The following table sets forth our future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,		
	2013	2014	2015
	(RMB in millions)		
Within one year . . . . .	28.0	28.6	30.3
In the second to fifth years inclusive. . . . .	82.0	53.4	26.3
<b>Total . . . . .</b>	<b>110.0</b>	<b>82.0</b>	<b>56.6</b>

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### *As lessor*

We primarily leased aircraft to third parties under non-cancellable operating leases. The following table sets forth our future minimum lease rental receivables under non-cancellable operating leases as of the dates indicated:

	As of December 31,		
	2013	2014	2015
		(RMB in millions)	
Within one year . . . . .	3,836.9	4,505.4	5,777.9
In the second to fifth years inclusive. . . . .	14,063.8	16,056.6	18,671.1
Over five years. . . . .	7,439.7	6,378.5	7,579.5
<b>Total . . . . .</b>	<b>25,340.4</b>	<b>26,940.5</b>	<b>32,028.5</b>

### **Contingent Liabilities**

As of the Latest Practicable Date, we were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, we expect would materially adversely affect our financial position or results of operations, although there can be no assurance that this will be the case in the future.

Our Directors confirm that there has been no material change in our contingent liabilities since December 31, 2015 to the date of this prospectus.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet guarantees.

### **RELATED PARTY TRANSACTIONS**

We enter into transactions with our related parties from time to time. It is the view of our Directors that each of the related party transactions set out in note 44 to the Accountant's Report in Appendix I to this prospectus were conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance. In particular, we had related party borrowings from CDB of RMB11,646.5 million, RMB12,035.2 million and RMB12,685.8 million as of December 31, 2013, 2014 and 2015, respectively. The interest rates which we paid on related party borrowings were generally in line with the prevailing market rates. In addition, we issued US\$1.5 billion of bonds overseas in 2012 which were guaranteed by the Hong Kong branch of CDB.

After this Global Offering, we expect substantially all of our related party transactions to continue, including financing from CDB based on the framework agreements entered into with CDB. Also see "Connected Transactions" for our connected transactions under Chapter 14A of the Listing Rules.

### QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISK

We have designed a risk management and control system to measure, monitor and manage financial risks arising in the ordinary course of business. See “Risk Management” and note 47 of the Accountants’ Report in Appendix I to this prospectus for an overview of our risk management processes. The main financial risks arising from our operating activities are credit risk, market risk and liquidity risk. As we expand our business by providing new services or products, doing business with individuals and entities that are not within our traditional client and counterparty base, and entering new geographical markets, we are exposed to various kinds of challenges and risks. The following discussion of our main financial risks and the estimated amounts of our risk exposure generated by our risk measurement models are forward-looking statements. These analyses and the results of our risk measurement models are not, however, predictions of future events, and the actual results may be significantly different from the analyses and results of our risk measurement models due to events in the global economy or the markets where we operate, as well as other factors described below.

#### Credit Risk

Our credit risk represents the risk that the counterparty fails to meet its contractual obligations at the due date. Credit risk is considered as one of the most significant risks to our business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from leasing business.

We have established industry risk management framework and measurements with which we perform research on an industry basis, implement credit evaluation, estimate the value on leased assets, monitor lessees’ business status and evaluate the impact from changes in technology to the leased assets, to strengthen credit risk control and management.

We enter transactions only with recognized and creditworthy third parties. In accordance with our policy, we examine and verify the credit risk of all customers that with which have credit transactions. Besides, we monitor and control the leases receivable regularly to mitigate the risk of significant exposure from non-performing assets.

Our other financial assets include cash and bank balances, placement to banks and other financial institutions, derivative financial instruments, accounts receivable and other financial assets. The credit risk of these financial assets arises from the counterparty’s inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

#### Market Risk

We are exposed to market risks that may cause losses to us as a result of adverse movements in market prices (mainly interest rates and exchange rates).

We currently establish our position and uses sensitivity analysis to measure and control market risks. We regularly calculate and monitor foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would mature in a certain period or need to be repriced, and then using the exposure information to perform sensitivity analysis under changing market interest rate and exchange rate.

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## FINANCIAL INFORMATION

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### *Currency risk*

We take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on our financial position and cash flows.

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. According to our exchange risk exposure arising from the profits of some of our overseas SPCs, which are denominated in foreign currencies, we proactively manage the mismatch of assets and liabilities. As of December 31, 2015, our existing nominal principal amount of US dollar to Renminbi non-deliverable forward contracts amounted to US\$275.0 million. We trade foreign exchange spot and forward contracts to hedge our exchange rate exposure. Most aircraft held under finance and operating leases that we have purchased are denominated in US dollars; the correspondent finance leases receivable and operating leases receivable are denominated in US dollars; and the main sources of fund are from bank borrowings and issue of bonds denominated in US dollars or Renminbi, as well as paid-in capital which is denominated in Renminbi. Other than aircraft and vessel leasing, our remaining leasing businesses are denominated in Renminbi, which do not expose us to significant currency risk.

### *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. We take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both fair value and cash flow risks.

Interest margins may increase as a result of fluctuation in market interest rates, but may reduce or create losses in the event that unexpected movements arise. Therefore, we primarily manage the interest rate risk through controlling the repricing of the leased assets and its corresponding liabilities.

In terms of Renminbi, as of December 31, 2015, 92.1% of our liabilities bear a fixed interest rate and 7.9% a floating rate, while almost all of our assets bear a floating interest rate. As the result of our effort to intentionally shorten the maturity profile of our Renminbi-denominated liabilities, the mismatch of interest rate is manageable because the duration of our Renminbi-denominated interest-generating assets and liabilities is very short. In terms of foreign currencies, the majority of our US dollar-denominated leased assets bear a fixed lease rate and the majority of our US dollar-denominated liabilities bear a floating rate, thus leading to a mismatch of interest rate between our assets and liabilities; however, we perform hedging transactions by using interest rate swaps to control risk exposure. The mismatch of the duration profile is insignificant.

Most of our operating lease business receives fixed rate rent, while the corresponding bank borrowings bear interest at floating rates. We hedge the cash flow volatility risk as the result of the interest rate fluctuation through interest rate swap contracts, as a cash flow hedging strategy. We switch the floating rate into fixed rate through interest rate swap contract to effectively match the future fixed rental income, and fix the interest spread.

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## FINANCIAL INFORMATION

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### *Sensitivity analysis*

We conduct sensitivity analysis on currency risk and interest rate risk to measure the impact of a reasonably possible change in foreign exchange rates against Renminbi on our profit before income tax and the potential impact of a reasonably possible change in interest rates on net interest income, assuming all other variables were held constant. Assuming a parallel change in foreign exchange rate and interest rate without taking into account any possible risk management activities that may be taken by management to reduce the relevant risks, our sensitivity analysis is as follows:

Sensitivity analysis of currency risk on profit before income tax:

	As of December 31,		
	2013	2014	2015
	(RMB in millions)		
<b>Change in foreign exchange rate</b>			
Increase by 5% . . . . .	(101.0)	(176.5)	68.1
Decrease by 5% . . . . .	101.0	176.5	(68.1)

Sensitivity analysis of interest rate risk on net interest income:

	As of December 31,		
	2013	2014	2015
	(RMB in millions)		
<b>Change in yield curve</b>			
Increase by 100bps . . . . .	131.6	129.3	(169.8)
Decrease by 100bps . . . . .	(131.6)	(129.3)	169.8

### **Liquidity Risk**

#### *Origin and management of liquidity risk*

Liquidity risk refers to the risk that we are unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. Our liquidity risk management target is to ensure sufficient capital resources at any time to meet the repayment needs of matured liabilities, as well as lessees' withdrawal demands, and to seize new investment opportunities.

Our major payment demand is the repayment of matured bank borrowings and withdrawal requests from lessees under finance leases.

We implement the following procedures to manage liquidity risk:

- (i) proactive management of the maturity profile of our assets and liabilities and maintaining appropriate liquidity provision for mitigating the liquidity risk; and
- (ii) obtaining diversified funding via multiple channels, thereby preserving sufficient funds to purchase assets and repay debts.

## FINANCIAL INFORMATION

### *Cash flow for non-derivative financial assets and liabilities*

The table below presents the cash flows receivable and payable by us under non-derivative financial assets and liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas we manage the inherent liquidity risk based on expected undiscounted cash inflows:

	Indefinite / Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
(unaudited)							
(RMB in millions)							
<b>December 31, 2015</b>							
Cash and bank balances . . . .	5,515.6	380.3	–	–	386.6	36.2	6,318.7
Placement to banks and other financial institutions . . . . .	–	1,100.6	–	–	–	–	1,100.6
Accounts receivable . . . . .	68.9	36.5	220.7	4,335.5	4,582.5	4,906.7	14,150.8
Finance leases receivable . . . .	972.0	871.7	4,432.8	16,690.9	53,369.5	27,834.5	104,171.4
Financial assets at fair value through profit and loss . . . .	1,558.6	–	–	–	–	–	1,558.6
Available-for-sale financial assets . . . . .	122.4	–	–	–	–	–	122.4
Other financial assets . . . . .	–	2.8	27.5	4.5	384.4	–	419.2
<b>Non-derivative financial assets total . . . . .</b>	<b>8,237.5</b>	<b>2,391.9</b>	<b>4,681.0</b>	<b>21,030.9</b>	<b>58,723.0</b>	<b>32,777.4</b>	<b>127,841.7</b>
Bank borrowings . . . . .	–	12,664.8	16,577.0	48,087.9	23,426.2	6,666.0	107,421.9
Due to banks and other financial institutions . . . . .	–	4,937.4	–	–	–	–	4,937.4
Financial assets sold under repurchase agreement . . . . .	–	–	258.5	2,742.6	3,363.7	–	6,364.8
Notes payables . . . . .	–	–	3.7	386.1	6,440.5	9,977.5	16,807.8
Other financial liabilities . . . .	60.3	142.8	268.2	2,681.0	3,406.1	6,275.6	12,834.0
<b>Non-derivative financial liabilities total . . . . .</b>	<b>60.3</b>	<b>17,745.0</b>	<b>17,107.4</b>	<b>53,897.6</b>	<b>36,636.5</b>	<b>22,919.1</b>	<b>148,365.9</b>
<b>Net position . . . . .</b>	<b>8,177.2</b>	<b>(15,353.1)</b>	<b>(12,426.4)</b>	<b>(32,866.7)</b>	<b>22,086.5</b>	<b>9,858.3</b>	<b>(20,524.2)</b>
(RMB in millions)							
<b>December 31, 2014</b>							
Cash and bank balances . . . .	2,445.1	2,176.1	359.0	664.3	396.1	15.7	6,056.3
Placement to banks and other financial institutions . . . . .	–	500.5	–	–	–	–	500.5
Accounts receivable . . . . .	13.5	9.6	137.5	597.7	5,319.6	8,128.2	14,206.1
Finance leases receivable . . . .	453.7	1,510.6	4,717.5	15,104.8	51,207.7	28,483.7	101,478.0
Available-for-sale financial assets . . . . .	122.4	–	–	–	–	–	122.4
Other financial assets . . . . .	–	5.1	28.0	127.9	59.7	–	220.7
<b>Non-derivative financial assets total . . . . .</b>	<b>3,034.7</b>	<b>4,201.9</b>	<b>5,242.0</b>	<b>16,494.7</b>	<b>56,983.1</b>	<b>36,627.6</b>	<b>122,584.0</b>
Bank borrowings . . . . .	–	6,331.2	18,296.6	41,761.9	23,967.1	7,074.1	97,430.9
Due to banks and other financial institutions . . . . .	–	1,001.9	2,518.7	–	–	–	3,520.6
Financial assets sold under repurchase agreement . . . . .	–	–	1,342.7	1,373.8	3,141.2	–	5,857.7
Notes payables . . . . .	–	–	11.5	402.6	6,284.0	9,782.9	16,481.0
Other financial liabilities . . . .	38.9	273.7	387.2	3,223.7	2,650.7	3,190.4	9,764.6
<b>Non-derivative financial liabilities total . . . . .</b>	<b>38.9</b>	<b>7,606.8</b>	<b>22,556.7</b>	<b>46,762.0</b>	<b>36,043.0</b>	<b>20,047.4</b>	<b>133,054.8</b>
<b>Net position . . . . .</b>	<b>2,995.8</b>	<b>(3,404.9)</b>	<b>(17,314.7)</b>	<b>(30,267.3)</b>	<b>20,940.1</b>	<b>16,580.2</b>	<b>(10,470.8)</b>

## FINANCIAL INFORMATION

	Indefinite / Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
(RMB in millions)							
<b>December 31, 2013</b>							
Cash and bank balances . . . . .	5,801.0	4,034.6	1,074.0	1,806.3	–	81.1	12,797.0
Accounts receivable . . . . .	–	7.3	1,754.5	5,477.4	3,871.4	14,322.4	25,433.0
Finance leases receivable . . . . .	394.9	1,037.0	3,787.0	13,506.6	46,345.7	25,724.7	90,795.9
Available-for-sale financial assets . . . . .	122.4	–	–	–	–	–	122.4
Other financial assets . . . . .	6.0	–	58.1	15.3	538.0	–	617.4
<b>Non-derivative financial assets total . . . . .</b>	<b>6,324.3</b>	<b>5,078.9</b>	<b>6,673.6</b>	<b>20,805.6</b>	<b>50,755.1</b>	<b>40,128.2</b>	<b>129,765.7</b>
Bank borrowings . . . . .	–	6,034.3	14,344.5	49,902.0	29,934.3	7,758.8	107,973.9
Due to banks and other financial institutions . . . . .	–	1,001.9	2,518.7	–	–	–	3,520.6
Financial assets sold under repurchase agreement . . . . .	–	–	1,365.8	3,957.8	2,486.5	–	7,810.1
Notes payables . . . . .	–	–	15.8	405.2	5,788.0	9,681.7	15,890.7
Other financial liabilities . . . . .	0.9	15.2	871.1	2,086.2	3,818.0	2,720.4	9,511.8
<b>Non-derivative financial liabilities total . . . . .</b>	<b>0.9</b>	<b>7,051.4</b>	<b>19,115.9</b>	<b>56,351.2</b>	<b>42,026.8</b>	<b>20,160.9</b>	<b>144,707.1</b>
<b>Net position . . . . .</b>	<b>6,323.4</b>	<b>(1,972.5)</b>	<b>(12,442.3)</b>	<b>(35,545.6)</b>	<b>8,728.3</b>	<b>19,967.3</b>	<b>(14,941.4)</b>

### DIVIDEND POLICY AND PROFIT REPATRIATION

After the completion of the Global Offering, we may distribute dividends in the form of cash or by other means that we consider appropriate. Any proposed distribution of dividends shall be formulated by our Board and will be subject to our Shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, capital adequacy ratio, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends, and other factors that our Board may consider important. We currently intend to distribute no less than 30% of our annual distributable profits as dividends for the year ending December 31, 2016 and each year thereafter. However, we cannot assure you that we will declare or pay such or any amount of dividends for each or any year.

According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the general risk reserve of not less than 10% of our profit after tax;
- allocations to the statutory reserve equivalent to 10% of our profit after tax, and, when the statutory reserve reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory reserve will be required; and
- allocations, if any, to a discretionary common reserve fund that are approved by our shareholders in a Shareholders' meeting.

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## FINANCIAL INFORMATION

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After completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

In 2013, 2014 and 2015, we declared and paid dividends of nil, nil and RMB149.8 million, respectively. However, our historical dividends may not be indicative of future dividend payments. According to the resolution approved at our shareholders' meeting held on November 24, 2015, our accumulated undistributed profits before the Global Offering would be shared among our existing shareholders and new shareholders.

Before the introduction of relevant PRC laws and regulations on the establishment and registration of overseas SPCs by a CBRC-regulated leasing company, we established a number of overseas SPCs for our leasing business. As of December 31, 2015, the retained profits of our overseas SPCs amounted to RMB2,976.7 million, representing 86.9% of our total retained profits available for distribution, as determined under IFRS. We were unable to register our SPCs with the SAFE because they were not incorporated directly as our overseas subsidiaries. Since the SAFE registration of our overseas SPCs is a precondition for the profit repatriation from these SPCs, we have not repatriated any overseas profit to China and we are considering a number of options to facilitate our registration, including designating a wholly owned subsidiary incorporated in Ireland as the ultimate holding company for our overseas SPCs under valid registration with the SAFE. Our incorporation of such subsidiary in Ireland is subject to the approval of the CBRC, which we expect to obtain by August 31, 2016. However, we may not be able to achieve so, and there can be no assurance that our overseas profits can be repatriated to China in a timely manner, which could adversely affect our ability to distribute dividends to shareholders in the future. In addition, we may be subject to tax in relation to our restructuring of overseas SPCs and repatriation of overseas profits to China, which could result in a decrease in our distributable profits and net tangible assets. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to timely repatriate profits from our overseas SPCs to China, and may be subject to tax in relation to our restructuring of overseas SPCs and repatriation of overseas profits to China."

### **DISTRIBUTABLE PROFITS**

As of December 31, 2015, we had RMB3,424.9 million in retained profits, as determined under IFRS, available for distribution. Also see "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to timely repatriate profits from our overseas SPCs to China, and may be subject to tax in relation to our restructuring of overseas SPCs and repatriation of overseas profits to China."



## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets has been prepared by our Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Global Offering on our audited consolidated net tangible assets attributable to owners of the Company as if the Global Offering had taken place on December 31, 2015.

The statement of our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of our financial position had the Global Offering been completed on December 31, 2015 or any future date.

The statement of our unaudited pro forma adjusted consolidated net tangible assets is based on our audited consolidated net tangible assets attributable to owners of the Company as of December 31, 2015 derived from the consolidated statement of financial position as of that date as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of our Company as of December 31, 2015 <sup>(1)</sup>	Estimated net proceeds from Global Offering <sup>(2)</sup>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company per share	
				RMB <sup>(3)(4)</sup>	HK\$ <sup>(3)(4)</sup>
		(RMB in millions)			
Base on the Offer Price of HK\$1.90 per share . . . . .	14,541	4,767	19,308	1.53	1.83
Base on the Offer Price of HK\$2.45 per share . . . . .	14,541	6,160	20,701	1.64	1.96

- (1) The audited consolidated net tangible assets attributable to owners of our Company as of December 31, 2015 has been extracted from the audited combined financial information in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) Estimated net proceeds from the Share Offer are based on 3,100,000,000 H Shares to be issued under the Share Offer and the Offer Price of HK\$1.90 and HK\$2.45 per Offer Share, being the lower end and higher end of the indicated Offer Price range, after deducting underwriting commissions and other estimated expenses payable by the Group in connection with the Share Offer and assuming the Over-allotment Option is not exercised. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1 to RMB0.8378, which was the rate prevailing on December 31, 2015.
- (3) Our unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share is calculated based on 12,600,000,000 Shares comprising Shares in issue as of the date of this prospectus and those Shares to be issued assuming that the Global Offering had been completed on December 31, 2015, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) For the purpose of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share, the amount stated in Renminbi is converted into Hong Kong dollars at the rate of RMB0.8378 to HK\$1.00, being the spot exchange rate as of December 31, 2015 with reference to the rate published by the PBOC. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.
- (5) No adjustment has been made to our audited consolidated net tangible assets attributable to the owners of our Company as of December 31, 2015 to reflect any of our trading results or other transactions entered into subsequent to December 31, 2015.

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## FINANCIAL INFORMATION

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### **DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES**

The Directors confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Stock Exchange.

### **DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE**

Our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects since December 31, 2015 (being the date of our latest audited financial statements). There has been no event since December 31, 2015 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

### **LISTING EXPENSES**

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB188.2 million, of which approximately RMB169.8 million is directly attributable to the issue of H Shares to the public and to be capitalized, and approximately RMB18.4 million has been or is expected to be reflected in our consolidated income statements. None of the listing expenses in relation to services already performed has been reflected in our consolidated income statements during the Track Record Period, and the total amount of approximately RMB188.2 million is expected to be reflected in our consolidated income statements subsequent to the Track Record Period. Our Directors do not expect such expenses to materially impact our results of operations in 2016.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See “Business – Business Strategies” for a detailed description of our future plans.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$1.90, being the low-end of the proposed Offer Price range, we estimate that we will receive net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) of approximately HK\$5,690.5 million, if the Over-allotment Option is not exercised; or of approximately HK\$6,551.8 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK\$2.18, being the mid-point of the proposed Offer Price range of HK\$1.90 to HK\$2.45, we estimate that we will receive net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) of approximately HK\$6,536.7 million, if the Over-allotment Option is not exercised; or of approximately HK\$7,525.0 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK\$2.45, being the high-end of the proposed Offer Price range, we estimate that we will receive net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) of approximately HK\$7,352.7 million, if the Over-allotment Option is not exercised; or of approximately HK\$8,463.4 million, if the Over-allotment Option is exercised in full.

We intend to use the net proceeds from the Global Offering to strengthen our capital base to meet the needs of our continued growth.

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## UNDERWRITING

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### **HONG KONG UNDERWRITERS**

CLSA Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Merrill Lynch Far East Limited  
Deutsche Bank AG, Hong Kong Branch  
UBS AG Hong Kong Branch  
Morgan Stanley Asia Limited  
J.P. Morgan Securities (Asia Pacific) Limited  
BNP Paribas Securities (Asia) Limited  
CMB International Capital Limited  
Haitong International Securities Company Limited  
CCB International Capital Limited  
BOCOM International Securities Limited  
China Everbright Securities (HK) Limited

### **HONG KONG UNDERWRITING ARRANGEMENTS**

#### **Hong Kong Public Offering**

#### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement entered into on June 23, 2016, our Company is offering initially 232,500,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued and sold pursuant to the Global Offering (including any additional H Shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option) as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

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## UNDERWRITING

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### *Grounds for Termination*

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors collectively, after consulting with the Company, shall be entitled by written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any national or international event or series of events in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, large scale outbreak of infectious disease or epidemics, economic sanctions, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan, Singapore, Ireland, the Cayman Islands or any other jurisdiction relevant to any member of the Group (collectively, the “Relevant Jurisdictions”); or
  - (ii) any change, or any development involving a prospective change, or any event likely to result in any change or development involving a prospective change, in any national or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
  - (iii) any moratorium, suspension or restriction in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
  - (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union, Japan, Singapore or any other Relevant Jurisdiction declared by the relevant authorities or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any above jurisdiction; or
  - (v) any new law, or any change in existing laws or in the interpretation or application thereof by any court or other competent authority, in each case, in or affecting any of the Relevant Jurisdictions; or
  - (vi) a change or development in taxation or exchange control, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or
  - (vii) any proceedings of any third party being instigated against any member of the Group; or

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## UNDERWRITING

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- (viii) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (ix) the chairman or chief executive officer of the Company vacating his office; or
- (x) an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any executive Director; or
- (xi) a prohibition on the Company for whatever reason from offering, allotting or issuing any of the H Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or
- (xii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (xiii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators and the Joint Sponsors, after prior consultation with the Company (1) has resulted, or will result, or may result, a material adverse change; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms; or

- (b) there has come to the notice of the Joint Global Coordinators or the Joint Sponsors:
  - (i) that any statement contained in any of the Hong Kong Public Offering documents and/or in any announcements issued or used by or (with the approval of the Company) on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering documents and/or any announcements issued or used by or (with the approval of the Company) on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest in any material respect and based on reasonable assumptions, when taken as a whole; or

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- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Hong Kong Public Offering documents and/or any notices, announcements, advertisements or communications issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (iii) any material breach on the part of the Company of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (iv) any event, act or omission which gives or is likely to give rise to any material liability of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement; or
- (v) any material adverse change; or
- (vi) any breach of, or any event rendering untrue or incorrect any of the warranties; or
- (vii) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued (including any additional H Shares that may be issued pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) the Company withdraws this prospectus or this Global Offering; or
- (ix) any experts as disclosed in this prospectus (other than the Joint Sponsors) has withdrawn or is subject to withdraw its consent to being named in the prospectus or to the issue of this prospectus.

### **UNDERTAKINGS TO THE HONG KONG STOCK EXCHANGE PURSUANT TO THE LISTING RULES**

#### **Undertakings by Our Company**

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except for (a) any capitalisation issue, capital reduction or consolidation or sub-division of Shares; (b) issue of Shares or securities pursuant to the Global Offering and the Over-allotment Option; or (c) any other applicable circumstances provided under Rule 10.08 of the Listing Rules.

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### Undertakings by our Controlling Shareholder

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholder has undertaken to the Hong Kong Stock Exchange and to our Company that, save as permitted under the Listing Rule:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus in connection with the listing of the H Shares pursuant to the Listing Rules and ending on the date which is six months from the Listing Date, it will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares directly or indirectly beneficially owned by it (except for the Shares to be transferred to the NSSF as required by relevant PRC law, regulations and rules); and
- (b) in the period of six months commencing on the date on which the period referred to in the above paragraph (a) expires, it will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares directly or indirectly beneficially owned by it, if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholder has further undertaken to the Hong Kong Stock Exchange and to our Company respectively that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (1) when it pledges or charges any Shares beneficially owned by it directly or indirectly in favor of an authorized institution (as defined in the Banking Ordinance) for bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) when it receives indications, whether verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

We will also inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholder and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholder.



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### UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

#### Undertaking by Our Company

Except for the offer of the Offer Shares pursuant to the Global Offering (including pursuant to the Shares to be offered pursuant to the Over-Allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “First Six-Month Period”), the Company undertakes to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors not to, without the prior written consent of the Joint Global Coordinators (for themselves on behalf of the Hong Kong Underwriters) and the Joint Sponsors and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of the Company, as applicable), or deposit any H Shares or other equity securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of the Company, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of H Shares or other securities of the Company, as applicable, or in cash or otherwise (whether or not the issue of such H Shares or other shares or securities will be completed within the First Six-month Period).

During the period of six months commencing on the date on which the First Six-month Period expires (the “Second Six-Month Period”), the Company shall not enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of the Company. For the avoidance of doubt, the restriction above does not apply as long as such restricted transaction(s) above will be conducted by the Company in full compliance with the

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## UNDERWRITING

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Listing Rules and will not result in the Controlling Shareholder in breach of Rule 10.07 of the Listing Rules. In the event that the Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

### INTERNATIONAL OFFERING

#### International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

We expect to grant the Over-allotment Option to the International Underwriters and the Joint Bookrunners, exercisable by the Joint Global Coordinators for themselves and on behalf of the International Underwriters and the Joint Bookrunners, on or before July 29, 2016, being the 30th day from the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require us to issue and allot, up to an aggregate of 465,000,000 H Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations, if any, in the International Offering.

### COMMISSION AND EXPENSES

The Hong Kong Underwriters will receive an underwriting commission of 1.8% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters. Our Company may, at our sole and absolute discretion, pay to one or more Underwriters an incentive fee up to but not exceeding 0.5% of the Offer Price for each Offer Share.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately RMB188.2 million in total (based on the Offer Price of HK\$2.18 per Offer Share and assuming the Over-allotment Option is not exercised).

### HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as disclosed in this prospectus, save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

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## UNDERWRITING

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### JOINT SPONSORS' INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Hong Kong Listing Rules.

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be issued and/or sold under the Over-allotment Option, namely 465,000,000 H Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares; (v) selling or agreeing to sell any H Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (i) the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;
- (ii) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;

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## UNDERWRITING

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- (iii) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the H Shares;
- (iv) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on July 29, 2016, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- (v) the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- (vi) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

Our Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 465,000,000 H Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

### **ACTIVITIES BY SYNDICATE MEMBERS**

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “Syndicate Members”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group’s loans and other debt.

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## UNDERWRITING

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In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch International, Deutsche Bank AG, Hong Kong Branch and UBS AG Hong Kong Branch are the Joint Global Coordinators and CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch Far East Limited (in relation to the Hong Kong Public Offering), Merrill Lynch International (in relation to the International Offering), Deutsche Bank AG, Hong Kong Branch, UBS AG Hong Kong Branch, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering), J.P. Morgan Securities plc (in relation to the International Offering), BNP Paribas Securities (Asia) Limited, CMB International Capital Limited, Haitong International Securities Company Limited, CCB International Capital Limited, BOCOM International Securities Limited and China Everbright Securities (HK) Limited are the Joint Bookrunners.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- (i) the Hong Kong Public Offering of 232,500,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described in “– the Hong Kong Public Offering” below; and
- (ii) the International Offering of 2,867,500,000 H Shares (subject to adjustment and Over-allotment Option as mentioned below) in the United States with QIBs who are also QPs in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S.

The Offer Shares will represent approximately 24.60% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.29% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in “– the International Offering – Over-allotment Option” below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offering Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offering Shares to QIBs who are also QPs in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for the International Offering Shares in Hong Kong and other jurisdictions outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. The International Underwriters and the Joint Bookrunners are soliciting from prospective investors’ indications of interest in acquiring the International Offering Shares. Prospective investors will be required to specify the number of International Offering Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

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## STRUCTURE OF THE GLOBAL OFFERING

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The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in “– the Hong Kong Public Offering – Reallocation and Clawback” below.

### THE HONG KONG PUBLIC OFFERING

#### Number of Shares Initially Offered

Our Company is initially offering 232,500,000 H Shares at the Offer Price under the Hong Kong Public Offering, representing 7.5% of the 3,100,000,000 H Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of H Shares initially offered under the Hong Kong Public Offering will represent approximately 1.85% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Joint Global Coordinators (on behalf of the Underwriters) and the Joint Sponsors may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators and the Joint Sponsors so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

#### Allocation

For allocation purposes only, the 232,500,000 H Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment at odd lot size): Pool A comprising 116,250,000 Hong Kong Offer Shares and Pool B comprising 116,250,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

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## STRUCTURE OF THE GLOBAL OFFERING

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Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### **Reallocation and Clawback**

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Paragraph 4.2 of Practice Note 18 of the Listing Rules such that, provided the initial allocation of Shares under the Hong Kong Public Offering shall not be less than 7.5% of the Global Offering, in the event of over-applications, the Joint Global Coordinators shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (i) 232,500,000 Offer Shares, representing 7.5% of the total number of the Offer Shares which are initially available under the Global Offering;
- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 30 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 372,000,000 Offer Shares, representing 12.0% of the Offer Shares initially available under the Global Offering;
- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 30 times or more but less than 60 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 465,000,000 Offer Shares, representing approximately 15.0% of the Offer Shares initially available under the Global Offering; and



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## STRUCTURE OF THE GLOBAL OFFERING

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- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 60 times or more than the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 930,000,000 Offer Shares, representing 30.0% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Multiple or suspected multiple applications and any application for more than 50% of the 232,500,000 H Shares initially comprised in the Hong Kong Public Offering (that is 116,250,000 Hong Kong Offer Shares) are liable to be rejected.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK\$2.45 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. Further details are set out below in "How to Apply for Hong Kong Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE INTERNATIONAL OFFERING

#### Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered by us for subscription under the International Offering will consist of an initial offering of 2,867,500,000 Offer Shares, representing 92.5% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 22.76% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

#### Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with QIBs who are also QPs in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, as well as with institutional and professional investors and other investors who are not a U.S. person and expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

#### Reallocation

The total number of International Offer Shares to be transferred pursuant to the International Offering may change as a result of the clawback arrangement described in “– the Hong Kong Public Offering – Reallocation and Clawback,” exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

#### Over-allotment Option

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters and the Joint Bookrunners, exercisable by the Joint Global Coordinators at their sole and absolute discretion for themselves and on behalf of the International Underwriters and the Joint Bookrunners for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Joint Global Coordinators will have the right to require our Company to issue and allot, at the Offer Price, up to an aggregate of additional 465,000,000 H Shares representing in aggregate 15% of the initial number of the Offer Shares at the Offer Price to cover, among other things, over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

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## STRUCTURE OF THE GLOBAL OFFERING

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### PRICING OF THE GLOBAL OFFERING

The Offer Price will be not more than HK\$2.45 and is currently expected not to be less than HK\$1.90 unless otherwise announced, as further explained below. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$2.45 for each Hong Kong Offer Share together with brokerage of 1%, a Hong Kong Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027%.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors consider it appropriate, with our consent the number of Offer Shares being offered under the Global Offering and/or the Offer Price may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Wednesday, June 29, 2016, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Hong Kong Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk), and on our Company's website at [www.cdb-leasing.com](http://www.cdb-leasing.com) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in "Summary" and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the Offer Price is so reduced, such applications can subsequently be withdrawn.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Joint Global Coordinators and the Joint Sponsors.

The level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on Friday, July 8, 2016 through a variety of channels as described in "How to Apply for Hong Kong Offer Shares – 11. Publication of Results."

### UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement.

We expect that our Company will, on or about Thursday, June 30, 2016, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in "Underwriting."

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## STRUCTURE OF THE GLOBAL OFFERING

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### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, July 11, 2016, it is expected that dealings in H Shares on the Hong Kong Stock Exchange will commence on Monday, July 11, 2016. H Shares will be traded in board lots of 2,000 H Shares each.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, inter alia:

- the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- our Company having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Hong Kong Stock Exchange; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares.” In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Friday, July 8, 2016 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our H Shares, which is expected to be on Monday, July 11, 2016, provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.eipo.com.hk](http://www.eipo.com.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Friday, June 24, 2016 until 12:00 noon on Wednesday, June 29, 2016 from:

- (i) any of the following offices of the Joint Bookrunners:

**CLSA Limited**

18/F, One Pacific Place  
88 Queensway  
Hong Kong

**The Hongkong and Shanghai Banking Corporation Limited**

HSBC Main Building  
1 Queen's Road Central  
Hong Kong

**Merrill Lynch Far East Limited**

55/F, Cheung Kong Center  
2 Queen's Road Central  
Central  
Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**Deutsche Bank AG, Hong Kong Branch**

52/F, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

**UBS AG Hong Kong Branch**

52/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

**Morgan Stanley Asia Limited**

46/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**J.P. Morgan Securities (Asia Pacific) Limited**

28/F Chater House  
8 Connaught Road Central  
Hong Kong

**BNP Paribas Securities (Asia) Limited**

59/F to 63/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

**CMB International Capital Limited**

Units 1803-4, 18/F, Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong

**Haitong International Securities Company Limited**

22/F Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**CCB International Capital Limited**

12/F., CCB Tower  
3 Connaught Road Central  
Central, Hong Kong

**BOCOM International Securities Limited**

9th Floor, Man Yee Building  
68 Des Voeux Road Central  
Central  
Hong Kong

**China Everbright Securities (HK) Limited**

24/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(ii) any of the branches of the following receiving banks:

### Bank of Communications Co., Ltd. Hong Kong Branch

District	Branch Name	Address
Hong Kong Island . . .	Hong Kong Branch	20 Pedder Street, Central
	Quarry Bay Sub-Branch	Shops 3 and 4 on G/F., 981A-981F King's Road, Chung Hing Mansion, Quarry Bay
Kowloon . . . . .	Tsim Sha Tsui Sub-Branch	Shop Nos.1-3 on G/F., CFC Tower, 22-28 Mody Road, Tsim Sha Tsui
	Mongkok Sub-Branch	G/F and 1/F, Shun Wah Building, Nos.735 & 735A Nathan Road, Mongkok
	Wong Tai Sin Sub-Branch	Shop N118, 1/F, Temple Mall North, 136 Lung Cheung Road, Wong Tai Sin
New Territories . . . . .	Shatin Sub-Branch	Shop No. 193, Level 3, Shatin Lucky Plaza, Shatin
	Tai Po Sub-Branch	Shop No.1, 2, 26 & 27, G/F., Wing Fai Plaza, 29-35 Ting Kok Road, Tai Po

### Standard Chartered Bank (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island . . .	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
Kowloon . . . . .	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
	Mei Foo Stage I Branch	G/F, 1C Broadway, Mei Foo Sun Chuen Stage I, Lai Chi Kok
New Territories . . . . .	Metroplaza Branch	Shop No. 175-176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, June 24, 2016 until 12:00 noon on Wednesday, June 29, 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. – CDB Leasing Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Friday, June 24, 2016 – 9:00 a.m. to 5:00 p.m.
- Saturday, June 25, 2016 – 9:00 a.m. to 1:00 p.m.
- Monday, June 27, 2016 – 9:00 a.m. to 5:00 p.m.
- Tuesday, June 28, 2016 – 9:00 a.m. to 5:00 p.m.
- Wednesday, June 29, 2016 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, June 29, 2016, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** Service Provider, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (vi) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfill the criteria mentioned in "14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus to collect the share certificate(s) and/or refund check(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH WHITE FORM eIPO**

### **General**

Individuals who meet the criteria in “Who can apply” section, may apply through the **White Form eIPO** Service Provider for the Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

### **Time for Submitting Applications under the White Form eIPO**

You may submit your application to the **White Form eIPO** Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, June 24, 2016 until 11:30 a.m. on Wednesday, June 29, 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, June 29, 2016 or such later time under the “Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** Service Provider or by any other means, all of your applications are liable to be rejected.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.” **White Form eIPO** application submitted via the website [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Source of Dong Jiang Hong Kong Forest” project initiated by Friends of the Earth (HK).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
  - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
  - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
  - agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):
  - (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (b) that any award made in such arbitration shall be final and conclusive; and
- (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders;
- authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### **Minimum Purchase Amount and Permitted Numbers**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, June 24, 2016 – 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Saturday, June 25, 2016 – 8:00 a.m. to 1:00 p.m.<sup>(1)</sup>
- Monday, June 27, 2016 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Tuesday, June 28, 2016 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Wednesday, June 29, 2016 – 8:00 a.m.<sup>(1)</sup> to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, June 24, 2016 until 12:00 noon on Wednesday, June 29, 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, June 29, 2016, the last application day or such later time as described in “– 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the H Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.



### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** Service Provider will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, June 29, 2016.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering – Pricing of the Global Offering.”

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 am and 12:00 noon on Wednesday, June 29, 2016. Instead they will open between 11:45 am and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 am and 12:00 noon.

If the application lists do not open and close on Wednesday, June 29, 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, July 8, 2016 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at [www.cdb-leasing.com](http://www.cdb-leasing.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at [www.cdb-leasing.com](http://www.cdb-leasing.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 am on Friday, July 8, 2016;
- from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, July 8, 2016 to 12:00 mid-night, on Thursday, July 14, 2016;
- by telephone enquiry line by calling telephone number +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, July 8, 2016 to Monday, July 11, 2016;
- in the special allocation results booklets which will be available for inspection during opening hours on Friday, July 8, 2016, Saturday, July 9, 2016 and Monday, July 11, 2016 at all the receiving banks' designated branches and sub-branches;

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$2.45 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, July 8, 2016.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund checks and share certificates are expected to be posted on or before Friday, July 8, 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, July 11, 2016 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Personal Collection

#### (i) If you apply using a **WHITE Application Form**

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund check(s) and/or share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, July 8, 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund check(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, July 8, 2016, by ordinary post and at your own risk.

#### (ii) If you apply using a **YELLOW Application Form**

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Friday, July 8, 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, July 8, 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "– Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, July 8, 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### **(iii) If you apply through the White Form eIPO service**

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, July 8, 2016, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, July 8, 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

### **(iv) If you apply via Electronic Application Instructions to HKSCC**

#### *Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant's stock account on Friday, July 8, 2016, or, on any other date determined by HKSCC or HKSCC Nominees.

The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "– 11. Publication of Results" above on Friday, July 8, 2016. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, July 8, 2016 or such other date as determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, July 8, 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, July 8, 2016.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.





德勤•關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

24 June 2016

The Directors  
China Development Bank Financial Leasing Co., Ltd.  
CITIC CLSA Capital Markets Limited  
Merrill Lynch Far East Limited  
Deutsche Securities Asia Limited

Dear Sirs,

We set out below our report on the Financial Information (“Financial Information”) regarding China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2013, 2014 and 2015 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 24 June 2016 (the “Prospectus”) in connection with the initial listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The Company and all its subsidiaries have adopted 31 December as their financial year end date. During the Relevant Periods and as at the date of this report, the Company has direct or indirect interests in subsidiaries as set out in note 23 of section G of this report.

The consolidated financial statements of the Group prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the People’s Republic of China (the “PRC Financial Statements”) for the years ended 31 December 2013, 2014 and 2015 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合伙)) (“DTT PRC”), a firm of certified public accountants registered in the PRC. The statutory financial statements of the subsidiaries, directly or indirectly controlled by the Company, were audited by independent auditors as set out in note 23 of section G of this report.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Group for the Relevant Periods in accordance with accounting policies conformed with the International Financial Reporting Standards (“IFRSs”) (the “Underlying Financial Statements”). The Underlying Financial Statements were audited by DTT PRC in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments are deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

For the purpose of this report, we have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, for the purpose of this report, the Financial Information together with the notes thereon give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013, 2014 and 2015, and of the financial performance and consolidated cash flows of the Group for each of the three years ended 31 December 2013, 2014 and 2015.

## A. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	NOTES	Year ended 31 December		
		2013	2014	2015
		RMB'000	RMB'000	RMB'000
Revenue				
Finance lease income . . . . .	5	6,679,397	7,014,851	5,994,754
Operating lease income . . . . .	5	4,369,952	4,310,041	4,646,164
Total revenue . . . . .	5	11,049,349	11,324,892	10,640,918
Net investment gains (losses) . . . . .	6	15,589	(3,769)	77,209
Other income gains or losses . . . . .	7	612,254	343,949	263,162
Total revenue and other income . . . . .		11,677,192	11,665,072	10,981,289
Depreciation and amortisation . . . . .	8	(1,988,339)	(1,860,301)	(2,034,732)
Staff costs . . . . .	9	(100,480)	(108,851)	(123,145)
Fee and commission expenses . . . . .	10	(75,109)	(77,384)	(55,873)
Interest expense . . . . .	11	(5,700,203)	(6,036,064)	(5,055,233)
Other operating expenses . . . . .	12	(874,085)	(404,501)	(404,510)
Impairment losses . . . . .	13	(439,803)	(798,412)	(2,008,170)
Total expenses . . . . .		(9,178,019)	(9,285,513)	(9,681,663)
Profit before income tax . . . . .		2,499,173	2,379,559	1,299,626
Income tax expense . . . . .	14	(612,412)	(463,498)	(247,120)
Profit for the year . . . . .		1,886,761	1,916,061	1,052,506
Attributable to:				
Owners of the Company . . . . .		1,886,761	1,916,061	1,052,506
Earnings per share attributable to owners of the Company (Expressed in RMB Yuan per share)				
– Basic . . . . .	15	0.20	0.20	0.11

**B. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Profit for the year . . . . .	1,886,761	1,916,061	1,052,506
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
The portion of effective cash flow hedging and net investment hedging gains and losses			
Net fair value changes during the year . . . . .	330,980	6,159	(46,478)
Income tax impact . . . . .	(72,422)	(12,791)	(4,284)
Subtotal . . . . .	258,558	(6,632)	(50,762)
Translation reserve . . . . .	(3,233)	(27,992)	130,744
Total comprehensive income for the year attributable to owners of the Company . . . . .	<u>2,142,086</u>	<u>1,881,437</u>	<u>1,132,488</u>

## C. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December		
		2013	2014	2015
		RMB'000	RMB'000	RMB'000
<b>Assets</b>				
Cash and bank balances . . . . .	16	12,747,738	6,010,711	6,313,850
Placement to banks and other financial institutions . . . . .		–	500,000	1,100,000
Financial assets at fair value through profit or loss . . . . .	17	–	–	1,558,638
Derivative financial assets . . . . .	18	46,395	10,002	1,991
Accounts receivable . . . . .	19	25,378,695	14,064,541	13,827,135
Finance leases receivable . . . . .	20	68,754,795	76,911,731	80,945,115
Prepayments . . . . .	21	1,055,059	4,142,166	6,862,803
Available-for-sale financial assets . . . . .	22	122,440	122,440	122,440
Investment properties . . . . .	24	139,678	395,824	376,206
Property and equipment . . . . .	25	32,097,266	36,201,740	42,248,688
Deferred tax assets . . . . .	26	267,289	409,543	703,141
Other assets . . . . .	27	1,769,047	1,597,240	1,635,085
<b>Total assets</b> . . . . .		<u>142,378,402</u>	<u>140,365,938</u>	<u>155,695,092</u>
<b>Liabilities</b>				
Borrowings . . . . .	28	100,516,090	93,460,322	102,494,469
Due to banks and other financial institutions . . . . .		3,000,000	3,500,000	4,900,000
Financial assets sold under repurchase agreements . . . . .	36	7,329,940	5,512,200	5,922,300
Derivative financial liabilities . . . . .	18	409,594	397,314	435,851
Accrued staff costs . . . . .	29	28,267	25,099	33,507
Tax payable . . . . .		207,885	311,903	242,042
Notes payable . . . . .	30	9,049,532	13,017,025	13,834,811
Deferred tax liabilities . . . . .	26	79,163	164,144	266,949
Other liabilities . . . . .	31	9,629,142	9,967,705	12,572,247
<b>Total liabilities</b> . . . . .		<u>130,249,613</u>	<u>126,355,712</u>	<u>140,702,176</u>
<b>Equity</b>				
Paid-in capital/share capital . . . . .	32	8,000,000	8,000,000	9,500,000
Capital reserve . . . . .		24,516	24,516	274,786
Hedging reserve . . . . .	33	(299,110)	(305,742)	(356,504)
Translation reserve . . . . .		(111,672)	(139,664)	(8,920)
General reserves . . . . .	34	989,320	2,551,072	2,158,646
Retained profits . . . . .	35	3,525,735	3,880,044	3,424,908
<b>Total equity</b> . . . . .		<u>12,128,789</u>	<u>14,010,226</u>	<u>14,992,916</u>
<b>Total liabilities and equity</b> . . . . .		<u>142,378,402</u>	<u>140,365,938</u>	<u>155,695,092</u>

## D. STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December		
		2013	2014	2015
		RMB'000	RMB'000	RMB'000
<b>Assets</b>				
Cash and bank balances . . . . .	16	10,264,576	3,563,081	3,931,393
Placement to banks and other financial institutions . . . . .		–	500,000	1,100,000
Financial assets at fair value through profit or loss . . . . .	17	–	–	1,558,638
Derivative financial assets . . . . .	18	28,981	70	–
Accounts receivable . . . . .	19	22,407,093	12,813,966	12,241,968
Finance leases receivable . . . . .	20	64,201,527	69,169,858	73,587,021
Prepayments . . . . .	21	32,504	3,123,357	5,793,349
Available-for-sale financial assets . . . . .	22	122,440	122,440	122,440
Amounts due from subsidiaries . . . . .	44	6,786,095	6,794,503	8,724,107
Investments in subsidiaries . . . . .	23	38,027	38,027	40,727
Investment properties . . . . .	24	139,678	395,824	376,206
Property and equipment . . . . .	25	103,444	857,558	961,003
Deferred tax assets . . . . .	26	157,832	295,355	578,958
Other assets . . . . .	27	1,460,187	1,671,909	1,429,349
<b>Total assets . . . . .</b>		<b>105,742,384</b>	<b>99,345,948</b>	<b>110,445,159</b>
<b>Liabilities</b>				
Borrowings . . . . .	28	77,228,594	70,373,924	78,143,650
Due to banks and other financial institutions . . . . .		3,000,000	3,500,000	4,900,000
Financial assets sold under repurchase agreements . . . . .	36	7,329,940	5,512,200	5,922,300
Derivative financial liabilities . . . . .	18	36,944	26,584	18,459
Accrued staff costs . . . . .	29	28,018	24,027	32,707
Tax payable . . . . .		181,233	275,106	172,564
Other liabilities . . . . .	31	7,483,432	7,580,581	9,316,046
<b>Total liabilities . . . . .</b>		<b>95,288,161</b>	<b>87,292,422</b>	<b>98,505,726</b>
<b>Equity</b>				
Paid-in capital/share capital . . . . .	32	8,000,000	8,000,000	9,500,000
Capital reserve . . . . .		24,516	24,516	274,786
Hedging reserve . . . . .	33	(805)	8,142	14,236
General reserves . . . . .	34	967,925	2,522,887	2,123,761
Retained profits . . . . .	35	1,462,587	1,497,981	26,650
<b>Total equity . . . . .</b>		<b>10,454,223</b>	<b>12,053,526</b>	<b>11,939,433</b>
<b>Total liabilities and equity . . . . .</b>		<b>105,742,384</b>	<b>99,345,948</b>	<b>110,445,159</b>

## E. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Group						
	Paid-in Capital/ share capital	Capital reserve	Hedging reserve	Translation reserve	General reserves	Retained profits	Total equity
	RMB'000 (Note 32)	RMB'000	RMB'000 (Note 33)	RMB'000	RMB'000 (Note 34)	RMB'000	RMB'000
At 1 January 2013 . . . . .	8,000,000	24,516	(557,668)	(108,439)	174,107	2,454,187	9,986,703
Profit for the year . . . . .	-	-	-	-	-	1,886,761	1,886,761
Other comprehensive income (expense) for the year . . .	-	-	258,558	(3,233)	-	-	255,325
Total comprehensive income (expense) for the year . . .	-	-	258,558	(3,233)	-	1,886,761	2,142,086
Appropriation to general reserves. . . . .	-	-	-	-	815,213	(815,213)	-
At 31 December 2013 . . . . .	8,000,000	24,516	(299,110)	(111,672)	989,320	3,525,735	12,128,789
Profit for the year . . . . .	-	-	-	-	-	1,916,061	1,916,061
Other comprehensive expense for the year . . . . .	-	-	(6,632)	(27,992)	-	-	(34,624)
Total comprehensive (expense) income for the year . . . . .	-	-	(6,632)	(27,992)	-	1,916,061	1,881,437
Appropriation to general reserves. . . . .	-	-	-	-	1,561,752	(1,561,752)	-
At 31 December 2014 . . . . .	8,000,000	24,516	(305,742)	(139,664)	2,551,072	3,880,044	14,010,226
Profit for the year . . . . .	-	-	-	-	-	1,052,506	1,052,506
Other comprehensive (expense) income for the year. . . . .	-	-	(50,762)	130,744	-	-	79,982
Total comprehensive (expense) income for the year. . . . .	-	-	(50,762)	130,744	-	1,052,506	1,132,488
Dividends recognised as distribution (i) . . . . .	-	-	-	-	-	(149,798)	(149,798)
Conversion of paid-in capital and capital reserve (ii) . . .	1,500,000	250,270	-	-	(402,087)	(1,348,183)	-
Appropriation to general reserves. . . . .	-	-	-	-	9,661	(9,661)	-
At 31 December 2015 . . . . .	9,500,000	274,786	(356,504)	(8,920)	2,158,646	3,424,908	14,992,916

- (i) A cash dividend of approximately RMB149,798,000 in total for the year of 2015 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2014 as determined under the PRC GAAP, at the annual general meeting held on 28 April 2015.
- (ii) As approved in the shareholder meeting on 8 September 2015, the Company transferred its reserves including approximately RMB402,087,000 from general reserves and approximately RMB1,348,183,000 from retained profits to paid-in capital and capital reserve. The paid-in capital and capital reserve were increased by approximately RMB1,500,000,000 and RMB250,270,000 respectively.

## F. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
<b>OPERATING ACTIVITIES</b>			
Profit before income tax .....	2,499,173	2,379,559	1,299,626
Adjustments for:			
Notes payable interest expenses .....	322,400	333,728	455,026
Depreciation and amortisation .....	1,988,339	1,860,301	2,034,732
Impairment losses .....	439,803	798,412	2,008,170
Losses (gains) on disposal of equipment held for operating lease businesses .....	1,510	(65,466)	(39,184)
Unrealised fair value changes of derivatives...	(21,735)	21,666	70
Unrealised fair value changes in financial assets at fair value through profit or loss ...	4,463	–	(58,638)
Realised gains from disposal of financial assets at fair value through profit or loss ...	(6,653)	–	–
Operating cash flows before movements in working capital .....	5,227,300	5,328,200	5,699,802
Decrease in accounts receivable .....	6,503,806	11,226,870	55,299
Increase in finance leases receivable .....	(12,872,842)	(8,849,164)	(7,110,639)
Increase in other assets .....	(595,109)	(33,205)	(60,870)
Increase (decrease) in borrowings .....	7,939,129	(7,055,768)	10,248,237
Increase due to banks and other financial institutions .....	1,500,000	500,000	1,400,000
(Decrease) Increase in financial assets sold under repurchase agreements .....	(4,118,060)	(1,817,740)	410,100
Increase (decrease) in accrued staff costs .....	2,306	(3,168)	8,408
Increase in other liabilities .....	2,217,156	329,677	1,703,660
Cash from (used in) operations .....	5,803,686	(374,298)	12,353,997
Income taxes paid .....	(533,015)	(429,544)	(512,058)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES .....</b>	<b>5,270,671</b>	<b>(803,842)</b>	<b>11,841,939</b>



	NOTES	Year ended 31 December		
		2013	2014	2015
		RMB'000	RMB'000	RMB'000
<b>INVESTING ACTIVITIES</b>				
Change in pledged and restricted bank deposits . . . . .		(1,495,012)	1,129,528	450,649
Disposal of financial assets at fair value through profit or loss . . . . .		359,194	–	–
Disposal of available-for-sale financial assets . . . . .		160	–	–
Disposal of property and equipment . . . . .		15,760	732,414	570,680
Purchases of property and equipment . . . . .		(5,198,481)	(9,443,432)	(9,417,513)
Purchases of investment properties . . . . .		–	(263,259)	–
Purchases of intangible assets . . . . .		(11,906)	(338)	(2,659)
Purchase of financial assets at fair value through profit and loss . . . . .		–	–	(1,500,000)
Refund of advances received for disposal of unlisted available-for-sale investment . . . . .		–	(72,000)	–
Disposal of subsidiaries . . . . .	23	(113,606)	–	(5,011)
<b>NET CASH USED IN INVESTING ACTIVITIES . . . . .</b>		<b>(6,443,891)</b>	<b>(7,917,087)</b>	<b>(9,903,854)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from issue of notes payable . . . . .		–	3,947,523	–
Notes issuance cost . . . . .		–	(25,589)	–
Notes interest paid . . . . .		(286,421)	(308,504)	(434,499)
Dividends paid . . . . .		–	–	(149,798)
<b>NET CASH (PAID IN) FROM FINANCING ACTIVITIES . . . . .</b>		<b>(286,421)</b>	<b>3,613,430</b>	<b>(584,297)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS . . . . .</b>		<b>(1,459,641)</b>	<b>(5,107,499)</b>	<b>1,353,788</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR . . . . .</b>		<b>12,028,980</b>	<b>10,569,339</b>	<b>5,461,840</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR . . . . .</b>	37	<b>10,569,339</b>	<b>5,461,840</b>	<b>6,815,628</b>
<b>NET CASH FROM OPERATING ACTIVITIES INCLUDE:</b>				
Interest received . . . . .		6,910,490	7,219,997	6,145,753
Interest paid, exclusive notes payable interest expenses . . . . .		(5,498,601)	(5,701,192)	(4,966,017)
Net interest received . . . . .		1,411,889	1,518,805	1,179,736

## G. NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION OF THE GROUP

The Company was established as Shenzhen Leasing Co., Ltd. (深圳租賃有限公司) on 25 December 1984, with the approval of the former Shenzhen Special Economic Zone Branch of People's Bank of China ("PBOC"), and subsequently renamed as Shenzhen Finance Leasing Co., Ltd. (深圳金融租賃有限公司) after reorganisation in December 1999. In 2008, China Development Bank Corporation ("China Development Bank") became the controlling shareholder of the Company, and the Company's total paid-in capital was increased to RMB8,000,000,000 and, subsequently, the Company changed its name to CDB Leasing Co., Ltd. (國銀金融租賃有限公司). On 8 September 2015, pursuant to the resolution of shareholders' meeting, the Company's total paid-in capital was increased to RMB9,500,000,000. Pursuant to the approval of China Banking Regulatory Commission (the "CBRC"), the Company became a joint stock company by issuing a total of 9,500,000,000 shares to existing shareholders at par value of RMB1 each, representing 100% of share capital of the Company on 28 September 2015 (the "Financial Restructuring"). On the same date, 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 Company and its subsidiaries are referred to as the Group in this report.

The Group is principally engaged in leasing business; import and export trade for leasing equipment and commodities, lease-related financial business and foreign exchange trade on behalf of clients.

The Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

### 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information, the Group has consistently applied International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") (herein collectively referred to as the "IFRSs") which are effective for the accounting period beginning on 1 January 2015 throughout the Relevant Periods.

The Group has not early applied the following new and revised IFRSs which are relevant to the Group that have been issued but are not yet effective.

IFRS 9	Financial instruments <sup>1</sup>
IFRS 15	Revenue from contracts with customers <sup>1</sup>
IFRS 16	Leases <sup>2</sup>
Amendments to IAS 1	Disclosure initiative <sup>3</sup>
Amendments to IFRSs	Annual improvements to IFRSs 2012-2014 cycle <sup>3</sup>
Amendments to IAS 27	Equity method in separate financial statements <sup>3</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception <sup>2</sup>
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation <sup>3</sup>
Amendments to IAS 7	Disclosure Initiative <sup>4</sup>
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

Except as described below, the application of the new and revised IFRSs issued but not yet effective has had no material impact on the Group's and Company's financial performance and positions and/or the disclosures when they become effective.

#### IFRS 9 Financial instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 that are relevant to the Group are:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or fair value under IFRS 9. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods and their fair value changes are recognized in profit or loss. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. All of the above represent new requirements for classification and measurement for financial assets under IFRS 9 that will change the way the Group classifies and measures its financial assets in 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'loans and receivables' and 'available-for-sale financial assets' under the existing IAS 39. The directors of the Company anticipate that these requirements may not have significant impact on the Group's financial position or performance.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

#### **IFRS 15 Revenue from contracts with customers**

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue," IAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company are in the process of assessing their impact on the Financial Information of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

#### **IFRS 16 Lease**

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 41 to Appendix I, total operating lease commitment of the Company in respect of leased premises with terms more than 12 months as at December 31, 2015 amounted to RMB26.30 million. The directors of the Company do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The directors of the Company do not expect the adoption of IFRS 16 would have significant impact on the consolidated financial statements while the Group as the lessor.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 622).

#### **Basis of presentation**

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based payment," leasing transactions that are within the scope of IAS 17 "Leases," and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of assets."

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

#### **Basis of consolidation**

The Financial Information incorporates the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or losses from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### ***Changes in the Group's ownership interests in existing subsidiaries***

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### **Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 “Income taxes” and IAS 19 “Employee benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 “Share-based payment” at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations” are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest is disposed of.

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company’s statement of financial position at cost less accumulated impairment losses, if any.

#### **Revenue recognition**

Revenue, is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for goods or services provided in the normal course of business. Revenue is shown net of value-added tax. Revenue is recognised when it is probable that the economic benefits will flow into the Group and when it can be measured reliably, based on the following specific revenue recognition criteria:

- (i) Operating lease income is recognised on a straight-line basis over the term of the relevant lease;
- (ii) Finance lease income is recognised as revenue in each period according to the effective interest rate method during the lease term;
- (iii) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition;
- (iv) Other income mainly includes consultancy fee income, leasing project management fee income and gains on disposal of leasing assets. Consultancy fee income is recognised in accordance with the terms of the contract when the relevant services have been rendered. Leasing project management fee income is recognised in accordance with the management service contracts and by reference to the agreed rate of management fee on a daily basis. Operating lease asset sales income is recognised as income when all the following conditions are satisfied: 1) the Group has transferred to the buyer the significant risks and rewards of ownership of the assets; 2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the assets sold; 3) the amount of revenue can be measured reliably; 4) it is probable that the economic benefits associated with the transaction will flow to the Group; and 5) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ***The Group as lessee under operating leases***

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred are charged to profit or loss for the period. Contingent rentals under operating lease are recognised as expenses in the periods in which they are incurred.

***The Group as lessor under operating leases***

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

***The Group as lessor under finance leases***

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income.

Unearned finance income is recognised as finance income using the effective interest method over the lease term. Contingent rentals under finance lease are recognised as revenue in the periods in which they are incurred.

**Cash and cash equivalents**

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**Employee benefits**

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

**Social welfare**

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

***Annuity scheme***

The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before income tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years/periods and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

***Deferred tax***

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

***Current and deferred tax for the year***

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Property and equipment**

Property and equipment include buildings, computer and electronic equipment, motor vehicles, office equipment, leasehold improvements held by the Group for administrative purpose (other than properties under construction as described below), and aircraft, special equipment, and electronic equipment held for operating lease businesses. Property and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment held by the Group for administrative purpose are as follows:

Classes	Estimated residual value rates	Useful lives
Buildings . . . . .	5%	20 years
Computers and electronic equipment. . . . .	5%	3 – 5 years
Motor vehicles . . . . .	5%	5 years
Office equipment . . . . .	5%	3 – 5 years
Leasehold improvements . . . . .	5%	3 years

The estimated residual value rates and useful lives of each class of equipment held for operating lease businesses of the Group are as follows:

Classes	Estimated residual value rates	Useful lives
Aircraft . . . . .	5% – 15%	15 – 20 years
Ship . . . . .	10%	20 years
Special equipment . . . . .	5%	10 years
Electronic equipment. . . . .	5%	3 years

### Investment properties

Investment properties are properties held to earn rentals.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

The estimated residual value rate and useful life of investment properties are 5% and 20 years respectively.

### Intangible assets

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

The intangible asset is computer software with the estimated useful life of 5 years.

#### *Derecognition of intangible assets*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, which measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### Impairment on tangible and intangible assets other than goodwill and financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.



**Provision**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Financial assets sold under repurchase agreements**

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statements of financial position. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the statements of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "available-for-sale" (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

**Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the net investment gains/losses line item.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and bank balances, placement to banks and other financial institutions, accounts receivable, finance leases receivable, interest receivable and other receivables) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

#### *AFS financial assets*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy on impairment on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

#### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it is probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as finance leases receivable, accounts receivable, interest receivable and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the agreed payment term, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Collective impairment allowances cover credit losses inherent in portfolios of loans receivable and other accounts with similar economic and credit risk characteristics where objective evidence for individual impaired items cannot be identified. In assessing the collective impairment, management makes assumptions both to define the way the Group assesses inherent losses and to determine the required input parameters, based on historical loss experience and current economic conditions. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance leases receivable, accounts receivable, interest receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. When a finance lease receivable, an account receivable, interest receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of the investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

*Derecognition of financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

**Financial liabilities and equity instruments***Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Financial liabilities*

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

*Other financial liabilities*

Other financial liabilities including borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements, notes payable, dividends payable, interest payable, long-term accounts payable and other payables are subsequently measured at amortised cost using the effective interest method.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

*Derivative financial instruments*

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including currency forward and interest rate swap.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

#### *Hedge accounting*

The Group designates certain derivatives as hedging instruments, for cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

#### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "net investment gains (losses)" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "net investment gains (losses)" line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the hedging reserve are reclassified to profit or loss on the disposal of the foreign operation.

## **4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of accounting policies as set out in Note 3, the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately. These judgments, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, estimate and key assumptions that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognised in the Financial Information:

### **Impairment loss for finance leases receivable, accounts receivable and other receivables**

The Group reviews finance leases receivable, accounts receivable and other receivables portfolio on a regular basis, evaluates any indicators of impairment, and assesses impairment loss in the case of impairment under specific circumstances.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Objective evidence may include observable data indicating that there is an adverse change in the payments status of borrowers in a group (e.g. payment delinquency or default in interest or principal payments), or national or local economic conditions that correlate with defaults on assets in the portfolio.

The impairment loss amount of an individual finance lease receivable, an account receivable and other receivable is measured as the difference between the financial asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. When assessing the impairment loss of finance leases receivable, accounts receivable and other receivables portfolio under the collective evaluation method, management uses estimates based on historical loss experience, which subjects to adjustments according to observable data to reflect the current economic conditions, for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### **Impairment loss for operating lease assets**

The majority of the Group's operating lease assets are aircraft. According to the accounting policy stated in Note 3, management makes judgment regarding whether there is any indicator of assets impairment at the financial reporting date, and measures the recoverable amount of any assets with impairment indicators. The recoverable amount is the higher of the net amount of assets' fair value minus the cost of disposal, and the estimated value in use. These measurements involve estimation.

**Depreciation of operating lease assets**

The Group calculates depreciation expense of operating lease assets based on management's assumption on their useful life and residual value. The useful lives and the residual value of operating lease assets reflect the future economic benefit obtained from the use of the operating lease assets and the benefit from disposal estimated by the Group's management. The estimation may differ due to actual physical wear and tear of the assets, changes of the technology innovation and market competition.

**Income taxes**

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

**Fair value of financial instruments**

The Group has adopted valuation models to calculate the fair value for the financial instruments without active market price. Such valuation models include discounted cash flow model and other valuation models. In practice, the discounted cash flow model only use the observable data whenever possible, however, the management still needs to make assumption regarding to the factors, such as counterparty's credit risk, market volatility and correlations. The estimated fair value of the financial instruments will be affected for any changes of the above factors.

**Classification of leases**

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as the present values of the minimum lease payments of the lease amount to at least substantially all of the fair value of the assets held for lease businesses at the inception of the leases. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statements of financial position and has instead, recognised finance leases receivable (Note 20). Otherwise the Group includes the assets held for lease businesses under operating lease in property and equipment, and investment property. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgements by management.

**5. TOTAL REVENUE**

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Finance lease income <sup>(1)</sup> . . . . .	6,679,397	7,014,851	5,994,754
Operating lease income <sup>(2)</sup> . . . . .	4,369,952	4,310,041	4,646,164
	11,049,349	11,324,892	10,640,918

(1) The Group recognised the finance lease income of approximately RMB18,572,000 and RMB44,809,000 and RMB55,747,000 from non-performing finance leases receivable in the years of 2013, 2014 and 2015, respectively.

(2) The Group recognised the operating lease income of approximately RMB450,000 and RMB5,068,000 and RMB13,405,000 from investment properties in the years of 2013, 2014 and 2015, respectively.

**6. NET INVESTMENT GAINS (LOSSES)**

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Net realised (losses) gains from derivatives. . . . .	(8,336)	17,897	18,641
Net realised gains from financial assets at fair value through profit or loss. . . . .	6,653	–	–
Unrealised fair value change of derivatives. . . . .	21,735	(21,666)	(70)
Unrealised fair value change of financial assets at fair value through profit or loss . . . . .	(4,463)	–	58,638
	15,589	(3,769)	77,209

## 7. OTHER INCOME GAINS OR LOSSES

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Interest income from deposits with financial institutions . . . . .	188,924	181,679	148,676
Management fee income . . . . .	171,830	16,896	16,738
Consulting fee income . . . . .	148,377	16,006	36,299
Foreign exchange gains (losses), net . . . . .	62,899	3,953	(86,260)
Government grants and incentives <sup>(1)</sup> . . . . .	21,606	56,000	93,711
Gains on disposal of equipment held for operating lease businesses . . . . .	14,756	65,466	39,184
Others . . . . .	3,862	3,949	14,814
	<u>612,254</u>	<u>343,949</u>	<u>263,162</u>

- (1) Pursuant to “Detailed Rules for the Implementation of Suggestions on the Development of the Financial Industry in Shenzhen” (Shen Fu [2009] No. 6), the Group received the grant of approximately RMB1,720,000, RMB2,835,000 and RMB2,271,000 from Shenzhen Government in the years of 2013, 2014 and 2015, respectively.

Pursuant to the relevant taxation policies of the Ministry of Finance and the State Administration of Taxation, as well as the fiscal and tax preferential policies of the Shanghai Free Trade Zone and the Dongjiang Free Trade Port Zone of Tianjin, the Group received the grant of approximately RMB16,936,000, RMB50,215,000 and RMB87,490,000 in the years of 2013, 2014 and 2015, respectively.

Pursuant to “Detailed Rules for the Implementation of Suggestions on the Development of the Financial Industry in Shenzhen,” the Company is eligible for government grants for newly purchased or constructed headquarters office space for its own use (including the related business premises) by financial institutions headquartered in Shenzhen. Subsidies equal to 30% of land price (including surcharge fees) will be granted by the municipal government. The Company received such grant of approximately RMB144,300,000 from Shenzhen Government in 2011. Such grant has been amortised and recognised as income using the straight-line method over the estimated useful lives of land use rights.

## 8. DEPRECIATION AND AMORTISATION

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Depreciation of investment properties . . . . .	7,113	7,113	19,618
Depreciation of properties and equipment . . . . .	1,962,379	1,831,878	1,993,447
Amortisation of land use rights . . . . .	10,008	10,008	10,008
Amortisation of other intangible assets . . . . .	2,668	4,656	5,056
Amortisation of prepaid expenses . . . . .	6,171	6,646	6,603
	<u>1,988,339</u>	<u>1,860,301</u>	<u>2,034,732</u>

## 9. STAFF COSTS

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Salaries, bonus and allowances . . . . .	62,978	65,650	78,988
Social welfare . . . . .	15,403	14,550	16,001
Others . . . . .	22,099	28,651	28,156
	<u>100,480</u>	<u>108,851</u>	<u>123,145</u>

The domestic employees of the Group in the PRC participate in a state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred.

## 10. FEE AND COMMISSION EXPENSES

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Business collaboration fee for leasing projects . . . . .	58,641	52,828	24,694
Bank charges . . . . .	16,468	24,556	31,179
	<u>75,109</u>	<u>77,384</u>	<u>55,873</u>

## 11. INTEREST EXPENSE

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Interest on liabilities that are wholly repayable within five years:			
– Borrowings . . . . .	4,486,314	4,872,664	4,221,606
– Due to banks and other financial institutions . . . . .	34,820	46,611	28,445
– Financial assets sold under repurchase agreements . . . . .	435,506	380,130	224,477
– Notes payable . . . . .	81,890	86,611	126,982
– Deposits from lessees . . . . .	1,459	1,012	299
– Others . . . . .	–	51,076	–
Interest on liabilities that are not wholly repayable within five years:			
– Borrowings . . . . .	419,704	350,843	125,016
– Notes payable . . . . .	240,510	247,117	328,044
– Deposits from lessees . . . . .	–	–	364
	<u>5,700,203</u>	<u>6,036,064</u>	<u>5,055,233</u>

## 12. OTHER OPERATING EXPENSES

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Auditor's remuneration . . . . .	4,424	5,160	7,002
Business taxes and surcharges . . . . .	129,620	142,406	134,220
Operating lease rentals in respect of rented premises . . . . .	27,290	28,972	33,708
Maintenance cost . . . . .	420,466	–	–
Rental charge . . . . .	81,789	70,012	72,610
Loss on disposal of equipment held for operating lease businesses . . . . .	16,266	–	–
Business travel and transportation expenses . . . . .	27,159	22,917	24,029
Sundry expenses . . . . .	167,071	135,034	132,941
	<u>874,085</u>	<u>404,501</u>	<u>404,510</u>

## 13. IMPAIRMENT LOSSES

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Finance leases receivable . . . . .	394,758	684,113	1,868,095
Accounts receivable . . . . .	45,158	98,996	140,075
Other assets . . . . .	(113)	15,303	–
	<u>439,803</u>	<u>798,412</u>	<u>2,008,170</u>

## 14. INCOME TAX EXPENSE

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current income tax			
– PRC Enterprise Income Tax . . . . .	496,373	548,664	437,745
– Hong Kong Profits Tax . . . . .	–	–	–
– Income tax in other countries . . . . .	135	9,767	5,832
Deferred income tax . . . . .	52,046	(70,064)	(195,077)
Under (over) provision in prior year . . . . .	63,858	(24,869)	(1,380)
	<u>612,412</u>	<u>463,498</u>	<u>247,120</u>

The applicable enterprise income tax rate is 25% for the Company and all its subsidiaries established in mainland China, 16.5% for subsidiaries in Hong Kong. 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:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Profit before income tax . . . . .	2,499,173	2,379,559	1,299,626
Tax at the statutory tax rate of 25% . . . . .	624,793	594,890	324,907
Tax effect of expenses not deductible for tax purpose <sup>(1)</sup> . . . . .	10,485	6,234	5,839
Under (over) provision in prior year . . . . .	63,858	(24,869)	(1,380)
Effect of different tax rates of group entities operating in jurisdictions other than PRC . . . . .	(86,724)	(112,757)	(133,549)
Others . . . . .	–	–	51,303
Income tax expense for the year . . . . .	<u>612,412</u>	<u>463,498</u>	<u>247,120</u>

(1) The expenses that are not tax deductible mainly represent a portion of expenditure, such as entertainment expense and welfare fees etc., which exceed the tax deduction limits in accordance with PRC tax regulations.

## 15. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Year ended 31 December		
	2013	2014	2015
Earnings:			
Profit attributable to owners of the Company (RMB'000) . . . . .	1,886,761	1,916,061	1,052,506
Number of shares:			
Weighted average number of shares in issue ('000) <sup>(1)</sup> . . . . .	<u>9,500,000</u>	<u>9,500,000</u>	<u>9,500,000</u>
Basic earnings per share (RMB Yuan) . . . . .	<u>0.20</u>	<u>0.20</u>	<u>0.11</u>

(1) Paid-in capital of the Company throughout the years of 2013 and 2014 was RMB8,000,000,000. After the Financial Restructuring as detailed in Note 1, the Company became a joint stock company with a total of 9,500,000,000 shares at par value of RMB1 each on 28 September 2015. The basic earnings per share for 2013, 2014 and 2015 is calculated based on the assumption that the shares issued under the Financial Restructuring had been effective on 1 January 2013.

There was no potential ordinary share outstanding during the Relevant Periods.



## 16. CASH AND BANK BALANCES

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Pledged and restricted bank deposits . . . . .	2,178,399	1,048,871	598,222
Cash and bank balances . . . . .	10,569,339	4,961,840	5,715,628
	12,747,738	6,010,711	6,313,850

The bank deposits amounting to approximately RMB2,073,399,000, RMB943,871,000 and RMB493,222,000 were pledged as collateral for the Group's bank borrowings (Note 28) as at 31 December 2013, 2014 and 2015, respectively.

The bank deposits amounting to approximately RMB105,000,000 were restricted for use, which represented the guaranteed deposit held by the Group in relation to the financial leases receivable being transferred as at 31 December 2013 and 2014 and 2015, respectively.

Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Pledged and restricted bank deposits . . . . .	2,160,152	781,977	319,840
Cash and bank balances . . . . .	8,104,424	2,781,104	3,611,553
	10,264,576	3,563,081	3,931,393

The bank deposits amounting to approximately RMB2,055,152,000, RMB676,977,000 and RMB214,840,000 were pledged as collateral for the Company's bank borrowings (Note 28) as at 31 December 2013, 2014 and 2015, respectively.

The bank deposits amounting to approximately RMB105,000,000 were restricted for use, which represented the guaranteed deposit held by the Company in relation to the financial leases receivable being transferred as at 31 December 2013, 2014 and 2015, respectively.

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Measured at fair value:			
Asset management schemes . . . . .	—	—	1,558,638
Analysed as:			
Unlisted . . . . .	—	—	1,558,638

As at December 2015, the asset management schemes were issued and managed by non-bank financial institutions, which mainly invest on debt securities listed on exchanges and Interbank Bond Market in the PRC. The asset management schemes were designated at fair value through profit or loss as they were managed and their performance were evaluated on a fair value basis, in accordance with the investment strategy, and information about the schemes were provided internally on that basis to the Group's key management personnel.

## 18. DERIVATIVE FINANCIAL INSTRUMENTS

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

	The Group			The Company		
	31 December 2013			31 December 2013		
	Contractual/ nominal amount	Fair value		Contractual/ nominal amount	Fair value	
		Asset	Liabilities		Asset	Liabilities
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Derivatives under hedge accounting:						
Cash flow hedge-interest rate swaps . . . . .	12,123,956	17,414	(409,594)	1,045,009	–	(36,944)
Others:						
Currency forwards . . . . .	2,169,277	28,981	–	2,169,277	28,981	–
Total . . . . .	14,293,233	46,395	(409,594)	3,214,286	28,981	(36,944)
	The Group			The Company		
	31 December 2014			31 December 2014		
	Contractual/ nominal amount	Fair value		Contractual/ nominal amount	Fair value	
		Asset	Liabilities		Asset	Liabilities
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Derivatives under hedge accounting:						
Cash flow hedge-interest rate swaps . . . . .	14,743,947	9,932	(394,393)	960,683	–	(26,584)
Net investment hedge-currency forwards . . . . .	795,470	–	(2,921)	–	–	–
Others:						
Currency forwards . . . . .	428,331	70	–	428,331	70	–
Total . . . . .	15,967,748	10,002	(397,314)	1,389,014	70	(26,584)
	The Group			The Company		
	31 December 2015			31 December 2015		
	Contractual/ nominal amount	Fair value		Contractual/ nominal amount	Fair value	
		Asset	Liabilities		Asset	Liabilities
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Derivatives under hedge accounting:						
Cash flow hedge-interest rate swaps . . . . .	13,259,059	1,991	(330,379)	401,824	–	(18,459)
Net investment hedge-currency forwards . . . . .	2,458,516	–	(105,472)	–	–	–
Total . . . . .	15,717,575	1,991	(435,851)	401,824	–	(18,459)

As at 31 December 2013 and 2014, derivatives in others represent currency forwards with forward exchange rates of buying RMB and selling USD ranged from 6.1901 to 6.2283 with terms up to 12 months and at 6.2243 with the term up to 1 month respectively.

For derivatives under hedge accounting, the details and terms are set out in note 47.

## 19. ACCOUNTS RECEIVABLE

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Operating leases receivable <sup>(1)</sup> . . . . .	26,408	10,112	6,910
Advances for finance lease projects <sup>(2)</sup> . . . . .	16,895,190	14,183,259	13,112,481
Other accounts receivable <sup>(3)(4)</sup> . . . . .	8,511,392	12,749	1,031,430
	<u>25,432,990</u>	<u>14,206,120</u>	<u>14,150,821</u>
Less: Allowances for impairment losses			
– Advances for finance lease projects . . . . .	(54,295)	(141,579)	(266,876)
– Other accounts receivable . . . . .	–	–	(56,810)
	<u>25,378,695</u>	<u>14,064,541</u>	<u>13,827,135</u>

Movements of allowances for impairment losses on accounts receivable during the Relevant Periods are as follows:

	For the year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
At the beginning of the year . . . . .	12,723	54,295	141,579
Provision during the year . . . . .	45,158	98,996	140,075
Transfer (out) in during the year . . . . .	(3,586)	(11,700)	33,627
Foreign currency translation . . . . .	–	(12)	8,405
At the end of the year . . . . .	<u>54,295</u>	<u>141,579</u>	<u>323,686</u>

Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Operating leases receivable <sup>(1)</sup> . . . . .	1,380	3,178	3,100
Advances for finance lease projects <sup>(2)</sup> . . . . .	15,542,918	12,932,380	11,515,345
Other accounts receivable <sup>(3)</sup> . . . . .	6,903,640	12,742	974,620
	<u>22,447,938</u>	<u>12,948,300</u>	<u>12,493,065</u>
Less: Allowances for impairment losses			
– Advances for finance lease projects . . . . .	(40,845)	(134,334)	(251,097)
	<u>22,407,093</u>	<u>12,813,966</u>	<u>12,241,968</u>

Movements of allowances for impairment losses on accounts receivable during the Relevant Periods are as follows:

	For the year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
At the beginning of the year . . . . .	6,507	40,845	134,334
Provision during the year . . . . .	37,924	93,489	118,391
Transfer out during the year . . . . .	(3,586)	–	(1,628)
At the end of the year . . . . .	<u>40,845</u>	<u>134,334</u>	<u>251,097</u>

Ageing analysis of accounts receivable is as below:

- (1) The operating leases receivable of the Group and the Company were accrued on a straight-line basis over the term of the relevant leases and settled periodically based on the payment terms agreed in the lease contracts. There were no overdue operating leases receivable as at 31 December 2013, 2014 and 2015.
- (2) The advances for finance lease projects arise from situations where the Group and the Company have already made payments to leases but the leased assets are under construction and the Group and the Company do not obtain the ownership of such leased assets. Relevant contracts will take effect once the construction of such leased assets are completed and the terms of corresponding lease contract commences upon signing off between the lessee and the Group or the Company. The advances for finance lease projects will then be transferred to finance leases receivable. Thus, ageing analysis of such advances was considered to be not meaningful.
- (3) Other accounts receivable of the Group and the Company represented those transferred finance leases receivable under asset transfer agreements.
- (4) Other accounts receivable of the Group amounting to approximately RMB56,810,000 as at 31 December 2015 (31 December 2013 and 2014: nil) were the non-performing receivables raised from finance lease arrangements which have been terminated caused by the default of the lessees. Those receivables were overdue for more than one year as at 31 December 2015 and the Group has provided 100% allowance against these receivables.

## 20. FINANCE LEASES RECEIVABLE

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Minimum finance leases receivable			
Not later than one year . . . . .	18,725,549	21,786,591	22,967,421
Later than one year and not later than five years . . . . .	46,211,755	51,472,304	53,369,506
Later than five years . . . . .	25,858,581	28,219,055	27,834,442
Gross amount of finance leases receivable . . . . .	90,795,885	101,477,950	104,171,369
Less: Unearned finance income . . . . .	(20,895,657)	(22,728,558)	(20,262,754)
Net amount of finance leases receivable . . . . .	69,900,228	78,749,392	83,908,615
Less: Allowances for impairment losses . . . . .	(1,145,433)	(1,837,661)	(2,963,500)
Carrying amount of finance leases receivable . . . . .	68,754,795	76,911,731	80,945,115
Present value of minimum finance leases receivable			
Not later than one year . . . . .	13,732,059	15,293,944	18,284,638
Later than one year and not later than five years . . . . .	34,518,333	39,432,261	41,650,959
Later than five years . . . . .	21,649,836	24,023,187	23,973,018
Total . . . . .	69,900,228	78,749,392	83,908,615

Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Minimum finance leases receivable			
Not later than one year . . . . .	18,085,967	20,494,975	20,406,319
Later than one year and not later than five years . . . . .	42,946,346	46,707,161	49,969,968
Later than five years . . . . .	23,852,034	24,122,404	24,329,698
Gross amount of finance leases receivable . . . . .	84,884,347	91,324,540	94,705,985
Less: Unearned finance income . . . . .	(19,611,238)	(20,457,152)	(18,263,458)
Net amount of finance leases receivable . . . . .	65,273,109	70,867,388	76,442,527
Less: Allowances for impairment losses . . . . .	(1,071,582)	(1,697,530)	(2,855,506)
Carrying amount of finance leases receivable . . . . .	64,201,527	69,169,858	73,587,021
Present value of minimum finance leases receivable			
Not later than one year . . . . .	13,208,720	14,344,339	16,124,278
Later than one year and not later than five years . . . . .	31,980,629	35,897,224	39,284,750
Later than five years . . . . .	20,083,760	20,625,825	21,033,499
Total . . . . .	65,273,109	70,867,388	76,442,527

The Group entered into finance lease arrangements for certain of its aircraft, equipment for infrastructure, transport and construction vehicles. All leases of the Company are denominated in RMB and all leases of the subsidiaries are denominated in USD, with amount of approximately RMB4,627,119,000, RMB7,882,004,000 and RMB7,466,088,000 as at 31 December 2013, 2014 and 2015, respectively. The term range of finance leases entered into is from 1 to 15 years.

The finance leases receivable with carrying amount of approximately RMB6,049,146,000, RMB5,356,070,000 and RMB7,192,614,000 were pledged as collateral for the Group's bank borrowings (Note 28) as at 31 December 2013, 2014 and 2015, respectively.

The finance leased assets at original cost of approximately RMB4,860,969,000 and RMB10,675,127,000 and RMB11,378,401,000 were pledged as collateral for the Group's bank borrowings as at 31 December 2013, 2014 and 2015, respectively.

The finance leases receivable with carrying amount of approximately RMB6,049,146,000, RMB5,356,070,000 and RMB4,565,375,000 were pledged as collateral for the Company's bank borrowings (Note 28) as at 31 December 2013, 2014 and 2015, respectively.

The finance leased assets at original cost of approximately RMB3,769,609,000 were pledged as collateral for the Company's bank borrowings as at 31 December 2013, 2014 and 2015, respectively.

The Group and the Company entered into repurchase agreements (Note 36) with certain counterparties to sell Group's finance leases receivable with carrying amounts of approximately RMB8,874,661,000, RMB6,933,555,000 and RMB8,149,285,000 as at 31 December 2013, 2014 and 2015, respectively.

The finance leases receivable were mainly with floating interest rates reference to the benchmark interest rate of PBOC ("PBOC Rate") or London Inter-bank Offered Rates ("LIBOR"). The interest rates of finance leases receivable were adjusted periodically with reference to the benchmark interest rates.

Movements of allowances for impairment losses on finance leases receivable during the Relevant Periods are as follows:

Group

	<b>Individual assessment</b>		
	<b>For the year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At the beginning of the year . . . . .	200,182	192,681	670,479
Provision during the year . . . . .	96,783	477,798	1,387,646
Transfer out during the year . . . . .	–	–	(36,142)
Write-offs . . . . .	(104,284)	–	(714,458)
At the end of the year . . . . .	<u>192,681</u>	<u>670,479</u>	<u>1,307,525</u>
	<b>Collective assessment</b>		
	<b>For the year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At the beginning of the year . . . . .	652,310	952,752	1,167,182
Provision during the year . . . . .	305,356	206,315	480,449
Reversal during the year . . . . .	(7,381)	–	–
Transfer in during the year . . . . .	3,586	11,700	4,802
Foreign currency translation . . . . .	(1,119)	(3,585)	3,542
At the end of the year . . . . .	<u>952,752</u>	<u>1,167,182</u>	<u>1,655,975</u>
	<b>Total assessment</b>		
	<b>For the year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At the beginning of the year . . . . .	852,492	1,145,433	1,837,661
Provision during the year . . . . .	402,139	684,113	1,868,095
Reversal during the year . . . . .	(7,381)	–	–
Transfer in (out) during the year . . . . .	3,586	11,700	(31,340)
Write-offs . . . . .	(104,284)	–	(714,458)
Foreign currency translation . . . . .	(1,119)	(3,585)	3,542
At the end of the year . . . . .	<u>1,145,433</u>	<u>1,837,661</u>	<u>2,963,500</u>

Company

	<b>Individual assessment</b>		
	<b>For the year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At the beginning of the year . . . . .	200,182	192,681	634,338
Provision during the year . . . . .	96,783	441,657	1,387,646
Write-offs . . . . .	(104,284)	–	(686,013)
At the end of the year . . . . .	<u>192,681</u>	<u>634,338</u>	<u>1,335,971</u>
	<b>Collective assessment</b>		
	<b>For the year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At the beginning of the year . . . . .	577,121	878,901	1,063,192
Provision during the year . . . . .	298,194	184,291	454,715
Transfer in during the year . . . . .	3,586	–	1,628
At the end of the year . . . . .	<u>878,901</u>	<u>1,063,192</u>	<u>1,519,535</u>

	Total assessment		
	For the year ended 31 December		
	2013	2014	2015
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At the beginning of the year . . . . .	777,303	1,071,582	1,697,530
Provision during the year . . . . .	394,977	625,948	1,842,361
Transfer in during the year . . . . .	3,586	–	1,628
Write-offs . . . . .	(104,284)	–	(686,013)
At the end of the year . . . . .	<u>1,071,582</u>	<u>1,697,530</u>	<u>2,855,506</u>

**21. PREPAYMENTS**

Group

	As at 31 December		
	2013	2014	2015
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Prepayments for operating lease assets purchases . . . . .	<u>1,055,059</u>	<u>4,142,166</u>	<u>6,862,803</u>

Company

	As at 31 December		
	2013	2014	2015
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Prepayments for operating lease assets purchases . . . . .	<u>32,504</u>	<u>3,123,357</u>	<u>5,793,349</u>

**22. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

Group and Company

	As at 31 December		
	2013	2014	2015
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Measured at cost:			
Equity investment <sup>(1)</sup> . . . . .	<u>122,440</u>	<u>122,440</u>	<u>122,440</u>
Analysed as:			
Unlisted . . . . .	<u>122,440</u>	<u>122,440</u>	<u>122,440</u>

(1) As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity securities are measured at cost less impairment at the end of each reporting period.

**23. INVESTMENTS IN SUBSIDIARIES**

Company

	As at 31 December		
	2013	2014	2015
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Unlisted shares, at cost . . . . .	<u>38,027</u>	<u>38,027</u>	<u>40,727</u>

Name of subsidiary	Place and date of incorporation/establishment	Equity interest held by the Company				At the date of this report date	Paid-up issued/registered capital	Principal activities	Statutory auditors GAAP <sup>(2)</sup>
		As at 31 December			% of total equity interest				
		2013	2014	2015					
SFL-1 Limited <sup>(1)</sup>	Cayman Islands 26 September 2006	100.00	100.00	100.00	100.00	USD1,000	Aircraft leasing	N/A <sup>(3)</sup>	
SFL-2 Limited <sup>(1)</sup>	Cayman Islands 12 January 2007	100.00	100.00	100.00	100.00	USD1,000	Aircraft leasing	N/A <sup>(3)</sup>	
SFL-3 Limited <sup>(1)</sup>	Cayman Islands 29 May 2007	100.00	100.00	100.00	100.00	USD1,000	Aircraft leasing	N/A <sup>(3)</sup>	
SFL-4 Limited <sup>(1)</sup>	Cayman Islands 05 June 2007	100.00	100.00	100.00	100.00	USD1,000	Aircraft leasing	N/A <sup>(3)</sup>	
SFL-5 Limited <sup>(1)</sup>	Cayman Islands 11 July 2007	100.00	100.00	100.00	100.00	USD1,000	Aircraft leasing	N/A <sup>(3)</sup>	
SFL-6 Limited <sup>(1)</sup>	Cayman Islands 03 August 2007	100.00	100.00	100.00	100.00	USD1,000	Aircraft leasing	N/A <sup>(3)</sup>	
SFL-7 Limited <sup>(1)</sup>	Cayman Islands 13 March 2008	100.00	100.00	100.00	100.00	USD1,000	Aircraft leasing	N/A <sup>(3)</sup>	
Aviation Capital Limited <sup>(1)</sup>	Cayman Islands 08 September 2008	100.00	100.00	100.00	100.00	USD1,000	Aircraft leasing	N/A <sup>(3)</sup>	
CLC-1 Limited <sup>(1)</sup>	Cayman Islands 20 May 2008	100.00	100.00	100.00	100.00	USD1,000	Leasing service	N/A <sup>(3)</sup>	
CLC-2 Limited <sup>(1)</sup>	Cayman Islands 26 May 2008	100.00	100.00	100.00	100.00	USD1,000	Aircraft leasing	N/A <sup>(3)</sup>	
Top Voyage Enterprise Limited <sup>(1)</sup>	Hong Kong 25 June 2009	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
Well Far Limited <sup>(1)</sup>	Hong Kong 03 September 2009	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC Ship Chartering-I Co., Ltd. <sup>(1)</sup>	Hong Kong 24 November 2009	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC Ship Chartering-II Co., Ltd. <sup>(1)</sup>	Hong Kong 13 May 2010	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC Ship Chartering-III Co., Ltd. <sup>(1)</sup>	Hong Kong 13 May 2010	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC Ship Chartering-IV Co., Ltd. <sup>(1)</sup>	Hong Kong 13 May 2010	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC Ship Chartering-V Co., Ltd. <sup>(1)</sup>	Hong Kong 17 May 2010	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC Ship Chartering-VI Co., Ltd. <sup>(1)</sup>	Hong Kong 13 May 2010	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC Ship Chartering-VII Co., Ltd. <sup>(1)</sup>	Hong Kong 31 March 2011	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC Ship Chartering-VIII Co., Ltd. <sup>(1)</sup>	Hong Kong 31 March 2011	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC Ship Chartering-IX Co., Ltd. <sup>(1)</sup>	Hong Kong 31 March 2011	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC Ship Chartering-X Co., Ltd. <sup>(1)</sup>	Hong Kong 31 March 2011	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC Ship Chartering-XI Co., Ltd. <sup>(1)</sup>	Hong Kong 31 March 2011	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC Ship Chartering-XII Co., Ltd. <sup>(1)</sup>	Hong Kong 31 March 2011	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC Maritime Container Leasing Co., Limited <sup>(1)</sup>	Hong Kong 29 October 2012	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
Kinghood Vessel Leasing Co., Ltd. <sup>(1)</sup>	Hong Kong 01 April 2010	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
CLC-V-I Co., Ltd. <sup>(1)</sup>	Hong Kong 30 November 2009	100.00	100.00	-	-	HKD1	Ship leasing	PWC HK HKFRSs	
CLC-V-II Co., Ltd. <sup>(1)</sup>	Hong Kong 30 November 2009	100.00	100.00	-	-	HKD1	Ship leasing	PWC HK HKFRSs	
CLC-V-III Co., Ltd. <sup>(1)</sup>	Hong Kong 30 November 2009	100.00	100.00	-	-	HKD1	Ship leasing	PWC HK HKFRSs	
Metro Excel Limited <sup>(1)</sup>	Hong Kong 03 September 2009	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
Top Sailing Enterprise Limited <sup>(1)</sup>	Hong Kong 18 April 2013	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
Nine West Marine LTD. <sup>(1)</sup>	Hong Kong 22 August 2013	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
Ample Pointer Limited <sup>(1)</sup>	Hong Kong 16 August 2013	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
Bexton Limited <sup>(1)</sup>	Hong Kong 26 July 2013	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
Cyber Wave Limited <sup>(1)</sup>	Hong Kong 11 October 2013	100.00	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
Hu jin Lpg Carrier Ltd. <sup>(1)</sup>	Hong Kong 20 February 2014	-	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
Guang Jiu Lpg Carrier Ltd. <sup>(1)</sup>	Hong Kong 27 August 2014	-	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	

Name of subsidiary	Place and date of incorporation/establishment	Equity interest held by the Company				At the date of this report date	Paid-up issued/registered capital	Principal activities	Statutory auditors GAAP <sup>(2)</sup>
		As at 31 December							
		2013	2014	2015					
		%	%	%	%				
CLC Glowing Ltd. <sup>(1)</sup>	Hong Kong 29 July 2014	–	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
Ease Best Ltd. <sup>(1)</sup>	Hong Kong 18 July 2014	–	100.00	100.00	100.00	HKD1	Ship leasing	PWC HK HKFRSs	
Bendery Maritime Limited <sup>(1)</sup>	Hong Kong 24 October 2014	–	100.00	100.00	100.00	HKD1	Ship leasing	N/A <sup>(3)</sup>	
Bermuda Maritime Limited <sup>(1)</sup>	Hong Kong 24 October 2014	–	100.00	100.00	100.00	HKD1	Ship leasing	N/A <sup>(3)</sup>	
Bear Maritime Limited <sup>(1)</sup>	Hong Kong 24 October 2014	–	100.00	100.00	100.00	HKD1	Ship leasing	N/A <sup>(3)</sup>	
Sherlock Maritime Limited <sup>(1)</sup>	Hong Kong 24 October 2014	–	100.00	100.00	100.00	HKD1	Ship leasing	N/A <sup>(3)</sup>	
Franklin Maritime Limited <sup>(1)</sup>	Hong Kong 24 October 2014	–	100.00	100.00	100.00	HKD1	Ship leasing	N/A <sup>(3)</sup>	
Rome Shipping Limited <sup>(1)</sup>	Hong Kong 05 November 2014	–	100.00	100.00	100.00	HKD1	Ship leasing	N/A <sup>(3)</sup>	
SinoAero Leasing Co., Ltd. <sup>(1)</sup>	Ireland 02 July 2009	100.00	100.00	100.00	100.00	USD4	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 101 Co., Ltd.	Ireland 07 December 2010	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 102 Co., Ltd.	Ireland 27 April 2011	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 103 Co., Ltd.	Ireland 08 September 2011	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 104 Co., Ltd.	Ireland 20 September 2011	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 105 Co., Ltd.	Ireland 01 November 2011	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 0901 Co., Ltd.	Ireland 02 July 2009	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 0902 Co., Ltd.	Ireland 04 August 2009	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 0903 Co., Ltd.	Ireland 16 September 2009	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 0904 Co., Ltd.	Ireland 01 December 2009	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 0905 Co., Ltd.	Ireland 01 December 2009	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 0906 Co., Ltd.	Ireland 30 November 2009	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 1201 Co., Limited	Ireland 20 March 2012	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 1202 Co., Limited	Ireland 23 April 2012	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 1203 Co., Limited	Ireland 30 April 2012	100.00	100.00	100.00	100.00	EUR 2	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease (France) SARL	France 06 June 2012	100.00	100.00	100.00	100.00	EUR 50,000	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease (Norway) Co., AS	Norway 09 June 2012	100.00	100.00	100.00	100.00	NOK 150,000	Aircraft leasing	KPMG Ireland IFRSs	
AeroPower Leasing Co., Ltd.	Ireland 12 August 2011	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
Compass aviation Leasing Co., Ltd.	Ireland 25 August 2011	100.00	100.00	100.00	100.00	USD2	Aircraft leasing	KPMG Ireland IFRSs	
APONE Aviation Leasing Co., Limited	Ireland 12 August 2011	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
APTREE Aviation Trading 1 Co., Limited	Ireland 02 September 2011	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
APTREE Aviation Trading 2 Co., Limited	Ireland 19 September 2011	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
APTREE Aviation Trading 3 Co., Limited	Ireland 19 September 2011	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	



Name of subsidiary	Place and date of incorporation/establishment	Equity interest held by the Company				At the date of this report date	Paid-up issued/registered capital	Principal activities	Statutory auditors GAAP <sup>(2)</sup>
		As at 31 December			% %				
		2013	2014	2015					
		%	%	%	%				
APTREE Aviation Trading 4 Co., Limited	Ireland 19 September 2011	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
APTREE Aviation Trading 5 Co., Limited	Ireland 12 October 2011	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 1204 Co., Limited	Ireland 18 July 2012	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 1205 Co., Limited	Ireland 18 July 2012	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 1207 Co., Limited	Ireland 18 July 2012	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease 106 Co., Limited	Ireland 15 November 2011	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation lease 1301 Co., Ltd.	Ireland 20 August 2013	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation lease 1302 Co., Ltd.	Ireland 30 October 2013	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation lease 1303 Co., Ltd.	Ireland 12 December 2013	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation lease 1304 Co., Ltd.	Ireland 12 December 2013	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation lease 1305 Co., Ltd.	Ireland 12 December 2013	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation lease 1306 Co., Ltd.	Ireland 12 December 2013	100.00	100.00	100.00	100.00	USD1	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation lease 1501 Co., Ltd.	Ireland 08 April 2015	-	-	100.00	100.00	USD1	Aircraft leasing	N/A <sup>(3)</sup>	
GY Aviation lease 1502 Co., Ltd.	Ireland 25 May 2015	-	-	100.00	100.00	USD1	Aircraft leasing	N/A <sup>(3)</sup>	
GY Aviation lease 1503 Co., Ltd.	Ireland 16 July 2015	-	-	100.00	100.00	USD1	Aircraft leasing	N/A <sup>(3)</sup>	
GY Aviation lease 1504 Co., Ltd.	Ireland 24 July 2015	-	-	100.00	100.00	USD1	Aircraft leasing	N/A <sup>(3)</sup>	
GY Aviation lease 1505 Co., Ltd.	Ireland 24 July 2015	-	-	100.00	100.00	USD1	Aircraft leasing	N/A <sup>(3)</sup>	
AMBER Circle Funding Limited <sup>(1)</sup>	Cayman Islands 22 June 2012	100.00	100.00	100.00	100.00	USD250	Aircraft leasing	KPMG Ireland IFRSs	
CDBL FUNDING 1	Cayman Islands 23 October 2014	-	100.00	100.00	100.00	USD1,534	Aircraft leasing	KPMG Ireland IFRSs	
GY Aviation Lease (Malta) Limited	Malta 14 January 2013	100.00	100.00	100.00	100.00	EUR 1,200	Aircraft leasing	KPMG Ireland IFRSs	
國銀飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 24 November 2010	100.00	100.00	100.00	100.00	RMB5,000,000	Aircraft leasing	DTT PRC PRC GAAP	
國銀新天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Xintian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 16 December 2011	100.00	100.00	100.00	100.00	RMB5,000,000	Aircraft leasing	DTT PRC PRC GAAP	
國銀匯天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Huitian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 16 December 2011	100.00	100.00	100.00	100.00	RMB5,000,000	Aircraft leasing	DTT PRC PRC GAAP	
國銀浩天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Haotian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 04 September 2012	100.00	100.00	100.00	100.00	RMB300,000	Aircraft leasing	DTT PRC PRC GAAP	
國銀弘天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Hongtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 04 September 2012	100.00	100.00	100.00	100.00	RMB300,000	Aircraft leasing	DTT PRC PRC GAAP	

Name of subsidiary	Place and date of incorporation/establishment	Equity interest held by the Company				Paid-up issued/registered capital	Principal activities	Statutory auditors GAAP <sup>(2)</sup>
		As at 31 December			At the date of this report date			
		2013	2014	2015	%			
國銀旭天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Xutian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 04 September 2012	100.00	100.00	100.00	100.00	RMB300,000	Aircraft leasing	DTT PRC PRC GAAP
國銀飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 June 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀騰飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Tengfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 June 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀翔天飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Xiangtian Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 05 September 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀晨飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Chenfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 05 September 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀鴻飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hongfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 05 September 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀航飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 05 September 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀霄飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Xiaofei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀博飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Bofei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀鵬飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Pengfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀逸飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Yifei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀卓飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Zhuofei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀冠飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Guanfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀捷飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Jiefei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 07 November 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>

Name of subsidiary	Place and date of incorporation/establishment	Equity interest held by the Company				Paid-up issued/registered capital	Principal activities	Statutory auditors GAAP <sup>(2)</sup>
		As at 31 December			At the date of this report date			
		2013	2014	2015	%			
		%	%	%	%			
國銀鑫飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Xinfei Leasing Aircraft (Tianjin) Co., Ltd.*	PRC 12 November 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀盛飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Shengfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 07 November 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀振飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Zhenfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 07 November 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀宇飛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Yufei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2012	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀瑞天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Ruitian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 05 July 2013	100.00	100.00	100.00	100.00	RMB300,000	Aircraft leasing	DTT PRC PRC GAAP
國銀益天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Yitian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 05 July 2013	100.00	100.00	100.00	100.00	RMB300,000	Aircraft leasing	DTT PRC PRC GAAP
國銀澤天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Zetian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 05 July 2013	100.00	100.00	100.00	100.00	RMB300,000	Aircraft leasing	DTT PRC PRC GAAP
國銀康天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Kangtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 05 July 2013	100.00	100.00	100.00	100.00	RMB300,000	Aircraft leasing	DTT PRC PRC GAAP
國銀華天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Huatian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 05 July 2013	100.00	100.00	100.00	100.00	RMB300,000	Aircraft leasing	DTT PRC PRC GAAP
國銀瀚天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Hantian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 03 July 2013	100.00	100.00	100.00	100.00	RMB300,000	Aircraft leasing	DTT PRC PRC GAAP
國銀榮天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Rongtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 05 July 2013	100.00	100.00	100.00	100.00	RMB300,000	Aircraft leasing	DTT PRC PRC GAAP
國銀國天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Guotian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 05 July 2013	100.00	100.00	100.00	100.00	RMB300,000	Aircraft leasing	DTT PRC PRC GAAP
國銀鴻天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Hongtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 03 July 2013	100.00	100.00	100.00	100.00	RMB300,000	Aircraft leasing	DTT PRC PRC GAAP

Name of subsidiary	Place and date of incorporation/establishment	Equity interest held by the Company				Paid-up issued/registered capital	Principal activities	Statutory auditors GAAP <sup>(2)</sup>
		As at 31 December			At the date of this report date			
		2013	2014	2015	%			
國銀陽天飛機租賃(上海)有限公司 <sup>(1)</sup> CLC Yangtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 03 July 2013	100.00	100.00	100.00	100.00	RMB300,000	Aircraft leasing	DTT PRC PRC GAAP
國銀航熙飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangxi Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 22 July 2013	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀航軒飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangxuan Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀航暉飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hanghui Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 03 July 2013	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀航宇飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangyu Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀航進飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航凱飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangkai Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航辰飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangchen Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 03 July 2013	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀航雲飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangyun Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀航皓飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hanghao Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航傑飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangjie Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100.00	100.00	100.00	100.00	RMB500,000	Aircraft leasing	DTT PRC PRC GAAP
國銀航博飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangbo Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	-	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航川飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangchuan Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	-	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>

Name of subsidiary	Place and date of incorporation/establishment	Equity interest held by the Company				Paid-up issued/registered capital	Principal activities	Statutory auditors GAAP <sup>(2)</sup>
		As at 31 December			At the date of this report date			
		2013	2014	2015	%			
國銀航坤飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangkun Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	–	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航慶飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hanglong Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	–	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航慶飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangqing Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	–	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航銳飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangrui Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	–	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航碩飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangshuo Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	–	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航祥飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangxiang Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	–	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航旭飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangxu Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	–	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航遠飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangyuan Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	–	100.00	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航智飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangzhi Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	–	–	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航昌飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangchang Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	–	–	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航際飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangji Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	–	–	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航錦飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	–	–	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航鵬飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangpeng Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	–	–	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>

Name of subsidiary	Place and date of incorporation/establishment	Equity interest held by the Company				Paid-up issued/registered capital	Principal activities	Statutory auditors GAAP <sup>(2)</sup>
		As at 31 December			At the date of this report date			
		2013	2014	2015	%			
		%	%	%	%			
國銀航盛飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangsheng Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	-	-	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航通飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangtong Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	-	-	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航鑫飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangxin Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	-	-	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航怡飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangyi Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	-	-	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀航昱飛機租賃(天津)有限公司 <sup>(1)</sup> CLC Hangyu Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	-	-	100.00	100.00	RMB500,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀慧天飛機租賃(廈門)有限公司 <sup>(1)</sup> CLC Huitian Aircraft Leasing (Xiamen) Co., Ltd.*	PRC 10 August 2015	-	-	100.00	100.00	RMB100,000	Aircraft leasing	N/A <sup>(3)</sup>
國銀晨天飛機租賃(廈門)有限公司 <sup>(1)</sup> CLC Chenfei Aircraft Leasing (Xiamen) Co., Ltd.	PRC 10 August 2015	-	-	100.00	100.00	RMB100,000	Aircraft leasing	N/A <sup>(3)</sup>
GY Aviation Lease Bermuda Co. Ltd.	Bermuda Islands 10 December 2009	100.00	100.00	100.00	100.00	USD100	Aircraft leasing	KPMG Ireland IFRSs
佛山市美佛實業發展有限公司 Foshan Meifo Industry Development Co., Ltd.*	PRC 19 November 2003	100.00	100.00	100.00	100.00	RMB4,526,885	Investment management	N/A <sup>(3)</sup>
珠海市金益華商貿有限公司 <sup>(1)</sup> Zhuhai Jin Yi Hua Trading Co., Ltd.*	PRC 23 November 2004	100.00	100.00	100.00	100.00	RMB1,000,000	Trading	N/A <sup>(3)</sup>
長沙市集創收費管理有限公司 <sup>(1)</sup> Changsha Jichuang Toll Management Co., Ltd.*	PRC 29 August 2003	100.00	100.00	100.00	100.00	RMB100,000	Highway tollbooth	N/A <sup>(3)</sup>
香港金力科技有限公司 <sup>(1)</sup> Hong Kong Jinli Technology Co., Ltd.*	Hong Kong 04 December 1984	100.00	100.00	100.00	100.00	RMB350,000	Trading agent	N/A <sup>(3)</sup>
Mega Chain Holdings Limited <sup>(4)</sup>	Hong Kong 25 May 2010	-	-	-	-	HKD1	Others	N/A <sup>(3)</sup>
Great Victory Investments Worldwide Limited <sup>(4)</sup>	British Virgin Islands 29 July 2010	-	-	-	-	USD1	Others	N/A <sup>(3)</sup>
BVPENINTADIO Beteiligungsverwaltung GmbH <sup>(4)</sup>	The Republic of Austria 11 February 2010	-	-	-	-	EUR 35,000	Communication equipment leasing	N/A <sup>(3)</sup>
Grace Concord Enterprises Limited <sup>(4)</sup>	Hong Kong 08 July 2010	-	-	-	-	HKD1	Others	N/A <sup>(3)</sup>
Great Rainbow Limited S.Ar.L <sup>(4)</sup>	Luxembourg 17 September 2010	-	-	-	-	EUR 12,500	Others	N/A <sup>(3)</sup>
Luxembourg Solar Panels Company S.ar.l. <sup>(4)</sup>	Luxembourg 22 April 2010	100.00	100.00	-	-	EUR 12,500	Solar energy equipment leasing	N/A <sup>(3)</sup>

\* These subsidiaries do not have official English names. English translated names are for identification only.

(1) These subsidiaries are directly held by the Company.

(2) Auditors of the respective subsidiaries of the Group are as follows:

DTT PRC represents Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)), a firm of certified public accountants registered in the PRC.

PWC HK represents PricewaterhouseCoopers Certified Public Accountants in Hong Kong, a firm of certified public accountants registered in Hong Kong.

KPMG Ireland represents KPMG Chartered Accountants, Statutory Audit Firm in Ireland, a firm of certified public accountants registered in Ireland.

(3) These subsidiaries have just been established in 2015 or no operation, no statutory financial statements have been issued at the date of this report, or there is no statutory audit requirement for these subsidiaries. Thus no audited financial statements were issued during the Relevant Periods.

(4) Disposal of subsidiaries

(a) He huang project subsidiaries

On 1 December 2013, the Group disposed of subsidiaries which carried out leasing business activities including Mega Chain Holdings Limited, Great Victory Investments Worldwide Limited, Grace Concord Enterprises Limited, Great Rainbow Limited S.Ar.L and BVPENINTADIO Beteiligungsverwaltung GmbH.

	RMB'000
Consideration received	
Cash . . . . .	-
	<u>                    </u>
Analysis of assets and liabilities over which control was lost	
Cash and bank balances . . . . .	113,606
Accounts receivable . . . . .	1,540,699
Property and equipment – Equipment held for operating lease businesses . . . . .	5,618,132
Tax payable . . . . .	(50)
Other liabilities . . . . .	(7,272,387)
	<u>                    </u>
Net assets disposed of . . . . .	-
	<u>                    </u>
Consideration received . . . . .	-
Net assets disposed of . . . . .	-
	<u>                    </u>
Gain on disposal of subsidiaries . . . . .	-
	<u>                    </u>
Net cash inflow arising on disposal	
Consideration payment in cash . . . . .	-
Less: Cash and bank balances . . . . .	(113,606)
	<u>                    </u>
	<u>                    </u>
	(113,606)
	<u>                    </u>

(b) Luxembourg Solar Panels Company S.à.r.l.

On 23 September 2015, the Group disposed of subsidiaries which carried out solar energy equipment leasing business activities.

	RMB'000
Consideration received	
Cash . . . . .	–
Analysis of assets and liabilities over which control was lost	
Bank balances and cash . . . . .	5,011
Finance lease rental receivable . . . . .	1,494,377
Minus: unearned financial income . . . . .	(257,419)
Prepaid tax . . . . .	32
Bank borrowing . . . . .	(1,214,090)
Other payables . . . . .	(9,580)
Interest payable . . . . .	(18,331)
Net assets disposed of . . . . .	–
Gain on disposal of a subsidiary . . . . .	–
Consideration received . . . . .	–
Net assets disposed of . . . . .	–
Net cash inflow arising on disposal	
Consideration payment in cash . . . . .	–
Less: Bank balances and cash . . . . .	(5,011)
	(5,011)

#### 24. INVESTMENT PROPERTIES

Group and Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
<u>Cost</u>			
At beginning of the year . . . . .	149,755	149,755	413,014
Additions . . . . .	–	263,259	–
At end of the year . . . . .	149,755	413,014	413,014
<u>Accumulated depreciation</u>			
At beginning of the year . . . . .	2,964	10,077	17,190
Charge for the year . . . . .	7,113	7,113	19,618
At end of the year . . . . .	10,077	17,190	36,808
<u>Net carrying amount</u>			
At beginning of the year . . . . .	146,791	139,678	395,824
At end of the year . . . . .	139,678	395,824	376,206

The net book values of investment properties are analysed based on the remaining terms of the leases as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Held in the PRC on medium-term lease (10 – 50 years) . . . . .	139,678	395,824	376,206



## 25. PROPERTY AND EQUIPMENT

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Equipment held for operating lease businesses . . . . .	32,018,957	35,989,579	41,871,006
Property and equipment held for administrative purposes . . . . .	78,309	212,161	377,682
Total . . . . .	32,097,266	36,201,740	42,248,688

Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Equipment held for operating lease businesses . . . . .	29,214	648,887	586,436
Property and equipment held for administrative purposes . . . . .	74,230	208,671	374,567
Total . . . . .	103,444	857,558	961,003

## Equipment held for operating lease businesses

	The Group			
	Aircraft	Special equipment	Electronic equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Cost</u>				
As at 1 January 2013 . . . . .	28,715,780	7,122,591	185,267	36,023,638
Additions . . . . .	8,341,994	-	-	8,341,994
Disposals/written-off . . . . .	(88,136)	-	-	(88,136)
Derecognised on disposal of subsidiaries . . . . .	-	(7,122,591)	-	(7,122,591)
Effect of foreign currency exchange differences . . . . .	(754,883)	-	-	(754,883)
As at 31 December 2013 . . . . .	36,214,755	-	185,267	36,400,022
<u>Accumulated depreciation</u>				
As at 1 January 2013 . . . . .	2,949,644	1,042,760	108,707	4,101,111
Charge for the year . . . . .	1,437,131	468,278	47,346	1,952,755
Eliminated on disposals/written-off . . . . .	(59,386)	-	-	(59,386)
Derecognised on disposal of subsidiaries . . . . .	-	(1,504,459)	-	(1,504,459)
Effect of foreign currency exchange differences . . . . .	(102,377)	(6,579)	-	(108,956)
As at 31 December 2013 . . . . .	4,225,012	-	156,053	4,381,065
<u>Net carrying amount</u>				
As at 1 January 2013 . . . . .	25,766,136	6,079,831	76,560	31,922,527
As at 31 December 2013 . . . . .	31,989,743	-	29,214	32,018,957

	The Group			
	Aircraft	Special equipment	Electronic equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Cost</u>				
As at 1 January 2014 . . . . .	36,214,755	–	185,267	36,400,022
Additions . . . . .	5,744,088	641,967	–	6,386,055
Disposals/written-off . . . . .	(819,517)	–	–	(819,517)
Effect of foreign currency exchange differences . . . . .	84,799	–	–	84,799
As at 31 December 2014 . . . . .	41,224,125	641,967	185,267	42,051,359
<u>Accumulated depreciation</u>				
As at 1 January 2014 . . . . .	4,225,012	–	156,053	4,381,065
Charge for the year . . . . .	1,804,548	3,808	18,486	1,826,842
Eliminated on disposals/written-off . . . . .	(152,689)	–	–	(152,689)
Effect of foreign currency exchange differences . . . . .	6,562	–	–	6,562
As at 31 December 2014 . . . . .	5,883,433	3,808	174,539	6,061,780
<u>Net carrying amount</u>				
As at 1 January 2014 . . . . .	31,989,743	–	29,214	32,018,957
As at 31 December 2014 . . . . .	35,340,692	638,159	10,728	35,989,579

	The Group				
	Aircraft	Ship	Special equipment	Electronic equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Cost</u>					
As at 1 January 2015 . . . . .	41,224,125	–	641,967	185,267	42,051,359
Additions . . . . .	5,707,809	825,103	–	–	6,532,912
Disposals/written-off . . . . .	(554,099)	–	–	–	(554,099)
Effect of foreign currency exchange differences . . . . .	2,231,689	–	–	–	2,231,689
As at 31 December 2015 . . . . .	48,609,524	825,103	641,967	185,267	50,261,861
<u>Accumulated depreciation</u>					
As at 1 January 2015 . . . . .	5,883,433	–	3,808	174,539	6,061,780
Charge for the year . . . . .	1,926,243	–	60,987	1,464	1,988,694
Eliminated on disposals/written-off . . . . .	(22,603)	–	–	–	(22,603)
Effect of foreign currency exchange differences . . . . .	362,984	–	–	–	362,984
As at 31 December 2015 . . . . .	8,150,057	–	64,795	176,003	8,390,855
<u>Net carrying amount</u>					
As at 1 January 2015 . . . . .	35,340,692	–	638,159	10,728	35,989,579
As at 31 December 2015 . . . . .	40,459,467	825,103	577,172	9,264	41,871,006

	<b>The Company</b>		
	<b>Aircraft</b>	<b>Electronic equipment</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<u>Cost</u>			
As at 1 January 2013 . . . . .	88,136	185,267	273,403
Disposals/written-off . . . . .	(88,136)	–	(88,136)
As at 31 December 2013 . . . . .	–	185,267	185,267
<u>Accumulated depreciation</u>			
As at 1 January 2013 . . . . .	58,921	108,707	167,628
Charge for the year . . . . .	465	47,346	47,811
Eliminated on disposals/written-off . . . . .	(59,386)	–	(59,386)
As at 31 December 2013 . . . . .	–	156,053	156,053
<u>Net carrying amount</u>			
As at 1 January 2013 . . . . .	29,215	76,560	105,775
As at 31 December 2013 . . . . .	–	29,214	29,214

	<b>The Company</b>		
	<b>Special equipment</b>	<b>Electronic equipment</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<u>Cost</u>			
As at 1 January 2014 . . . . .	–	185,267	185,267
Additions . . . . .	641,967	–	641,967
As at 31 December 2014 . . . . .	641,967	185,267	827,234
<u>Accumulated depreciation</u>			
As at 1 January 2014 . . . . .	–	156,053	156,053
Charge for the year . . . . .	3,808	18,486	22,294
As at 31 December 2014 . . . . .	3,808	174,539	178,347
<u>Net carrying amount</u>			
As at 1 January 2014 . . . . .	–	29,214	29,214
As at 31 December 2014 . . . . .	638,159	10,728	648,887

	<b>The Company</b>		
	<b>Special equipment</b>	<b>Electronic equipment</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<u>Cost</u>			
As at 1 January 2015 and 31 December 2015 . . . . .	641,967	185,267	827,234
<u>Accumulated depreciation</u>			
As at 1 January 2015 . . . . .	3,808	174,539	178,347
Charge for the year . . . . .	60,987	1,464	62,451
As at 31 December 2015 . . . . .	64,795	176,003	240,798
<u>Net carrying amount</u>			
As at 1 January 2015 . . . . .	638,159	10,728	648,887
As at 31 December 2015 . . . . .	577,172	9,264	586,436

The aircraft with net book value of approximately RMB14,409,635,000, RMB19,400,975,000 and RMB23,002,111,000 of the Group were pledged as collateral for the Group's bank borrowings (Note 28) as at 31 December 2013, 2014 and 2015, respectively.

There is no equipment held for operating lease businesses pledged as collateral for the Company's borrowings.

## Property and equipment held for administrative purposes

	The Group						
	Buildings	Computer and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Cost</u>							
As at 1 January 2013 . . .	28,943	9,286	13,699	6,153	11,371	10,165	79,617
Additions . . . . .	–	1,185	–	258	966	37,929	40,338
Disposals/written-off. . . .	(66)	(278)	–	–	–	–	(344)
As at 31 December 2013. . . . .	28,877	10,193	13,699	6,411	12,337	48,094	119,611
<u>Accumulated depreciation</u>							
As at 1 January 2013 . . .	7,456	4,962	9,715	3,998	5,825	–	31,956
Charge for the year . . . .	1,144	1,908	1,969	927	3,676	–	9,624
Eliminated on disposals/written-off. . . .	–	(278)	–	–	–	–	(278)
As at 31 December 2013. . . . .	8,600	6,592	11,684	4,925	9,501	–	41,302
<u>Net carrying amount</u>							
As at 1 January 2013 . . .	21,487	4,324	3,984	2,155	5,546	10,165	47,661
As at 31 December 2013. . . . .	20,277	3,601	2,015	1,486	2,836	48,094	78,309

	The Group						
	Buildings	Computer and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Cost</u>							
As at 1 January 2014 . . .	28,877	10,193	13,699	6,411	12,337	48,094	119,611
Additions . . . . .	4,044	9	–	334	249	134,372	139,008
Disposals/written-off. . . .	–	–	(2,399)	–	–	–	(2,399)
As at 31 December 2014. . . . .	32,921	10,202	11,300	6,745	12,586	182,466	256,220
<u>Accumulated depreciation</u>							
As at 1 January 2014 . . .	8,600	6,592	11,684	4,925	9,501	–	41,302
Charge for the year . . . .	1,282	1,701	606	696	751	–	5,036
Eliminated on disposals/written-off. . . .	–	–	(2,279)	–	–	–	(2,279)
As at 31 December 2014. . . . .	9,882	8,293	10,011	5,621	10,252	–	44,059
<u>Net carrying amount</u>							
As at 1 January 2014 . . .	20,277	3,601	2,015	1,486	2,836	48,094	78,309
As at 31 December 2014. . . . .	23,039	1,909	1,289	1,124	2,334	182,466	212,161

## The Group

	Buildings	Computer and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost</b>							
As at 1 January 2015 . . .	32,921	10,202	11,300	6,745	12,586	182,466	256,220
Additions . . . . .	2,281	5,376	–	1,040	2,447	159,123	170,267
Effect of foreign currency exchange differences . . . . .	–	2	–	7	–	–	9
As at 31 December 2015 . . . . .	35,202	15,580	11,300	7,792	15,033	341,589	426,496
<b>Accumulated depreciation</b>							
As at 1 January 2015 . . .	9,882	8,293	10,011	5,621	10,252	–	44,059
Charge for the year . . . .	1,491	1,553	472	546	691	–	4,753
Effect of foreign currency exchange differences . . . . .	–	–	–	2	–	–	2
As at 31 December 2015 . . . . .	11,373	9,846	10,483	6,169	10,943	–	48,814
<b>Net carrying amount</b>							
As at 1 January 2015 . . .	23,039	1,909	1,289	1,124	2,334	182,466	212,161
As at 31 December 2015 . . . . .	23,829	5,734	817	1,623	4,090	341,589	377,682

## The Company

	Buildings	Computer and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost</b>							
As at 1 January 2013 . . .	21,390	8,888	13,699	6,014	10,954	10,165	71,110
Additions . . . . .	–	1,170	–	177	411	37,929	39,687
As at 31 December 2013 . . . . .	21,390	10,058	13,699	6,191	11,365	48,094	110,797
<b>Accumulated depreciation</b>							
As at 1 January 2013 . . .	3,617	4,646	9,715	3,944	5,565	–	27,487
Charge for the year . . . .	1,002	1,858	1,969	888	3,363	–	9,080
As at 31 December 2013 . . . . .	4,619	6,504	11,684	4,832	8,928	–	36,567
<b>Net carrying amount</b>							
As at 1 January 2013 . . .	17,773	4,242	3,984	2,070	5,389	10,165	43,623
As at 31 December 2013 . . . . .	16,771	3,554	2,015	1,359	2,437	48,094	74,230

The Company							
	Buildings	Computer and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Cost</u>							
As at 1 January 2014 . . .	21,390	10,058	13,699	6,191	11,365	48,094	110,797
Additions . . . . .	4,044	9	–	334	249	134,372	139,008
Disposals/written-off. . .	–	–	(2,399)	–	–	–	(2,399)
As at 31 December 2014. . . . .	25,434	10,067	11,300	6,525	11,614	182,466	247,406
<u>Accumulated depreciation</u>							
As at 1 January 2014 . . .	4,619	6,504	11,684	4,832	8,928	–	36,567
Charge for the year . . .	1,066	1,671	606	620	484	–	4,447
Eliminated on disposals/written-off. . .	–	–	(2,279)	–	–	–	(2,279)
As at 31 December 2014. . . . .	5,685	8,175	10,011	5,452	9,412	–	38,735
<u>Net carrying amount</u>							
As at 1 January 2014 . . .	16,771	3,554	2,015	1,359	2,437	48,094	74,230
As at 31 December 2014. . . . .	19,749	1,892	1,289	1,073	2,202	182,466	208,671

The Company							
	Buildings	Computer and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Cost</u>							
As at 1 January 2015 . . .	25,434	10,067	11,300	6,525	11,614	182,466	247,406
Additions . . . . .	2,281	5,376	–	1,040	2,447	159,123	170,267
As at 31 December 2015. . . . .	27,715	15,443	11,300	7,565	14,061	341,589	417,673
<u>Accumulated depreciation</u>							
As at 1 January 2015 . . .	5,685	8,175	10,011	5,452	9,412	–	38,735
Charge for the year . . .	1,275	1,546	472	519	559	–	4,371
As at 31 December 2015. . . . .	6,960	9,721	10,483	5,971	9,971	–	43,106
<u>Net carrying amount</u>							
As at 1 January 2015 . . .	19,749	1,892	1,289	1,073	2,202	182,466	208,671
As at 31 December 2015. . . . .	20,755	5,722	817	1,594	4,090	341,589	374,567

As at 31 December 2015, carrying values of property and equipment of the Group and the Company for which registration was not completed amounted to approximately RMB5,988,000 (2014: RMB3,980,000, 2013: nil). However, this registration process does not affect the rights of the Group to these assets.

The carrying value of buildings of the Group and the Company comprise properties located on:

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Land in the PRC			
Long lease (over 50 years) . . . . .	16,636	19,624	20,640
Medium-term lease (10 to 50 years). . . . .	3,641	3,415	3,189
	<u>20,277</u>	<u>23,039</u>	<u>23,829</u>

Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Land in the PRC			
Long lease (over 50 years) . . . . .	16,636	19,624	20,640
Medium-term lease (10 to 50 years). . . . .	135	125	115
	<u>16,771</u>	<u>19,749</u>	<u>20,755</u>

## 26. DEFERRED TAXATION

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

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Deferred tax assets . . . . .	267,289	409,543	703,141
Deferred tax liabilities . . . . .	(79,163)	(164,144)	(266,949)
	<u>188,126</u>	<u>245,399</u>	<u>436,192</u>

Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Deferred tax assets . . . . .	157,832	295,355	578,958

The following are the major deferred tax assets (liabilities) recognised and movements thereon in the Relevant Periods:

Group

	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of financial assets at fair value through profit and loss	Deductible tax losses	Depreciation of operating lease assets	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1 January 2013 . .	148,717	170,743	-	-	(47,844)	48,650	(7,672)	312,594
Credit (charge) to profit or loss . .	(36,652)	(7,245)	-	1,981	(27,344)	16,098	1,116	(52,046)
Charge to other comprehensive income . .	-	(72,422)	-	-	-	-	-	(72,422)
31 December 2013 . .	112,065	91,076	-	1,981	(75,188)	64,748	(6,556)	188,126
1 January 2014 . .	112,065	91,076	-	1,981	(75,188)	64,748	(6,556)	188,126
Credit (charge) to profit or loss . .	145,820	7,228	-	(654)	(89,270)	6,940	-	70,064
Charge to other comprehensive income . .	-	(12,791)	-	-	-	-	-	(12,791)
31 December 2014 . .	257,885	85,513	-	1,327	(164,458)	71,688	(6,556)	245,399
1 January 2015 . .	257,885	85,513	-	1,327	(164,458)	71,688	(6,556)	245,399
Credit (charge) to profit or loss . . .	316,430	813	(14,660)	461	(108,805)	3,598	(2,760)	195,077
Charge to other comprehensive income . .	-	(4,284)	-	-	-	-	-	(4,284)
31 December 2015 . .	574,315	82,042	(14,660)	1,788	(273,263)	75,286	(9,316)	436,192



Company

	Allowance for impairment losses	Changes in fair value of derivatives	Changes in fair value of financial assets at fair value through profit and loss	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1 January 2013 . . . . .	145,033	14,854	–	44,953	(6,556)	198,284
Credit (charge) to profit or loss . . . . .	(35,780)	(7,245)	–	8,192	–	(34,833)
Charge to other comprehensive income . . . . .	–	(5,619)	–	–	–	(5,619)
31 December 2013 . . . . .	109,253	1,990	–	53,145	(6,556)	157,832
1 January 2014 . . . . .	109,253	1,990	–	53,145	(6,556)	157,832
Credit (charge) to profit or loss . . . . .	136,598	7,228	–	(3,713)	–	140,113
Charge to other comprehensive income . . . . .	–	(2,590)	–	–	–	(2,590)
31 December 2014 . . . . .	245,851	6,628	–	49,432	(6,556)	295,355
1 January 2015 . . . . .	245,851	6,628	–	49,432	(6,556)	295,355
Credit (charge) to profit or loss . . . . .	311,650	–	(14,660)	(8,570)	(2,786)	285,634
Charge to other comprehensive income . . . . .	–	(2,031)	–	–	–	(2,031)
31 December 2015 . . . . .	557,501	4,597	(14,660)	40,862	(9,342)	578,958

## 27. OTHER ASSETS

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Interest receivable . . . . .	56,059	32,592	30,269
Other receivables . . . . .	382,851	176,796	385,454
Prepaid expenses . . . . .	41,644	34,999	28,565
Deductible value-added tax . . . . .	634,736	897,464	737,879
Deposits for property and equipment purchase . . . . .	178,487	9,749	3,448
Other intangible assets <sup>(1)</sup> . . . . .	18,616	14,298	11,901
Land use rights <sup>(2)</sup> . . . . .	460,387	450,379	440,371
	1,772,780	1,616,277	1,637,887
Less: Allowances for impairment losses – other receivables . . . . .	(3,733)	(19,037)	(2,802)
	1,769,047	1,597,240	1,635,085

Movements of allowances for impairment losses on other receivables during the Relevant Periods are as follows:

	For the year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
At the beginning of the year . . . . .	98,945	3,733	19,037
(Reversal)/Provision during the year . . . . .	(113)	15,303	–
Write-offs . . . . .	(95,138)	–	(13,948)
Transfer out during the year . . . . .	–	–	(2,287)
Foreign currency translation . . . . .	39	1	–
At the end of the year . . . . .	3,733	19,037	2,802

## Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Interest receivable . . . . .	149,215	157,718	152,536
Other receivables . . . . .	169,989	142,868	68,448
Prepaid expenses . . . . .	30,849	25,932	21,016
Deductible value-added tax . . . . .	634,736	897,464	737,879
Other intangible assets <sup>(1)</sup> . . . . .	18,616	14,298	11,901
Land use right <sup>(2)</sup> . . . . .	406,387	450,379	440,371
	1,463,792	1,688,659	1,432,151
Less: Allowances for impairment losses – other receivables . . . . .	(3,605)	(16,750)	(2,802)
	1,460,187	1,671,909	1,429,349

Movements of allowances for impairment losses on other receivables during the Relevant Periods are as follows:

	For the year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
At the beginning of the year . . . . .	98,621	3,605	16,750
(Reversal)/Provision during the year . . . . .	(242)	13,145	–
Write-offs . . . . .	(94,774)	–	(13,948)
At the end of the year . . . . .	3,605	16,750	2,802

## Group and Company

Other intangible assets:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
<u>Cost</u>			
At beginning of the year . . . . .	11,770	23,676	24,014
Additions . . . . .	11,906	338	2,659
At end of the year . . . . .	23,676	24,014	26,673
<u>Accumulated amortisation</u>			
At beginning of the year . . . . .	2,392	5,060	9,716
Charge for the year . . . . .	2,668	4,656	5,056
At end of the year . . . . .	5,060	9,716	14,772
<u>Carrying amount</u>			
At beginning of the year . . . . .	9,378	18,616	14,298
At end of the year . . . . .	18,616	14,298	11,901

**Land use rights**

Land use rights of the Group and the Company is the medium-term (10 to 50 years) leasehold land in the PRC.

## 28. BORROWINGS

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Secured bank borrowings <sup>(1)</sup> . . . . .	22,037,340	24,820,412	26,124,319
Unsecured bank borrowings . . . . .	78,478,750	68,639,910	76,370,150
	<u>100,516,090</u>	<u>93,460,322</u>	<u>102,494,469</u>

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Carrying amount repayable:			
Within one year . . . . .	66,950,859	65,473,961	75,253,710
More than one year, but not exceeding two years . . . . .	8,969,503	7,628,741	9,440,131
More than two years, but not exceeding five years . . . . .	17,483,255	13,368,931	11,754,506
More than five years . . . . .	7,112,473	6,988,689	6,046,122
	<u>100,516,090</u>	<u>93,460,322</u>	<u>102,494,469</u>

(1) Secured bank borrowings

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

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Property and equipment . . . . .	14,409,635	19,400,975	23,002,111
Finance leases receivable . . . . .	6,049,146	5,356,070	4,565,375
Bank deposits . . . . .	2,073,399	943,871	493,222

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

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings:			
Within one year . . . . .	57,963,039	57,334,219	62,511,165
More than one year, but not exceeding five years . . . . .	11,580,924	8,488,161	6,779,254
More than five years . . . . .	323,060	518,246	1,676,507
	<u>69,867,023</u>	<u>66,340,626</u>	<u>70,966,926</u>

In addition, the Group has variable-rate borrowings which carry interest based on PBOC Rates, LIBOR, Shanghai Inter-bank Offered Rates ("SHIBOR") or Euro Inter-bank Offered Rates ("EURIBOR").

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

	As at 31 December		
	2013	2014	2015
Effective interest rate:			
Fixed-rate borrowing . . . . .	1.25%-7.30%	1.25%-7.30%	0.86%-5.90%
Floating-rate borrowing . . . . .	LIBOR+1.20% to LIBOR+3.50% SHIBOR+1.22% to SHIBOR+1.52% PBOC Rate*90.00% to PBOC Rate*95.60%	LIBOR+1.20% to LIBOR+4.00% SHIBOR+1.22% to SHIBOR+1.52% PBOC Rate*90.00% to PBOC Rate*95.60%	LIBOR+1.20% to LIBOR+4.00% SHIBOR+0.80% PBOC Rate*90.00% to PBOC Rate*95.60%
	EURIBOR+3.00%	EURIBOR+3.00%	

Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Secured bank borrowings <sup>(1)</sup> . . . . .	8,062,267	6,215,383	6,000,639
Unsecured bank borrowings . . . . .	69,166,327	64,158,541	72,143,011
	<u>77,228,594</u>	<u>70,373,924</u>	<u>78,143,650</u>

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Carrying amount repayable:			
Within one year . . . . .	61,773,352	59,323,609	67,477,177
More than one year, but not exceeding two years . . . . .	5,505,636	4,515,344	6,181,861
More than two years, but not exceeding five years . . . . .	9,744,555	6,534,971	4,484,612
More than five years . . . . .	205,051	-	-
	<u>77,228,594</u>	<u>70,373,924</u>	<u>78,143,650</u>

(1) Secured bank borrowings

Secured bank borrowings were pledged by finance leased assets, finance leases receivable and bank deposits with carrying amounts as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Finance leases receivable . . . . .	6,049,146	5,356,070	4,565,375
Bank deposits . . . . .	2,055,152	676,977	214,840

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

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings:			
Within one year . . . . .	57,658,194	55,688,116	62,511,165
More than one year, but not exceeding five years . . . . .	10,542,267	8,299,875	5,000,000
	<u>68,200,461</u>	<u>63,987,991</u>	<u>67,511,165</u>

In addition, the Company has variable-rate borrowings which carry interest based on PBOC Rates, LIBOR, Shanghai Inter-bank Offered Rates ("SHIBOR") or Euro Inter-bank Offered Rates ("EURIBOR").

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

	As at 31 December		
	2013	2014	2015
Effective interest rate:			
Fixed-rate borrowing . . . . .	2.01%-7.30%	1.25%-7.30%	0.86%-5.65%
Floating-rate borrowing . . . . .	LIBOR+1.22% to LIBOR+3.00%	LIBOR+1.22% to LIBOR+3.00%	LIBOR+1.20% to LIBOR+3.00%
	PBOC Rate*90.00% to PBOC Rate*95.60%	PBOC Rate*90.00% to PBOC Rate*95.60%	PBOC Rate*90.00% to PBOC Rate*95.60%

## 29. ACCRUED STAFF COSTS

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Salaries, bonus and allowances . . . . .	22,005	16,303	28,600
Social welfare and others . . . . .	6,262	8,796	4,907
	<u>28,267</u>	<u>25,099</u>	<u>33,507</u>

Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Salaries, bonus and allowances . . . . .	21,873	15,356	27,800
Social welfare and others . . . . .	6,145	8,671	4,907
	<u>28,018</u>	<u>24,027</u>	<u>32,707</u>

## 30. NOTES PAYABLE

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Guaranteed unsecured notes . . . . .	<u>9,049,532</u>	<u>13,017,025</u>	<u>13,834,811</u>

Name	Principal amount USD'000	Issue price	Value date	Maturity date	Coupon rate
Guaranteed unsecured notes issued-due 2017 <sup>(1)</sup> . . . . .	500,000	99.54%	4.12.2012	4.12.2017	2.00%
Guaranteed unsecured notes issued-due 2022 <sup>(1)</sup> . . . . .	1,000,000	99.22%	4.12.2012	4.12.2022	3.25%
Guaranteed unsecured notes issued-due 2019 <sup>(2)</sup> . . . . .	250,000	99.47%	2.12.2014	2.12.2019	3.25%
Guaranteed unsecured notes issued-due 2024 <sup>(2)</sup> . . . . .	400,000	99.09%	2.12.2014	2.12.2024	4.25%

(1) As at 4 December 2012, an overseas subsidiary of the Group issued notes with principal amount of USD500,000,000 and USD1,000,000,000 in Hong Kong. The notes were guaranteed by the Group's related party, the Hong Kong branch of China Development Bank, and the maturity dates for the notes are 4 December 2017 and 4 December 2022 respectively.

(2) As at 2 December 2014, an overseas subsidiary of the Group issued notes with principal amount of USD250,000,000 and USD400,000,000 in Hong Kong. The notes were provided redemption safeguard via keepwell and asset purchase deed by the Company and were guaranteed by another overseas subsidiary of the Group, SinoAero Leasing Co., Ltd., and the maturity dates for the notes are 2 December 2019 and 2 December 2024 respectively.

## 31. OTHER LIABILITIES

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Interest payable . . . . .	851,749	865,361	499,185
Project arrangement fee in advance . . . . .	76,886	109,682	126,902
Management consulting fees payable . . . . .	3,994	14,834	14,466
Other taxes payable . . . . .	10,761	40,960	48,619
Advances received for disposal of unlisted available-for-sale investments . . . . .	72,000	–	–
Accrued liabilities . . . . .	–	–	5,350
Other payables . . . . .	979,279	458,847	477,024
Dividends payable . . . . .	943	943	–
Accounts payable . . . . .	1,664,451	1,477,435	3,499,458
Maintenance deposits from lessees . . . . .	1,057,615	1,276,447	1,667,457
Guaranteed deposits from lessees . . . . .	4,775,768	5,590,450	6,103,990
Deferred income . . . . .	135,696	132,746	129,796
Total . . . . .	9,629,142	9,967,705	12,572,247

Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Interest payable . . . . .	768,243	747,805	411,471
Amount due to subsidiaries (Note 44) . . . . .	64,094	74,509	737,685
Project arrangement fee in advance . . . . .	76,886	109,683	126,902
Management consulting fees payable . . . . .	1,384	7,699	5,980
Other taxes payable . . . . .	17,875	19,340	16,457
Advances received for disposal of unlisted available-for-sale investments . . . . .	72,000	–	–
Accrued liabilities . . . . .	–	–	5,350
Other payables . . . . .	460,380	140,628	133,722
Dividends payable . . . . .	943	943	–
Accounts payable . . . . .	1,664,451	1,477,435	2,429,713
Guaranteed deposits from lessees . . . . .	4,221,480	4,869,793	5,318,970
Deferred income . . . . .	135,696	132,746	129,796
Total . . . . .	7,483,432	7,580,581	9,316,046

## 32. PAID-IN CAPITAL/SHARE CAPITAL

Group and Company

	Registered, issued and fully paid-in capital/share capital		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
At beginning of the year . . . . .	8,000,000	8,000,000	8,000,000
Addition <sup>(1)</sup> . . . . .	–	–	1,500,000
At end of the year . . . . .	8,000,000	8,000,000	9,500,000

- (1) As approved in the shareholder meeting on 8 September 2015, the Company transferred its reserves including approximately RMB402,087,000 from general reserves and RMB1,348,183,000 from retained profits to paid-in capital and capital reserve. The paid-in capital and capital reserve were increased by approximately RMB1,500,000,000 and RMB250,270,000 respectively. Pursuant to the China Banking Regulatory Commission's (the "CBRC") approval of "shen yin jian fu[2015] No. 295 hao" issued by the CBRC on 25 September 2015, the Company was transformed to a joint stock company by issuing a total of 9,500,000,000 shares to China Development Bank, Hainan Airlines Group, Xi'an Aircraft Industry (Group) Company Ltd, Jiangsu Jiayuan Investment Co., Ltd., Qi Tian Holding Co., Ltd, Urumchi Commercial Bank Co., Ltd., Sichuan Financial Leasing Co., Ltd. and Hui Lian Asset Management Co., Ltd at par value of RMB1 each, representing 100% of share capital of the Company on 28 September 2015.

**33. HEDGING RESERVE**

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

## Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
At beginning of the year . . . . .	(557,668)	(299,110)	(305,742)
Fair value changes on derivatives . . . . .	330,980	6,159	(46,478)
Income tax effects . . . . .	(72,422)	(12,791)	(4,284)
At end of the year . . . . .	(299,110)	(305,742)	(356,504)

## Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
At beginning of the year . . . . .	(16,483)	(805)	8,142
Fair value changes on derivatives . . . . .	20,904	11,929	8,125
Income tax effects . . . . .	(5,226)	(2,982)	(2,031)
At end of the year . . . . .	(805)	8,142	14,236

**34. GENERAL RESERVES**

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

## Group

As at 31 December 2013

	Opening	Additions	Transfer Out	Closing
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserve <sup>(1)</sup> . . . . .	145,922	115,631	–	261,553
Reserve for general risk <sup>(2)</sup> . . . . .	28,185	699,582	–	727,767
	174,107	815,213	–	989,320

As at 31 December 2014

	Opening	Additions	Transfer Out	Closing
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserve <sup>(1)</sup> . . . . .	261,553	165,773	–	427,326
Reserve for general risk <sup>(2)</sup> . . . . .	727,767	1,395,979	–	2,123,746
	989,320	1,561,752	–	2,551,072

As at 31 December 2015

	Opening	Additions	Transfer Out	Closing
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserve <sup>(1)</sup> . . . . .	427,326	9,661	402,087	34,900
Reserve for general risk <sup>(2)</sup> . . . . .	2,123,746	–	–	2,123,746
	2,551,072	9,661	402,087	2,158,646

## Company

As at 31 December 2013

	Opening	Additions	Transfer Out	Closing
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserve <sup>(1)</sup> . . . . .	135,321	107,730	–	243,051
Reserve for general risk <sup>(2)</sup> . . . . .	27,125	697,749	–	724,874
	162,446	805,479	–	967,925

As at 31 December 2014

	Opening	Additions	Transfer Out	Closing
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserve <sup>(1)</sup> . . . . .	243,051	159,036	–	402,087
Reserve for general risk <sup>(2)</sup> . . . . .	724,874	1,395,926	–	2,120,800
	<u>967,925</u>	<u>1,554,962</u>	<u>–</u>	<u>2,522,887</u>

As at 31 December 2015

	Opening	Additions	Transfer Out	Closing
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserve <sup>(1)</sup> . . . . .	402,087	2,961	402,087	2,961
Reserve for general risk <sup>(2)</sup> . . . . .	2,120,800	–	–	2,120,800
	<u>2,522,887</u>	<u>2,961</u>	<u>402,087</u>	<u>2,123,761</u>

- (1) Pursuant to the Company Law of the PRC and the articles of association of the Company and the subsidiaries in the PRC, 10% of the net profit of the Company and the subsidiaries in the PRC, as determined under the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the relevant entities. The reserve appropriated can be used for expansion of business and capitalisation.
- (2) Prior to 1 July 2012, pursuant to the Financial Rules for Financial Enterprises-Implementation Guide (Caijin [2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company and the subsidiaries in the PRC are required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from 1 July 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No.20) issued by the MOF, the Company and the subsidiaries in the PRC are required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period.

### 35. RETAINED PROFITS

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

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
At beginning of the year . . . . .	2,454,187	3,525,735	3,880,044
Profit for the year . . . . .	1,886,761	1,916,061	1,052,506
Appropriation to general reserves . . . . .	(815,213)	(1,561,752)	(9,661)
Cash dividends . . . . .	–	–	(149,798)
Retained profits converted to paid-in capital . . . . .	–	–	(1,348,183)
At end of the year . . . . .	<u>3,525,735</u>	<u>3,880,044</u>	<u>3,424,908</u>

Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
At beginning of the year . . . . .	1,190,765	1,462,587	1,497,981
Profit for the year . . . . .	1,077,301	1,590,356	29,611
Appropriation to general reserves . . . . .	(805,479)	(1,554,962)	(2,961)
Cash dividends . . . . .	–	–	(149,798)
Retained profits converted to paid-in capital . . . . .	–	–	(1,348,183)
At end of the year . . . . .	<u>1,462,587</u>	<u>1,497,981</u>	<u>26,650</u>



**36. TRANSFERS OF FINANCIAL ASSETS****Repurchase agreements**

As at 31 December 2013, 2014 and 2015, the Group and the Company entered into repurchase agreements with certain counterparties to sell the Group and the Company's finance leases receivable with carrying amounts of approximately RMB8.87 billion and RMB6.93 billion and RMB8.15 billion, respectively.

Sales and repurchase agreements are transactions in which the Group and the Company sell a finance leases receivable and simultaneously agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group and the Company are still exposed to substantially all the credit risks, market risks and rewards of these receivables sold. These receivables are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group and the Company retain substantially all the risks and rewards of these receivables.

The proceeds from selling such receivables are presented as financial assets sold under repurchase agreements.

For all these arrangements, the counterparties have recourse to the transferred financial assets.

The following tables provide a summary of carrying amounts related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

Group and Company

	<b>As at 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Carrying amount of transferred assets . . . . .	8,874,661	6,933,555	8,149,285
Carrying amount of associated liabilities . . . . .	(7,329,940)	(5,512,200)	(5,922,300)
Net position . . . . .	<u>1,544,721</u>	<u>1,421,355</u>	<u>2,226,985</u>

**37. CASH AND CASH EQUIVALENTS**

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

	<b>As at 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Cash on hand . . . . .	84	91	57
Cash in banks . . . . .	10,569,255	4,961,749	5,715,571
Placement to banks and other financial institutions . . . . .	–	500,000	1,100,000
	<u>10,569,339</u>	<u>5,461,840</u>	<u>6,815,628</u>

**38. CONTINGENT LIABILITIES**

As at 31 December 2013, 2014 and 2015, there were no outstanding legal proceedings against the Group and the Company.

**39. CAPITAL COMMITMENTS**

Capital expenditures contracted by the Group and the Company at the financial reporting date but are not yet to be recognised on the statements of financial position are as follows:

Group

	<b>As at 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Acquisition of equipment held for operating lease businesses . . . . .	10,768,383	43,835,095	39,993,869
Acquisition of property and equipment held for administrative purposes . . . . .	55,763	746,811	602,787
Total . . . . .	<u>10,824,146</u>	<u>44,581,906</u>	<u>40,596,656</u>

Company

	<b>As at 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Acquisition of equipment held for operating lease businesses . . . . .	4,057,343	630,495	2,203,495
Acquisition of property and equipment held for administrative purposes . . . . .	55,763	746,811	602,787
Total . . . . .	<u>4,113,106</u>	<u>1,377,306</u>	<u>2,806,282</u>

**40. FINANCE LEASE COMMITMENTS**

Group and Company

	<b>As at 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Finance lease commitments . . . . .	<u>4,106,063</u>	<u>417,000</u>	<u>1,990,000</u>

Finance lease commitments are in relation to finance leases contracts signed by the Group and the Company as lessor are not yet effective at the end of each reporting period.

**41. OPERATING LEASE COMMITMENTS****The Group and the Company as lessee**

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties. Operating leases relate to leases of land with lease terms of between 1 and 5 years. The Group does not have an option to purchase the leased land at the expiry of the lease periods.

*The Group as lessee**(a) Payments recognised as an expense*

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Minimum payments under operating lease . . . . .	27,290	28,972	33,708

*(b) Non-cancellable operating leases commitment*

At the end of respective reporting periods, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Within one year. . . . .	28,029	28,577	30,337
In the second to fifth years inclusive . . . . .	82,014	53,437	26,302
Total . . . . .	110,043	82,014	56,639

*The Company as lessee**(a) Payments recognised as an expense*

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Minimum payments under operating lease . . . . .	25,260	26,553	31,771

*(b) Non-cancellable operating leases commitment*

At the end of respective reporting periods, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Within one year. . . . .	26,477	27,801	30,337
In the second to fifth years inclusive . . . . .	81,239	53,437	26,302
Total . . . . .	107,716	81,238	56,639

**The Group and the Company as lessor***Leasing arrangements*

Operating leases relate to the investment properties owned by the Group with lease terms of between 1 to 10 years, and the aircraft, special equipment and electronic equipment owned by the Group with lease terms of between 1 to 20 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the leased asset at the expiry of the lease period.

*Non-cancellable operating leases receivable*

At the end of respective reporting periods, the Group is entitled to receive the minimum cash lease rentals under non-cancellable operating lease which fall due as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Within one year . . . . .	3,836,937	4,505,397	5,777,889
In the second to fifth years inclusive . . . . .	14,063,821	16,056,637	18,671,075
Over five years . . . . .	7,439,667	6,378,487	7,579,544
Total . . . . .	25,340,425	26,940,521	32,028,508

At the end of respective reporting periods, the Company is entitled to receive the minimum cash lease rentals under non-cancellable operating lease which fall due as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Within one year . . . . .	1,446	159,398	159,179
In the second to fifth years inclusive . . . . .	2,439	525,597	378,736
Over five years . . . . .	–	51,422	111,467
Total . . . . .	3,885	736,417	649,382

**42. DIRECTORS' AND SUPERVISORS' EMOLUMENTS**

The emoluments of the Directors and Supervisors of the Company paid and/or payable by the Group during the Relevant Periods are set out below:

For the year ended 31 December 2013

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total <sup>(1)</sup>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Wang Chong <sup>(ii)</sup> . . . . .	–	1,130	22	419	1,571
Qin Mengzheng <sup>(iii)</sup> . . . . .	–	946	22	419	1,387
Yu Shunming <sup>(iv)</sup> . . . . .	–	928	22	406	1,356
Geng Tiejun . . . . .	–	810	22	351	1,183
Zhou Hong <sup>(v)</sup> . . . . .	–	832	23	318	1,173
Supervisors:					
Liu Xiaoyong <sup>(vi)</sup> . . . . .	–	–	–	–	–
Liang Chaojun <sup>(vii)</sup> . . . . .	–	–	–	–	–
Lei Yanzheng <sup>(viii)</sup> . . . . .	–	–	–	–	–
Zhuang Ganlang . . . . .	–	543	24	164	731
	–	5,189	135	2,077	7,401

For the year ended 31 December 2014

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total <sup>(1)</sup>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Wang Chong <sup>(ii)</sup> . . . . .	–	1,127	24	–	1,151
Qin Mengzheng <sup>(iii)</sup> . . . . .	–	685	20	–	705
Yu Shunming <sup>(iv)</sup> . . . . .	–	670	20	–	690
Geng Tiejun . . . . .	–	801	24	381	1,206
Zhou Hong <sup>(v)</sup> . . . . .	–	764	10	–	774
Wang Xuedong <sup>(ix)</sup> . . . . .	–	217	10	306	533
Supervisors:					
Liu Xiaoyong <sup>(vi)</sup> . . . . .	–	–	–	–	–
Lei Yanzheng . . . . .	–	–	–	–	–
Zhuang Ganlang . . . . .	–	595	26	121	742
	–	4,859	134	808	5,801

For the year ended 31 December 2015

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total <sup>(i)</sup>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Wang Xuedong <sup>(ix)</sup>	–	1,077	40	378	1,495
Geng Tiejun	–	894	26	314	1,234
Fan Xun <sup>(x)</sup>	–	795	34	414	1,243
Huang Min <sup>(x)</sup>	–	689	20	233	942
Wang Chong <sup>(ii)</sup>	–	103	2	–	105
Non-executive Directors:					
Liu Hui <sup>(xi)</sup>	–	–	–	–	–
Li Yingbao <sup>(xi)</sup>	–	–	–	–	–
Supervisors:					
Zhuang Ganlang	–	618	28	205	851
Huang Xuemei <sup>(xii)</sup>	–	899	28	270	1,197
Jiang Daozhen <sup>(xii)</sup>	–	656	30	355	1,041
Sun Zhikun <sup>(xiii)</sup>	–	–	–	–	–
Lei Yanzheng	–	–	–	–	–
	–	5,731	208	2,169	8,108

(i) The Company did not operate any share option scheme during the Relevant Periods.

(ii) Wang Chong resigned as executive director in February 2015.

(iii) Qin Mengzheng resigned as executive director in October 2014.

(iv) Yu Shunming, the former CEO of the Company since May 2010, resigned as executive director in October 2014.

(v) Zhou Hong resigned as executive director in October 2014.

(vi) Liu Xiaoyong resigned as supervisor in December 2014.

(vii) Liang Chaojun resigned as supervisor in December 2013.

(viii) Lei Yanzheng was appointed as supervisor in December 2013.

(ix) Wang Xuedong was appointed as executive director and CEO in October 2014 and approved by Shenzhen Office of China Banking Regulatory Commission in January 2015.

(x) Fan Xun, the incumbent CEO of the Company, and Huang Min were appointed as executive directors in September 2015.

(xi) Liu Hui and Li Yingbao were appointed as non-executive directors in September 2015.

(xii) Huang Xuemei and Jiang Daozhen were appointed as supervisors in May 2015.

(xiii) Sun Zhikun was appointed as supervisor in June 2015.

The bonuses are discretionary and determined with reference to the Group's and the individuals' performance.

During the Relevant Periods, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

#### 43. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, four out of the five individuals are directors of the Company for the year ended 31 December 2013, one out of the five individuals is a director of the Company for the year ended 31 December 2014, and two out of the five individuals are directors of the Company for the year ended 31 December 2015. Details of the emolument of the five highest paid employees during the Relevant Periods are as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Basic salaries and allowances	4,726	4,511	4,785
Bonuses	1,924	1,498	2,078
Employer's contribution to pension schemes	113	126	159
	6,763	6,135	7,022

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

The emoluments of the five highest paid individuals of the Group fall within the following bands:

	Year ended 31 December		
	2013	2014	2015
	No. of employees	No. of employees	No. of employees
Emolument bands			
– HKD1,500,001 to HKD2,000,000	5	5	4
– HKD2,000,001 to HKD2,500,000	–	–	1

## 44. RELATED PARTY TRANSACTIONS

## Parent Company

As at 31 December 2013, 2014 and 2015, China Development Bank directly owned 88.95% of the paid-in capital/share capital of the Company.

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled by the PRC government.

The Group and the Company have the following balances and entered into the following transactions with China Development Bank in its ordinary course of business:

The Group and the Company had the following balances with China Development Bank:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2013	2014	2015	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank balances . . . . .	711,432	559,754	180,710	637,896	374,483	26,570
Operating leases receivable . . . . .	1,380	1,380	1,380	1,380	1,380	1,380
Derivative financial assets . . . . .	7,999	—	—	—	—	—
Bank borrowings . . . . .	11,646,513	12,035,194	12,685,786	884,636	419,219	2,477,570
Interest payable . . . . .	32,628	52,566	26,405	689	685	7,273
Derivative financial liabilities . . . . .	390,467	356,153	287,331	36,944	26,584	18,459

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

	The Group			The Company		
	For the year ended 31 December			For the year ended 31 December		
	2013	2014	2015	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income . . . . .	4,647	6,091	10,229	4,624	6,054	10,179
Interest expense . . . . .	289,433	492,374	395,147	34,999	29,450	36,660
Guarantee fee . . . . .	45,727	46,084	14,004	—	—	—
Operating lease income . . . . .	24,667	1,703	1,446	24,667	1,703	1,446
Lease expenses – fee and commission expenses . . . . .	64,672	52,287	22,331	64,672	52,287	22,331

The Hong Kong branch of the China Development Bank provided guarantee to the Group for notes described in note 30.

## Subsidiaries

The Company had the following balances with China subsidiaries:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries . . . . .	6,786,095	6,794,503	8,724,107
Amounts due to subsidiaries . . . . .	64,094	74,509	737,685

Amounts due from subsidiaries as at 31 December 2013 included entrusted loans to subsidiaries approximately amounting to RMB4,949,559,000 with fixed-rate interest bearing. The ranges of interest rates were 2.5%-5.0%.

Amounts due from subsidiaries as at 31 December 2014 included entrusted loans to subsidiaries approximately amounting to RMB4,259,135,000 and dividends receivable approximately amounting to RMB706,594,000. The range of fixed interest rates of entrusted loans were 2.5%-4.25%.

Amounts due from subsidiaries as at 31 December 2015 included entrusted loans to subsidiaries approximately amounting to RMB5,867,366,000 and dividends receivable approximately amounting to RMB897,746,000. The range of fixed interest rates of entrusted loans were 2.5%-4.2%.

The remaining balances on amounts due to subsidiaries were unsecured, non-interest bearing and repayable on demand.

**Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. Details of the emolument of the key management personnel during the Relevant Periods are as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Basic salaries and allowances . . . . .	8,400	8,101	8,996
Bonuses . . . . .	3,334	2,164	3,056
Employer's contribution to pension schemes . . . . .	230	233	321
	<u>11,964</u>	<u>10,498</u>	<u>12,373</u>

**45. 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 Financial Information.

Specifically, the Group's operating segments are as follows:

- (a) Aircraft leasing: mainly engaged in the acquisition, leasing, management and disposal of commercial aircraft;
- (b) Infrastructure leasing: mainly engaged in the leasing of transportation, urban and energy infrastructure;
- (c) Ship, commercial vehicle and construction machinery leasing: mainly engaged in the leasing of vessels, commercial vehicles and construction machinery; and
- (d) Other leasing business: mainly engaged in the leasing of commercial property and manufacturing equipment in various sectors such as chemicals, papermaking, textile, coal and steel.

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 and assets of the headquarters are allocated according to the proportion of each segment's revenue. Liabilities of the headquarters are allocated according to the proportion of each segment's assets.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the Relevant Periods.

The operating and reportable segment information provided to the CODM during the Relevant Periods is as follows:

	Aircraft leasing	Infrastructure leasing	Ship, commercial vehicle and construction machinery leasing	Other leasing business	Consolidated total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>For the year ended 31 December 2013</u>					
<b>Segment revenue and results</b>					
Finance lease income . . . . .	227,735	4,118,890	1,226,706	1,106,066	6,679,397
Operating lease income . . . . .	3,452,547	–	–	917,405	4,369,952
Segment revenue . . . . .	<u>3,680,282</u>	<u>4,118,890</u>	<u>1,226,706</u>	<u>2,023,471</u>	<u>11,049,349</u>
Segment other income and gains (other losses) . . . . .	154,051	350,387	39,723	83,682	627,843
Segment revenue and other income . . . . .	<u>3,834,333</u>	<u>4,469,277</u>	<u>1,266,429</u>	<u>2,107,153</u>	<u>11,677,192</u>
Segment expenses . . . . .	<u>(3,245,510)</u>	<u>(3,040,240)</u>	<u>(1,030,640)</u>	<u>(1,861,629)</u>	<u>(9,178,019)</u>
Profit before impairment losses and income tax . . . . .	<u>585,593</u>	<u>1,628,712</u>	<u>354,337</u>	<u>370,334</u>	<u>2,938,976</u>
Profit before income tax . . . . .	<u>588,823</u>	<u>1,429,037</u>	<u>235,789</u>	<u>245,524</u>	<u>2,499,173</u>
<u>As at 31 December 2013</u>					
<b>Segment assets and liabilities</b>					
Segment assets . . . . .	42,292,678	59,639,679	20,658,997	19,519,759	142,111,113
Deferred tax assets . . . . .					267,289
Group's total assets . . . . .					<u>142,378,402</u>
Segment liabilities . . . . .	37,885,153	56,379,157	18,632,288	17,273,852	130,170,450
Deferred tax liabilities . . . . .					79,163
Group's total liabilities . . . . .					<u>130,249,613</u>
<u>For the year ended 31 December 2013</u>					
<b>Other segment information</b>					
Depreciation of investment properties . . . . .	–	–	–	(7,113)	(7,113)
Depreciation of properties and equipment . . . . .	(1,439,819)	(3,692)	(1,046)	(517,822)	(1,962,379)
Amortisation . . . . .	(6,175)	(7,230)	(2,049)	(3,393)	(18,847)
Impairment losses . . . . .	3,230	(199,675)	(118,548)	(124,810)	(439,803)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(7,113)</u>	<u>(7,113)</u>
	Aircraft leasing	Infrastructure leasing	Ship, commercial vehicle and construction machinery leasing	Other leasing business	Consolidated total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>For the year ended 31 December 2014</u>					
<b>Segment revenue and results</b>					
Finance lease income . . . . .	205,100	3,913,940	1,384,635	1,511,176	7,014,851
Operating lease income . . . . .	4,201,037	95,010	–	13,994	4,310,041
Segment revenue . . . . .	<u>4,406,137</u>	<u>4,008,950</u>	<u>1,384,635</u>	<u>1,525,170</u>	<u>11,324,892</u>
Segment other income and gains (other losses) . . . . .	201,655	78,424	19,531	40,570	340,180
Segment revenue and other income . . . . .	<u>4,607,792</u>	<u>4,087,374</u>	<u>1,404,166</u>	<u>1,565,740</u>	<u>11,665,072</u>
Segment expenses . . . . .	<u>(3,749,327)</u>	<u>(2,832,170)</u>	<u>(1,197,233)</u>	<u>(1,506,783)</u>	<u>(9,285,513)</u>
Profit before impairment losses and income tax . . . . .	<u>895,427</u>	<u>1,374,235</u>	<u>389,722</u>	<u>518,587</u>	<u>3,177,971</u>
Profit before income tax . . . . .	<u>858,465</u>	<u>1,255,204</u>	<u>206,933</u>	<u>58,957</u>	<u>2,379,559</u>



	Aircraft leasing	Infrastructure leasing	Ship, commercial vehicle and construction machinery leasing	Other leasing business	Consolidated total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>As at 31 December 2014</u>					
<b>Segment assets and liabilities</b>					
Segment assets . . . . .	46,027,307	51,995,424	21,038,085	20,895,579	139,956,395
Deferred tax assets . . . . .					409,543
Group's total assets . . . . .					140,365,938
Segment liabilities . . . . .	40,919,662	47,811,963	18,848,831	18,611,112	126,191,568
Deferred tax liabilities . . . . .					164,144
Group's total liabilities . . . . .					126,355,712
<u>For the year ended 31 December 2014</u>					
<b>Other segment information</b>					
Depreciation of investment properties . . . . .	-	-	-	(7,113)	(7,113)
Depreciation of properties and equipment . . . . .	(1,806,526)	(1,774)	(609)	(22,969)	(1,831,878)
Amortisation . . . . .	(8,369)	(7,505)	(2,578)	(2,858)	(21,310)
Impairment losses . . . . .	(36,962)	(119,031)	(182,789)	(459,630)	(798,412)
	Aircraft leasing	Infrastructure leasing	Ship, commercial vehicle and construction machinery leasing	Other leasing business	Consolidated total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>For the year ended 31 December 2015</u>					
<b>Segment revenue and results</b>					
Finance lease income . . . . .	228,931	3,306,022	1,193,034	1,266,767	5,994,754
Operating lease income . . . . .	4,500,339	119,753	3,807	22,265	4,646,164
Segment revenue . . . . .	4,729,270	3,425,775	1,196,841	1,289,032	10,640,918
Segment other income and gains (other losses) . . . . .	187,296	94,402	14,844	43,829	340,371
Segment revenue and other income . . . . .	4,916,566	3,520,177	1,211,685	1,332,861	10,981,289
Segment expenses . . . . .	(3,795,326)	(2,299,361)	(1,220,643)	(2,366,333)	(9,681,663)
Profit before impairment losses and income tax . . . . .	1,166,917	1,332,492	356,626	451,761	3,307,796
Profit before income tax . . . . .	1,121,240	1,220,816	(8,958)	(1,033,472)	1,299,626
<u>As at 31 December 2015</u>					
<b>Segment assets and liabilities</b>					
Segment assets . . . . .	55,788,274	60,660,863	20,070,142	18,472,672	154,991,951
Deferred tax assets . . . . .					703,141
Group's total assets . . . . .					155,695,092
Segment liabilities . . . . .	49,817,274	55,775,540	17,912,229	16,930,184	140,435,227
Deferred tax liabilities . . . . .					266,949
Group's total liabilities . . . . .					140,702,176
<u>For the year ended 31 December 2015</u>					
<b>Other segment information</b>					
Depreciation of investment properties . . . . .	-	-	-	(19,618)	(19,618)
Depreciation of properties and equipment . . . . .	(1,927,780)	(57,953)	(386)	(7,328)	(1,993,447)
Amortisation . . . . .	(9,628)	(7,018)	(2,416)	(2,605)	(21,667)
Impairment losses . . . . .	(45,677)	(111,676)	(365,584)	(1,485,233)	(2,008,170)

There is no single customer contributes over 10% of the Group's revenue for the years ended 31 December 2013, 2014 and 2015.

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

## 46. FINANCIAL INSTRUMENTS

## Categories of financial instruments

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>			
<i>Loans and receivables:</i>			
Cash and bank balances . . . . .	12,747,738	6,010,711	6,313,850
Placement to banks and other financial institutions . . . . .	–	500,000	1,100,000
Accounts receivable . . . . .	25,378,695	14,064,541	13,827,135
Finance leases receivable . . . . .	68,754,795	76,911,731	80,945,115
Other financial assets . . . . .	613,664	200,100	416,369
<i>Financial assets at fair value through profit and loss:</i>			
Financial assets at fair value through profit and loss . . . . .	–	–	1,558,638
Derivative financial assets. . . . .	46,395	10,002	1,991
Available-for-sale financial assets . . . . .	122,440	122,440	122,440
	<u>107,663,727</u>	<u>97,819,525</u>	<u>104,285,538</u>
<b>Financial liabilities</b>			
<i>Amortised cost:</i>			
Borrowings . . . . .	100,516,090	93,460,322	102,494,469
Due to banks and other financial institutions . . . . .	3,000,000	3,500,000	4,900,000
Financial assets sold under repurchase agreement . . . . .	7,329,940	5,512,200	5,922,300
Notes payable. . . . .	9,049,532	13,017,025	13,834,811
Other financial liabilities . . . . .	9,333,799	9,684,317	12,261,580
<i>Financial liabilities at fair value through profit and loss:</i>			
Derivative financial liabilities . . . . .	409,594	397,314	435,851
	<u>129,638,955</u>	<u>125,571,178</u>	<u>139,849,011</u>

Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>			
<i>Loans and receivables:</i>			
Cash and bank balances . . . . .	10,264,576	3,563,081	3,931,393
Placement to banks and other financial institutions . . . . .	–	500,000	1,100,000
Accounts receivable . . . . .	22,407,093	12,813,966	12,241,968
Finance leases receivable . . . . .	64,201,527	69,169,858	73,587,021
Amounts due from subsidiaries. . . . .	6,786,095	6,794,503	8,724,107
Other financial assets . . . . .	315,599	283,836	218,182
<i>Financial assets at fair value through profit and loss:</i>			
Financial assets at fair value through profit and loss . . . . .	–	–	1,558,638
Derivative financial assets. . . . .	28,981	70	–
Available-for-sale financial assets . . . . .	122,440	122,440	122,440
	<u>104,126,311</u>	<u>93,247,754</u>	<u>101,483,749</u>
<b>Financial liabilities</b>			
<i>Amortised cost:</i>			
Borrowings . . . . .	77,228,594	70,373,924	78,143,650
Due to banks and other financial institutions . . . . .	3,000,000	3,500,000	4,900,000
Financial assets sold under repurchase agreement . . . . .	7,329,940	5,512,200	5,922,300
Other financial liabilities . . . . .	7,179,575	7,318,812	9,037,541
<i>Financial liabilities at fair value through profit and loss:</i>			
Derivative financial liabilities . . . . .	36,944	26,584	18,459
	<u>94,775,053</u>	<u>86,731,520</u>	<u>98,021,950</u>

**47. FINANCIAL RISK MANAGEMENT****Overview of financial risk management**

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and monitors the risks continuously. The major financial risks of the Group are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk. The Group's objective is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The major derivative financial instruments adopted by the Group are interest rate swaps and currency forwards. The objective for interest rate swap is to hedge against the cash flow volatility risk caused by interest rate fluctuations of borrowings; the objective for currency forwards contract is to hedge against the foreign exchange rate volatility risk caused by foreign currency risk exposure.

The board of directors of the Company established the Group's risk management strategy. The senior management established related risk management policies and procedures, for credit risk, foreign exchange risk, interest rate risk, liquidity risk, and the use of derivative and non-derivative financial instruments, according to the risk management strategy approved by the board.

**Credit risk**

Credit risk for the Group represents the risk that the counterparty fails to meet its contractual obligations at the due date. Credit risk is considered as one of the most significant risk to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from leasing business.

The Group establishes industry risk management framework and measurements which the Group will perform research by industry, implement credit evaluation, estimate the value on lease assets, monitor lessee business status and evaluate the impact from change in technology to lease assets, to strengthen the credit risk control and management.

***Credit risk measurement***

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with which the Group has credit transactions. In addition, the Group monitors and controls the leases receivable regularly to mitigate the risk of significant exposures from non performing assets.

Other financial assets of the Group include cash and bank balances, placement to banks and other financial institutions, derivative financial instruments, accounts receivable and other financial assets. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

***Risk management and mitigation policies***

The Group manages its credit risk through regular analysis of customer repayment abilities and other mitigation measures as below:

***Collateral***

The Group employs a range of policies and practices to mitigate credit risk. The most typical of these is the taking of collateral, margin deposits and guarantees by third parties. The Group provides guidelines on acceptable types of collateral, which mainly includes:

- Civil aircraft and engines
- Vessels
- Machinery and equipment
- Highway toll rights
- Land use rights
- Properties

***Rental fees received in advance***

The Group manages its credit risk through prepayments for most of the aircraft leases.

***Impairment and provisioning policies***

The Group reviews the impairment assessment on a regular basis based on the principles set out in Note 3 "impairment of financial assets."

*Maximum exposure to credit risk before collateral held and other credit enhancement*

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>			
Cash and bank balances . . . . .	12,747,738	6,010,711	6,313,850
Placement to banks and other financial institutions . . . . .	–	500,000	1,100,000
Financial assets at fair value through profit and loss . . . . .	–	–	1,558,638
Derivative financial assets. . . . .	46,395	10,002	1,991
Accounts receivable . . . . .	25,378,695	14,064,541	13,827,135
Finance leases receivable . . . . .	68,754,795	76,911,731	80,945,115
Other financial assets . . . . .	613,664	200,100	416,369
	<u>107,541,287</u>	<u>97,697,085</u>	<u>104,163,098</u>

Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>			
Cash and bank balances . . . . .	10,264,576	3,563,081	3,931,393
Placement to banks and other financial institutions . . . . .	–	500,000	1,100,000
Financial assets at fair value through profit and loss . . . . .	–	–	1,558,638
Derivative financial assets. . . . .	28,981	70	–
Accounts receivable . . . . .	22,407,093	12,813,966	12,241,968
Finance leases receivable . . . . .	64,201,527	69,169,858	73,587,021
Amounts due from subsidiaries. . . . .	6,786,095	6,794,503	8,724,107
Other financial assets . . . . .	315,599	283,836	218,182
	<u>104,003,871</u>	<u>93,125,314</u>	<u>101,361,309</u>

The above table represents a worst case scenario of credit risk exposure to the Group and the Company as at 31 December 2013, 2014 and 2015, without taking account of any collateral held or other credit enhancements attached.

*Finance leases receivable*

Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Neither overdue nor impaired. . . . .	68,660,223	74,312,133	80,376,062
Overdue but not impaired <sup>(1)</sup> . . . . .	672,907	2,884,807	1,385,676
Impaired <sup>(2)</sup> . . . . .	567,098	1,552,452	2,146,877
	<u>69,900,228</u>	<u>78,749,392</u>	<u>83,908,615</u>
Less: Allowances for impairment losses . . . . .	(1,145,433)	(1,837,661)	(2,963,501)
	<u>68,754,795</u>	<u>76,911,731</u>	<u>80,945,115</u>

(1) Overdue but not impaired finance leases receivable

Overdue but not impaired finance leases receivable mainly includes receivables for the leases of transportation equipment, machineries, and construction machinery. Generally speaking, finance leases receivable which is overdue up to and including 90 days do not treated as impaired unless other observable evidence exists.

An analysis of overdue but not impaired finance leases receivable by overdue period is set out below:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Overdue within 30 days . . . . .	135,584	1,167,462	–
Overdue 30 to 60 days. . . . .	156,043	34,652	233,526
Overdue 60 to 90 days. . . . .	381,280	349,144	568,919
Overdue above 90 days . . . . .	–	1,333,549	583,231
Total . . . . .	<u>672,907</u>	<u>2,884,807</u>	<u>1,385,676</u>

## (2) Impaired finance leases receivable

The impaired finance leases receivable mainly includes receivables for the lease of transportation equipment, property, machineries and medical equipment. The Group performed individual assessments on those impaired leases receivable at the end of each reporting period.

**Concentration risk of credit exposure**

An analysis of finance leases receivable by industry is set out below:

	31 December 2013		31 December 2014		31 December 2015	
	Amount	%	Amount	%	Amount	%
	<b>RMB'000</b>		<b>RMB'000</b>		<b>RMB'000</b>	
Municipal projects . . . . .	23,418,272	33.5	27,168,457	34.5	36,454,968	43.4
Manufacturing . . . . .	20,273,725	29.0	23,597,261	30.0	20,160,289	24.0
Transportation. . . . .	9,485,535	13.6	10,461,970	13.3	9,232,692	11.0
Real estate. . . . .	9,433,061	13.5	10,095,278	12.8	8,994,440	10.7
Aviation . . . . .	2,466,182	3.5	2,646,982	3.3	2,937,474	3.5
Clean energy . . . . .	1,637,085	2.3	2,201,778	2.8	642,783	0.8
Others . . . . .	3,186,368	4.6	2,577,666	3.3	5,485,969	6.6
	<u>69,900,228</u>	<u>100.0</u>	<u>78,749,392</u>	<u>100.0</u>	<u>83,908,615</u>	<u>100.0</u>

**Accounts receivable and other receivables**

As at 31 December 2013, 2014 and 2015, the Group's accounts receivable and other receivables mainly consist of a large number of operating lease customers, spread across diverse industries and geographical areas, as well as other financial institutions and state-owned enterprises, ongoing credit evaluation is performed on the financial condition of these receivables, and no significant credit risk identified.

**Bank balances and placement to banks and other financial institutions**

The credit risk on bank balances and placement to banks and other financial institutions are limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

**Financial assets at fair value through profit and loss**

The credit risk on financial assets at fair value through profit and loss is limited because the assets management schemes mainly invest in debt securities with high credit ratings and listed in exchanges or Interbank Bond Market in the PRC.

The assets management schemes held by the company were issued by the well known assets management companies in the PRC. The corresponding asset managers have set up credit risk assessment system, including monitoring the credit ranking of the targets to manage the overall credit risk of the issuers. The assets managers also diversified their investment for the purpose of risk diversification, thereby the assets schemes held by the company did not expose to significant credit risk.

**Market risk**

The Group is exposed to market risks that may cause losses to the Group as a result of adverse movements in market prices (including interest rates and exchange rates).

**Market risks measurement techniques**

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would mature in a certain period or need to be repriced, and then using the exposure information to perform sensitivity analysis under changing market interest rate and exchange rate.

**Currency risk**

The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. Most aircraft held under finance and operating leases that the Group has purchased are denominated in US dollars; and the corresponding finance leases receivable and operating leases receivable are denominated in US dollars; and the main sources of fund are from bank borrowings and bond issuance denominated in US dollar or RMB, as well as paid-in capital which is denominated in RMB. Other than aircraft and vessel leasing, the Group's remaining leasing businesses are denominated in RMB, which does not expose significant currency risk.

In 2014 and 2015, the Group designated certain forward contracts as a hedge of its net investment in oversea subsidiaries, which have USD as their functional currency. The Group's policy has been reviewed and, due to the increased volatility in USD, it was decided to hedge up to certain percentage of the net assets of overseas for forward foreign currency risk arising on translation of the foreign operation. The Group utilises a rollover hedging strategy, using contracts with terms of up to 12 months. Upon the maturity of a forward contract, the Group enters into a new contract designated as a separate hedging relationship.

The following table details the forward foreign currency contracts outstanding at the end of the reporting period:

Group

Outstanding contracts	Average exchange rate			Contractual amount		
	31/12/13	31/12/14	31/12/15	31/12/13	31/12/14	31/12/15
				RMB'000	RMB'000	RMB'000
Net Investment hedge						
Sell USD						
3 to 12 months . . . . .	N/A	6.1445	6.2241	–	795,470	2,013,016
Buy USD						
3 to 12 months . . . . .	N/A	6.1445	6.2241	–	–	445,500
Total . . . . .	N/A	6.1445	6.2241	–	795,470	2,458,516

Outstanding contracts	Nominal value			Fair value assets (liabilities)		
	31/12/13	31/12/14	31/12/15	31/12/13	31/12/14	31/12/15
	USD'000	USD'000	USD'000	RMB'000	RMB'000	RMB'000
Net Investment hedge						
Sell USD						
3 to 12 months . . . . .	–	130,000	310,000	–	(2,921)	(119,252)
Buy USD						
3 to 12 months . . . . .	–	–	68,606	–	–	13,780
Total . . . . .	–	130,000	378,606	–	(2,921)	(105,472)

The following tables detail a breakdown of the assets and liabilities analysed by currency:

Group

	RMB	USD	EUR	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2013</b>					
Cash and bank balances . . . . .	8,329,764	4,353,669	64,149	156	12,747,738
Derivative financial assets . . . . .	28,981	17,414	–	–	46,395
Accounts receivable . . . . .	22,407,092	2,971,603	–	–	25,378,695
Finance leases receivable . . . . .	62,795,095	4,600,258	1,359,442	–	68,754,795
Available-for-sale financial assets . . . . .	122,440	–	–	–	122,440
Other financial assets . . . . .	224,813	388,851	–	–	613,664
Total financial assets . . . . .	93,908,185	12,331,795	1,423,591	156	107,663,727
Bank borrowings . . . . .	69,743,629	29,323,719	1,448,742	–	100,516,090
Due to banks and other financial institutions . . . . .	3,000,000	–	–	–	3,000,000
Financial assets sold under repurchase agreement . . . . .	7,329,940	–	–	–	7,329,940
Derivative financial liabilities . . . . .	–	409,594	–	–	409,594
Notes payable . . . . .	–	9,049,532	–	–	9,049,532
Other financial liabilities . . . . .	7,268,386	2,051,226	14,187	–	9,333,799
Total financial liabilities . . . . .	87,341,955	40,834,071	1,462,929	–	129,638,955
Net exposure . . . . .	6,566,230	(28,502,276)	(39,338)	156	(21,975,228)

	<b>RMB</b>	<b>USD</b>	<b>EUR</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>31 December 2014</b>					
Cash and bank balances . . . . .	3,070,030	2,897,994	42,576	111	6,010,711
Placement to banks and other financial institutions . . . . .	500,000	–	–	–	500,000
Derivative financial assets . . . . .	70	9,932	–	–	10,002
Accounts receivable . . . . .	12,818,963	1,245,578	–	–	14,064,541
Finance leases receivable . . . . .	67,921,248	7,685,379	1,305,104	–	76,911,731
Available-for-sale financial assets . . . . .	122,440	–	–	–	122,440
Other financial assets . . . . .	139,206	51,138	9,756	–	200,100
<b>Total financial assets . . . . .</b>	<b>84,571,957</b>	<b>11,890,021</b>	<b>1,357,436</b>	<b>111</b>	<b>97,819,525</b>
Bank borrowings . . . . .	60,348,136	31,829,211	1,282,975	–	93,460,322
Due to banks and other financial institutions . . . . .	3,500,000	–	–	–	3,500,000
Financial assets sold under repurchase agreement . . . . .	5,512,200	–	–	–	5,512,200
Derivative financial liabilities . . . . .	–	397,314	–	–	397,314
Notes payable . . . . .	–	13,017,025	–	–	13,017,025
Other financial liabilities . . . . .	7,456,882	2,193,639	33,796	–	9,684,317
<b>Total financial liabilities . . . . .</b>	<b>76,817,218</b>	<b>47,437,189</b>	<b>1,316,771</b>	<b>–</b>	<b>125,571,178</b>
<b>Net exposure . . . . .</b>	<b>7,754,739</b>	<b>(35,547,168)</b>	<b>40,665</b>	<b>111</b>	<b>(27,751,653)</b>
	<b>RMB</b>	<b>USD</b>	<b>EUR</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>31 December 2015</b>					
Cash and bank balances . . . . .	3,178,832	3,105,999	28,867	152	6,313,850
Placement to banks and other financial institutions . . . . .	1,100,000	–	–	–	1,100,000
Financial assets at fair value through profit and loss . . . . .	1,558,638	–	–	–	1,558,638
Derivative financial assets . . . . .	–	1,991	–	–	1,991
Accounts receivable . . . . .	12,250,459	1,576,676	–	–	13,827,135
Finance leases receivable . . . . .	70,954,960	9,990,155	–	–	80,945,115
Available-for-sale financial assets . . . . .	122,440	–	–	–	122,440
Other financial assets . . . . .	138,790	277,579	–	–	416,369
<b>Total financial assets . . . . .</b>	<b>89,304,119</b>	<b>14,952,400</b>	<b>28,867</b>	<b>152</b>	<b>104,285,538</b>
Bank borrowings . . . . .	62,968,966	39,525,503	–	–	102,494,469
Due to banks and other financial institutions . . . . .	4,900,000	–	–	–	4,900,000
Financial assets sold under repurchase agreement . . . . .	5,922,300	–	–	–	5,922,300
Derivative financial liabilities . . . . .	–	435,851	–	–	435,851
Notes payable . . . . .	–	13,834,811	–	–	13,834,811
Other financial liabilities . . . . .	8,467,174	3,794,406	–	–	12,261,580
<b>Total financial liabilities . . . . .</b>	<b>82,258,440</b>	<b>57,590,571</b>	<b>–</b>	<b>–</b>	<b>139,849,011</b>
<b>Net exposure . . . . .</b>	<b>7,045,679</b>	<b>(42,638,171)</b>	<b>28,867</b>	<b>152</b>	<b>(35,563,473)</b>

Company

	<b>RMB</b>	<b>USD</b>	<b>EUR</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>31 December 2013</b>					
Cash and bank balances . . . . .	8,248,058	1,985,429	31,083	6	10,264,576
Derivative financial assets . . . . .	28,981	–	–	–	28,981
Accounts receivable . . . . .	22,407,093	–	–	–	22,407,093
Finance leases receivable . . . . .	62,725,336	1,476,191	–	–	64,201,527
Available-for-sale financial assets . . . . .	122,440	–	–	–	122,440
Amounts due from subsidiaries . . . . .	1,836,536	4,949,559	–	–	6,786,095
Other financial assets . . . . .	222,443	93,156	–	–	315,599
Total financial assets . . . . .	<u>95,590,887</u>	<u>8,504,335</u>	<u>31,083</u>	<u>6</u>	<u>104,126,311</u>
Bank borrowings . . . . .	69,743,629	7,484,965	–	–	77,228,594
Due to banks and other financial institutions . . . . .	3,000,000	–	–	–	3,000,000
Financial assets sold under repurchase agreement . . . . .	7,329,940	–	–	–	7,329,940
Derivative financial liabilities . . . . .	–	36,944	–	–	36,944
Other financial liabilities . . . . .	7,169,810	9,765	–	–	7,179,575
Total financial liabilities . . . . .	<u>87,243,379</u>	<u>7,531,674</u>	<u>–</u>	<u>–</u>	<u>94,775,053</u>
Net exposure . . . . .	<u>8,347,508</u>	<u>972,661</u>	<u>31,083</u>	<u>6</u>	<u>9,351,258</u>
	<b>RMB</b>	<b>USD</b>	<b>EUR</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>31 December 2014</b>					
Cash and bank balances . . . . .	2,966,152	569,396	27,527	6	3,563,081
Placement to banks and other financial institutions . . . . .	500,000	–	–	–	500,000
Derivative financial assets . . . . .	70	–	–	–	70
Accounts receivable . . . . .	12,813,966	–	–	–	12,813,966
Finance leases receivable . . . . .	67,892,887	1,276,971	–	–	69,169,858
Available-for-sale financial assets . . . . .	122,440	–	–	–	122,440
Amounts due from subsidiaries . . . . .	1,828,819	4,965,684	–	–	6,794,503
Other financial assets . . . . .	130,857	152,979	–	–	283,836
Total financial assets . . . . .	<u>86,255,191</u>	<u>6,965,030</u>	<u>27,527</u>	<u>6</u>	<u>93,247,754</u>
Bank borrowings . . . . .	60,348,137	10,025,787	–	–	70,373,924
Due to banks and other financial institutions . . . . .	3,500,000	–	–	–	3,500,000
Financial assets sold under repurchase agreement . . . . .	5,512,200	–	–	–	5,512,200
Derivative financial liabilities . . . . .	–	26,584	–	–	26,584
Other financial liabilities . . . . .	7,295,840	22,972	–	–	7,318,812
Total financial liabilities . . . . .	<u>76,656,177</u>	<u>10,075,343</u>	<u>–</u>	<u>–</u>	<u>86,731,520</u>
Net exposure . . . . .	<u>9,599,014</u>	<u>(3,110,313)</u>	<u>27,527</u>	<u>6</u>	<u>6,516,234</u>



	RMB	USD	EUR	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2015</b>					
Cash and bank balances . . . . .	2,975,990	929,209	26,187	7	3,931,393
Placement to banks and other financial institutions . . . . .	1,100,000	-	-	-	1,100,000
Financial assets at fair value through profit and loss . . . . .	1,558,638	-	-	-	1,558,638
Accounts receivable . . . . .	12,241,968	-	-	-	12,241,968
Finance leases receivable . . . . .	72,441,715	1,145,306	-	-	73,587,021
Available-for-sale financial assets . . . . .	122,440	-	-	-	122,440
Amounts due from subsidiaries . . . . .	761,089	7,963,018	-	-	8,724,107
Other financial assets . . . . .	68,421	149,761	-	-	218,182
Total financial assets . . . . .	<u>91,270,261</u>	<u>10,187,294</u>	<u>26,187</u>	<u>7</u>	<u>101,483,749</u>
Bank borrowings . . . . .	62,968,966	15,174,684	-	-	78,143,650
Due to banks and other financial institutions . . . . .	4,900,000	-	-	-	4,900,000
Financial assets sold under repurchase agreement . . . . .	5,922,300	-	-	-	5,922,300
Derivative financial liabilities . . . . .	-	18,459	-	-	18,459
Other financial liabilities . . . . .	8,898,278	139,263	-	-	9,037,541
Total financial liabilities . . . . .	<u>82,689,544</u>	<u>15,332,406</u>	<u>-</u>	<u>-</u>	<u>98,021,950</u>
Net exposure . . . . .	<u>8,580,717</u>	<u>(5,145,112)</u>	<u>26,187</u>	<u>7</u>	<u>3,461,799</u>

The table below indicates the potential effect on profit before tax and equity of a 5% appreciation or depreciation of all other currencies' spot and forward exchange rates against RMB, respectively.

## Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Profit before tax:			
5% appreciation . . . . .	(100,960)	(176,480)	68,080
5% depreciation . . . . .	100,960	176,480	(68,080)
Equity:			
5% appreciation . . . . .	9,710	(71,850)	73,820
5% depreciation . . . . .	(9,710)	71,850	(73,820)

## Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Profit before tax:			
5% appreciation . . . . .	(58,275)	(175,555)	38,015
5% depreciation . . . . .	58,275	175,555	(38,015)

**Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risks.

Interest margins may increase as a result of fluctuation in market interest rates, but may reduce or create losses in the event that unexpected movements arise. Therefore, the Group primarily manages the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities.

Most of our operating lease business receive fixed rate rents, while the corresponding bank borrowings carry interest at floating rates. The Group hedges the cash flow volatility risk as the result of the interest rate fluctuation through the interest rate swap contracts, as cash flow hedges strategy. The Group switches the floating rate into fixed rate through interest rate swap contract to effectively match the future fixed rental income, and fix the interest spread.

The interest rate swaps settle at maturity. The floating rate on the interest rate swaps is London Inter Bank Offered Rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts which are designated as cash flow hedges instruments outstanding at the end of the reporting period.

## Group

Outstanding receive floating pay fixed contracts	Nominal principal value			Fair value assets (liabilities)		
	As at 31 December			As at 31 December		
	2013	2014	2015	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash Flow Hedges:						
Later than one year and not later than two years . . . . .	–	516,983	887,812	–	(1,192)	1,118
Later than two years and not later than five years . . . . .	7,316,866	6,129,207	4,259,495	(380,545)	(256,863)	(183,192)
Later than five years . . . . .	4,807,090	8,097,757	8,111,752	(11,635)	(126,406)	(146,314)
	<u>12,123,956</u>	<u>14,743,947</u>	<u>13,259,059</u>	<u>(392,180)</u>	<u>(384,461)</u>	<u>(328,388)</u>

## Company

Outstanding receive floating pay fixed contracts	Nominal principal value			Fair value assets (liabilities)		
	As at 31 December			As at 31 December		
	2013	2014	2015	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash Flow Hedges:						
Later than one year and not later than two years . . . . .	–	489,520	44,676	–	(951)	(161)
Later than two years and not later than five years . . . . .	1,045,009	471,163	357,148	(36,944)	(25,633)	(18,298)
	<u>1,045,009</u>	<u>960,683</u>	<u>401,824</u>	<u>(36,944)</u>	<u>(26,584)</u>	<u>(18,459)</u>

At the end of each reporting period, the Group's and the Company's assets and liabilities at carrying amounts, categorised by remaining maturity based on the earlier of contractual repricing or remaining maturity dates are as follows:

## Group

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non- interest bearing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2013</b>						
Cash and bank balances . . . . .	10,884,793	1,783,110	–	79,751	84	12,747,738
Derivative financial assets . . . . .	–	–	–	–	46,395	46,395
Accounts receivable . . . . .	16,867,303	–	–	–	8,511,392	25,378,695
Finance leases receivable . . . . .	55,247,270	3,748,364	8,637,115	1,122,046	–	68,754,795
Available-for-sale financial assets . . . . .	–	–	–	–	122,440	122,440
Other financial assets . . . . .	–	–	–	–	613,664	613,664
Total financial assets . . . . .	<u>82,999,366</u>	<u>5,531,474</u>	<u>8,637,115</u>	<u>1,201,797</u>	<u>9,293,975</u>	<u>107,663,727</u>
Bank borrowings . . . . .	46,188,505	42,423,601	11,580,924	323,060	–	100,516,090
Due to banks and other financial institutions . . . . .	3,000,000	–	–	–	–	3,000,000
Financial assets sold under repurchase agreement . . . . .	1,254,000	3,769,740	2,306,200	–	–	7,329,940
Derivative financial liabilities . . . . .	–	–	–	–	409,594	409,594
Notes payable . . . . .	–	–	2,987,207	6,062,325	–	9,049,532
Other financial liabilities . . . . .	10,100	187,017	1,477,434	–	7,659,248	9,333,799
Total financial liabilities . . . . .	<u>50,452,605</u>	<u>46,380,358</u>	<u>18,351,765</u>	<u>6,385,385</u>	<u>8,068,842</u>	<u>129,638,955</u>
Interest rate gap . . . . .	<u>32,546,761</u>	<u>(40,848,884)</u>	<u>(9,714,650)</u>	<u>(5,183,588)</u>	<u>1,225,133</u>	<u>(21,975,228)</u>

	<b>Within 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Non- interest bearing</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>31 December 2014</b>						
Cash and bank balances . . . . .	4,961,748	642,217	142,582	15,519	248,645	6,010,711
Placement to banks and other financial institutions . . . . .	500,000	-	-	-	-	500,000
Derivative financial assets . . . . .	-	-	-	-	10,002	10,002
Accounts receivable . . . . .	14,041,472	-	-	-	23,069	14,064,541
Finance leases receivable . . . . .	63,386,956	4,139,592	8,112,933	1,272,250	-	76,911,731
Available-for-sale financial assets . . . . .	-	-	-	-	122,440	122,440
Other financial assets . . . . .	38,509	-	-	-	161,591	200,100
<b>Total financial assets . . . . .</b>	<b>82,928,685</b>	<b>4,781,809</b>	<b>8,255,515</b>	<b>1,287,769</b>	<b>565,747</b>	<b>97,819,525</b>
Bank borrowings . . . . .	49,012,260	35,441,655	8,488,161	518,246	-	93,460,322
Due to banks and other financial institutions . . . . .	3,500,000	-	-	-	-	3,500,000
Financial assets sold under repurchase agreement . . . . .	1,300,000	1,199,900	3,012,300	-	-	5,512,200
Derivative financial liabilities . . . . .	-	-	-	-	397,314	397,314
Notes payable . . . . .	-	-	4,553,487	8,463,538	-	13,017,025
Other financial liabilities . . . . .	57,000	1,477,435	-	-	8,149,882	9,684,317
<b>Total financial liabilities . . . . .</b>	<b>53,869,260</b>	<b>38,118,990</b>	<b>16,053,948</b>	<b>8,981,784</b>	<b>8,547,196</b>	<b>125,571,178</b>
Interest rate gap . . . . .	29,059,425	(33,337,181)	(7,798,433)	(7,694,015)	(7,981,449)	(27,751,653)
	<b>Within 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Non- interest bearing</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>31 December 2015</b>						
Cash and bank balances . . . . .	5,895,572	-	147,789	35,831	234,658	6,313,850
Placement to banks and other financial institutions . . . . .	1,100,000	-	-	-	-	1,100,000
Financial assets at fair value through profit and loss . . . . .	-	-	-	-	1,558,638	1,558,638
Derivative financial assets . . . . .	-	-	-	-	1,991	1,991
Accounts receivable . . . . .	12,845,605	-	-	-	981,530	13,827,135
Finance leases receivable . . . . .	17,612,005	60,632,884	351,727	2,348,499	-	80,945,115
Available-for-sale financial assets . . . . .	-	-	-	-	122,440	122,440
Other financial assets . . . . .	-	-	-	-	416,369	416,369
<b>Total financial assets . . . . .</b>	<b>37,453,182</b>	<b>60,632,884</b>	<b>499,516</b>	<b>2,384,330</b>	<b>3,315,626</b>	<b>104,285,538</b>
Bank borrowings . . . . .	63,501,988	30,536,720	6,779,254	1,676,507	-	102,494,469
Due to banks and other financial institutions . . . . .	4,900,000	-	-	-	-	4,900,000
Financial assets sold under repurchase agreement . . . . .	209,000	2,577,300	3,136,000	-	-	5,922,300
Derivative financial liabilities . . . . .	-	-	-	-	435,851	435,851
Notes payable . . . . .	-	-	4,842,135	8,992,676	-	13,834,811
Other financial liabilities . . . . .	19,000	55,750	320,025	779,414	11,087,391	12,261,580
<b>Total financial liabilities . . . . .</b>	<b>68,629,988</b>	<b>33,169,770</b>	<b>15,077,414</b>	<b>11,448,597</b>	<b>11,523,242</b>	<b>139,849,011</b>
Interest rate gap . . . . .	(31,176,806)	27,463,114	(14,577,898)	(9,064,267)	(8,207,616)	(35,563,473)

Company

	<u>Within 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Non- interest bearing</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2013</b>						
Cash and bank balances . . . . .	8,736,956	1,466,110	–	61,504	6	10,264,576
Derivative financial assets . . . . .	–	–	–	–	28,981	28,981
Accounts receivable . . . . .	15,503,453	–	–	–	6,903,640	22,407,093
Finance leases receivable . . . . .	55,722,551	2,012,025	6,466,951	–	–	64,201,527
Available-for-sale financial assets . . . . .	–	–	–	–	122,440	122,440
Amounts due from subsidiaries . . . . .	1,356,278	3,593,281	–	–	1,836,536	6,786,095
Other financial assets . . . . .	–	–	–	–	315,599	315,599
Total financial assets . . . . .	<u>81,319,238</u>	<u>7,071,416</u>	<u>6,466,951</u>	<u>61,504</u>	<u>9,207,202</u>	<u>104,126,311</u>
Bank borrowings . . . . .	26,423,637	40,262,690	10,542,267	–	–	77,228,594
Due to banks and other financial institutions . . . . .	3,000,000	–	–	–	–	3,000,000
Financial assets sold under repurchase agreement . . . . .	1,254,000	3,769,740	2,306,200	–	–	7,329,940
Derivative financial liabilities . . . . .	–	–	–	–	36,944	36,944
Other financial liabilities . . . . .	10,100	187,017	1,477,434	–	5,505,024	7,179,575
Total financial liabilities . . . . .	<u>30,687,737</u>	<u>44,219,447</u>	<u>14,325,901</u>	<u>–</u>	<u>5,541,968</u>	<u>94,775,053</u>
Interest rate gap . . . . .	<u>50,631,501</u>	<u>(37,148,031)</u>	<u>(7,858,950)</u>	<u>61,504</u>	<u>3,665,234</u>	<u>9,351,258</u>
	<u>Within 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Non- interest bearing</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2014</b>						
Cash and bank balances . . . . .	2,781,089	642,217	139,760	–	15	3,563,081
Placement to banks and other financial institutions . . . . .	500,000	–	–	–	–	500,000
Derivative financial assets . . . . .	–	–	–	–	70	70
Accounts receivable . . . . .	12,797,838	–	–	–	16,128	12,813,966
Finance leases receivable . . . . .	61,346,151	2,383,249	5,440,458	–	–	69,169,858
Available-for-sale financial assets . . . . .	–	–	–	–	122,440	122,440
Amounts due from subsidiaries . . . . .	1,172,012	2,326,950	760,173	–	2,535,368	6,794,503
Other financial assets . . . . .	38,509	–	–	–	245,327	283,836
Total financial assets . . . . .	<u>78,635,599</u>	<u>5,352,416</u>	<u>6,340,391</u>	<u>–</u>	<u>2,919,348</u>	<u>93,247,754</u>
Bank borrowings . . . . .	26,663,615	35,410,434	8,299,875	–	–	70,373,924
Due to banks and other financial institutions . . . . .	3,500,000	–	–	–	–	3,500,000
Financial assets sold under repurchase agreement . . . . .	1,300,000	1,199,900	3,012,300	–	–	5,512,200
Derivative financial liabilities . . . . .	–	–	–	–	26,584	26,584
Other financial liabilities . . . . .	57,000	1,477,435	–	–	5,784,377	7,318,812
Total financial liabilities . . . . .	<u>31,520,615</u>	<u>38,087,769</u>	<u>11,312,175</u>	<u>–</u>	<u>5,810,961</u>	<u>86,731,520</u>
Interest rate gap . . . . .	<u>47,114,984</u>	<u>(32,735,353)</u>	<u>(4,971,784)</u>	<u>–</u>	<u>(2,891,613)</u>	<u>6,516,234</u>

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non- interest bearing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2015</b>						
Cash and bank balances . . . . .	3,791,551	-	139,840	-	2	3,931,393
Placement to banks and other financial institutions . . . . .	1,100,000	-	-	-	-	1,100,000
Financial assets at fair value through profit and loss . . . . .	-	-	-	-	1,558,638	1,558,638
Derivative financial assets . . . . .	-	-	-	-	-	-
Accounts receivable . . . . .	11,264,248	-	-	-	977,720	12,241,968
Finance leases receivable . . . . .	16,464,989	57,122,032	-	-	-	73,587,021
Available-for-sale financial assets . . . . .	-	-	-	-	122,440	122,440
Amount due from subsidiaries . . . . .	45,455	335,315	5,486,596	-	2,856,741	8,724,107
Other financial assets . . . . .	-	-	-	-	218,182	218,182
<b>Total financial assets . . . . .</b>	<b>32,666,243</b>	<b>57,457,347</b>	<b>5,626,436</b>	<b>-</b>	<b>5,733,723</b>	<b>101,483,749</b>
Bank borrowings . . . . .	42,948,092	30,195,558	5,000,000	-	-	78,143,650
Due to banks and other financial institutions . . . . .	4,900,000	-	-	-	-	4,900,000
Financial assets sold under repurchase agreement . . . . .	209,000	2,577,300	3,136,000	-	-	5,922,300
Derivative financial liabilities . . . . .	-	-	-	-	18,459	18,459
Other financial liabilities . . . . .	-	-	-	104,443	8,933,098	9,037,541
<b>Total financial liabilities . . . . .</b>	<b>48,057,092</b>	<b>32,772,858</b>	<b>8,136,000</b>	<b>104,443</b>	<b>8,951,557</b>	<b>98,021,950</b>
Interest rate gap . . . . .	(15,390,849)	24,684,489	(2,509,564)	(104,443)	(3,217,834)	3,461,799

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's and the Company's profit before tax and equity, based on the Group's and the Company's positions of interest-generating assets, interest-bearing liabilities and interest rate swap contracts at the end of each reporting period.

## Group

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Profit before tax			
+ 100 basis points . . . . .	131,601	129,256	(169,810)
- 100 basis points . . . . .	(131,601)	(129,256)	169,810
Equity			
+ 100 basis points . . . . .	252,841	276,695	5,233
- 100 basis points . . . . .	(252,841)	(276,695)	(5,233)

## Company

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Profit before tax			
+ 100 basis points . . . . .	303,721	289,162	(42,103)
- 100 basis points . . . . .	(303,721)	(289,162)	42,103
Equity			
+ 100 basis points . . . . .	314,171	298,769	(27,559)
- 100 basis points . . . . .	(314,171)	(298,769)	27,559

**Liquidity risk**

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management target is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the lessee's withdraw demand and seize new investment opportunities.

The major payment demand of the Group is the repayments of matured bank borrowings and withdraw request from lessees under finance leases.

**Liquidity risk management policy**

The Group implement the following procedures to manage the liquidity:

- (a) proactive management of the maturity profile of our assets and liabilities and maintaining appropriate liquidity provision for mitigating the liquidity risk; and
- (b) obtaining diversified funding via multiple channels, thereby preserving sufficient funds to purchase assets and repay debt.

**Cash flow for non-derivative financial assets and liabilities**

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

Group

	Indefinite/ Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2013</b>							
Cash and bank balances . . . . .	5,800,966	4,034,576	1,073,967	1,806,286	–	81,220	12,797,015
Accounts receivable . . . . .	–	7,280	1,754,470	5,477,395	3,871,401	14,322,444	25,432,990
Finance leases receivable . . . . .	394,902	1,037,012	3,787,048	13,506,587	46,345,698	25,724,638	90,795,885
Available-for-sale financial assets . . . . .	122,440	–	–	–	–	–	122,440
Other financial assets . . . . .	6,000	–	58,051	15,302	538,044	–	617,397
Non-derivative financial assets total . . . . .	<u>6,324,308</u>	<u>5,078,868</u>	<u>6,673,536</u>	<u>20,805,570</u>	<u>50,755,143</u>	<u>40,128,302</u>	<u>129,765,727</u>
Bank borrowings . . . . .	–	6,034,254	14,344,550	49,901,990	29,934,261	7,758,847	107,973,902
Due to banks and other financial institutions . . . . .	–	1,001,944	2,518,697	–	–	–	3,520,641
Financial assets sold under repurchase agreement . . . . .	–	–	1,365,760	3,957,830	2,486,517	–	7,810,107
Notes payable . . . . .	–	–	15,785	405,160	5,787,994	9,681,735	15,890,674
Other financial liabilities . . . . .	943	15,167	871,084	2,086,207	3,817,980	2,720,401	9,511,782
Non-derivative financial liabilities total . . . . .	<u>943</u>	<u>7,051,365</u>	<u>19,115,876</u>	<u>56,351,187</u>	<u>42,026,752</u>	<u>20,160,983</u>	<u>144,707,106</u>
Net position . . . . .	<u>6,323,365</u>	<u>(1,972,497)</u>	<u>(12,442,340)</u>	<u>(35,545,617)</u>	<u>8,728,391</u>	<u>19,967,319</u>	<u>(14,941,379)</u>
<b>31 December 2014</b>							
Cash and bank balances . . . . .	2,445,065	2,176,081	358,959	664,341	396,168	15,664	6,056,278
Placement to banks and other financial institutions . . . . .	–	500,498	–	–	–	–	500,498
Accounts receivable . . . . .	13,511	9,559	137,549	597,695	5,319,570	8,128,236	14,206,120
Finance leases receivable . . . . .	453,701	1,510,649	4,717,477	15,104,764	51,207,624	28,483,735	101,477,950
Available-for-sale financial assets . . . . .	122,440	–	–	–	–	–	122,440
Other financial assets . . . . .	–	5,098	28,030	127,892	59,704	–	220,724
Non-derivative financial assets total . . . . .	<u>3,034,717</u>	<u>4,201,885</u>	<u>5,242,015</u>	<u>16,494,692</u>	<u>56,983,066</u>	<u>36,627,635</u>	<u>122,584,010</u>
Bank borrowings . . . . .	–	6,331,239	18,296,609	41,761,892	23,967,135	7,074,068	97,430,943
Due to banks and other financial institutions . . . . .	–	1,001,944	2,518,697	–	–	–	3,520,641
Financial assets sold under repurchase agreement . . . . .	–	–	1,342,671	1,373,825	3,141,209	–	5,857,705
Notes payable . . . . .	–	–	11,473	402,637	6,284,003	9,782,904	16,481,017
Other financial liabilities . . . . .	38,852	273,699	387,194	3,223,683	2,650,739	3,190,388	9,764,555
Non-derivative financial liabilities total . . . . .	<u>38,852</u>	<u>7,606,882</u>	<u>22,556,644</u>	<u>46,762,037</u>	<u>36,043,086</u>	<u>20,047,360</u>	<u>133,054,861</u>
Net position . . . . .	<u>2,995,865</u>	<u>(3,404,997)</u>	<u>(17,314,629)</u>	<u>(30,267,345)</u>	<u>20,939,980</u>	<u>16,580,275</u>	<u>(10,470,851)</u>

	Indefinite/ Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2015</b>							
Cash and bank balances . . . . .	5,515,572	380,335	–	–	386,625	36,131	6,318,663
Placement to banks and other financial institutions . . . . .	–	1,100,556	–	–	–	–	1,100,556
Financial assets at fair value through profit and loss . . . . .	1,558,638	–	–	–	–	–	1,558,638
Accounts receivable . . . . .	68,942	36,492	220,730	4,335,470	4,582,451	4,906,736	14,150,821
Finance leases receivable . . . . .	972,021	871,739	4,432,772	16,690,889	53,369,506	27,834,442	104,171,369
Available-for-sale financial assets . . . . .	122,440	–	–	–	–	–	122,440
Other financial assets . . . . .	–	2,792	27,477	4,498	384,404	–	419,171
Non-derivative financial assets total . . . . .	<u>8,237,613</u>	<u>2,391,914</u>	<u>4,680,979</u>	<u>21,030,857</u>	<u>58,722,986</u>	<u>32,777,309</u>	<u>127,841,658</u>
Bank borrowings . . . . .	–	12,664,784	16,576,954	48,087,897	23,426,198	6,666,040	107,421,873
Due to banks and other financial institutions . . . . .	–	4,937,367	–	–	–	–	4,937,367
Financial assets sold under repurchase agreement . . . . .	–	–	258,535	2,742,618	3,363,638	–	6,364,791
Notes payable . . . . .	–	–	3,653	386,089	6,440,544	9,977,543	16,807,829
Other financial liabilities . . . . .	60,340	142,818	268,229	2,680,966	3,406,075	6,275,594	12,834,022
Non-derivative financial liabilities total . . . . .	<u>60,340</u>	<u>17,744,969</u>	<u>17,107,371</u>	<u>53,897,570</u>	<u>36,636,455</u>	<u>22,919,177</u>	<u>148,365,882</u>
Net position . . . . .	<u><u>8,177,273</u></u>	<u><u>(15,353,055)</u></u>	<u><u>(12,426,392)</u></u>	<u><u>(32,866,713)</u></u>	<u><u>22,086,531</u></u>	<u><u>9,858,132</u></u>	<u><u>(20,524,224)</u></u>

## Company

	Indefinite/ Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2013</b>							
Cash and bank balances . . . . .	3,653,051	4,034,576	1,073,967	1,485,070	–	62,781	10,309,445
Accounts receivable . . . . .	–	–	146,718	5,122,065	3,862,868	13,316,287	22,447,938
Finance leases receivable . . . . .	280,693	1,012,663	3,699,774	13,092,837	42,946,346	23,852,034	84,884,347
Available-for-sale financial assets . . . . .	122,440	–	–	–	–	–	122,440
Amounts due from subsidiaries . . . . .	1,836,536	103,558	1,261,222	3,660,208	–	–	6,861,524
Other financial assets . . . . .	6,000	4,975	94,816	49,424	163,989	–	319,204
Non-derivative financial assets total . . . . .	<u>5,898,720</u>	<u>5,155,772</u>	<u>6,276,497</u>	<u>23,409,604</u>	<u>46,973,203</u>	<u>37,231,102</u>	<u>124,944,898</u>
Bank borrowings . . . . .	–	5,847,320	14,637,330	43,491,706	16,723,106	210,363	80,909,825
Due to banks and other financial institutions . . . . .	–	1,001,944	2,518,697	–	–	–	3,520,641
Financial assets sold under repurchase agreement . . . . .	–	–	1,365,760	3,957,830	2,486,517	–	7,810,107
Other financial liabilities . . . . .	65,037	–	787,578	1,577,940	3,816,596	1,182,407	7,429,558
Non-derivative financial liabilities total . . . . .	<u>65,037</u>	<u>6,849,264</u>	<u>19,309,365</u>	<u>49,027,476</u>	<u>23,026,219</u>	<u>1,392,770</u>	<u>99,670,131</u>
Net position . . . . .	<u><u>5,833,683</u></u>	<u><u>(1,693,492)</u></u>	<u><u>(13,032,868)</u></u>	<u><u>(25,617,872)</u></u>	<u><u>23,946,984</u></u>	<u><u>35,838,332</u></u>	<u><u>25,274,767</u></u>

	Indefinite/ Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2014</b>							
Cash and bank balances . . . . .	1,138,734	1,301,641	358,959	664,341	144,771	-	3,608,446
Placement to banks and other financial institutions . . . . .	-	500,498	-	-	-	-	500,498
Accounts receivable . . . . .	13,511	2,618	137,549	559,115	4,994,562	7,240,945	12,948,300
Finance leases receivable . . . . .	382,964	1,326,727	3,930,351	14,854,933	46,707,161	24,122,404	91,324,540
Available-for-sale financial assets . . . . .	122,440	-	-	-	-	-	122,440
Amounts due from subsidiaries . . . . .	1,828,819	48,998	1,092,247	2,376,722	1,649,253	-	6,996,039
Other financial assets . . . . .	-	8,813	50,626	188,088	54,646	-	302,173
Non-derivative financial assets total. . . . .	<u>3,486,468</u>	<u>3,189,295</u>	<u>5,569,732</u>	<u>18,643,199</u>	<u>53,550,393</u>	<u>31,363,349</u>	<u>115,802,436</u>
Bank borrowings . . . . .	-	5,132,083	15,976,704	38,225,741	11,857,295	-	71,191,823
Due to banks and other financial institutions . . . . .	-	1,001,944	2,518,697	-	-	-	3,520,641
Financial assets sold under repurchase agreement . . . . .	-	-	1,342,671	1,373,825	3,141,209	-	5,857,705
Other financial liabilities . . . . .	113,361	95,984	335,704	2,862,428	2,469,629	1,521,944	7,399,050
Non-derivative financial liabilities total. . . . .	<u>113,361</u>	<u>6,230,011</u>	<u>20,173,776</u>	<u>42,461,994</u>	<u>17,468,133</u>	<u>1,521,944</u>	<u>87,969,219</u>
Net position . . . . .	<u><u>3,373,107</u></u>	<u><u>(3,040,716)</u></u>	<u><u>(14,604,044)</u></u>	<u><u>(23,818,795)</u></u>	<u><u>36,082,260</u></u>	<u><u>29,841,405</u></u>	<u><u>27,833,217</u></u>
	Indefinite/ Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2015</b>							
Cash and bank balances . . . . .	3,411,551	380,335	-	-	144,026	-	3,935,912
Placement to banks and other financial institutions . . . . .	-	1,100,556	-	-	-	-	1,100,556
Financial assets at fair value through profit and loss . . . . .	1,558,638	-	-	-	-	-	1,558,638
Accounts receivable . . . . .	12,132	-	216,157	1,995,350	4,437,248	5,832,178	12,493,065
Finance leases receivable . . . . .	972,021	817,530	4,149,187	14,467,582	49,969,967	24,329,698	94,705,985
Available-for-sale financial assets . . . . .	122,440	-	-	-	-	-	122,440
Other financial assets . . . . .	897,746	54,176	1,677	393,906	6,716,762	-	8,064,267
Non-derivative financial assets total. . . . .	<u>6,974,528</u>	<u>2,352,597</u>	<u>4,367,021</u>	<u>16,856,838</u>	<u>61,268,003</u>	<u>30,161,876</u>	<u>121,980,863</u>
Bank borrowings . . . . .	-	11,840,887	15,647,822	41,253,411	11,150,356	-	79,892,476
Due to banks and other financial institutions . . . . .	-	4,937,367	-	-	-	-	4,937,367
Financial assets sold under repurchase agreement . . . . .	-	-	258,535	2,742,618	3,363,638	-	6,364,791
Other financial liabilities . . . . .	798,025	81,038	108,357	2,311,207	2,531,927	3,208,862	9,039,416
Non-derivative financial liabilities total. . . . .	<u>798,025</u>	<u>16,859,292</u>	<u>16,014,714</u>	<u>46,307,236</u>	<u>17,045,921</u>	<u>3,208,862</u>	<u>100,234,050</u>
Net position . . . . .	<u><u>6,176,503</u></u>	<u><u>(14,506,695)</u></u>	<u><u>(11,647,693)</u></u>	<u><u>(29,450,398)</u></u>	<u><u>44,222,082</u></u>	<u><u>26,953,014</u></u>	<u><u>21,746,813</u></u>



*Cash flow analysis for derivative financial instruments*

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period for exchange rate as well.

*Derivative settled on a gross basis*

## Group

	<u>Within 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2013</b>						
Currency forwards						
Total inflows . . . . .	-	-	2,208,356	-	-	2,208,356
Total outflows . . . . .	-	-	(2,169,277)	-	-	(2,169,277)
Total . . . . .	-	-	39,079	-	-	39,079
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>Within 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2014</b>						
Currency forwards						
Total inflows . . . . .	435,701	-	804,225	-	-	1,239,926
Total outflows . . . . .	(428,330)	-	(795,470)	-	-	(1,223,800)
Total . . . . .	7,371	-	8,755	-	-	16,126
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>Within 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2015</b>						
Currency forwards						
Total inflows . . . . .	-	-	2,402,832	-	-	2,402,832
Total outflows . . . . .	-	-	(2,458,516)	-	-	(2,458,516)
Total . . . . .	-	-	(55,684)	-	-	(55,684)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

## Company

	<u>Within 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2013</b>						
Currency forwards						
Total inflows . . . . .	-	-	2,208,356	-	-	2,208,356
Total outflows . . . . .	-	-	(2,169,277)	-	-	(2,169,277)
Total . . . . .	-	-	39,079	-	-	39,079
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>Within 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2014</b>						
Currency forwards						
Total inflows . . . . .	435,701	-	-	-	-	435,701
Total outflows . . . . .	(428,330)	-	-	-	-	(428,330)
Total . . . . .	7,371	-	-	-	-	7,371
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>Within 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2015</b>						
Currency forwards						
Total inflows . . . . .	-	-	-	-	-	-
Total outflows . . . . .	-	-	-	-	-	-
Total . . . . .	-	-	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

*Derivative settled on a net basis*

## Group

	<u>Within 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2013</b>						
Interest rate swap						
Derivative financial assets . . . .	(850)	(2,499)	(22,672)	23,501	33,440	30,920
Derivative financial liabilities . . .	(1,326)	(20,207)	(92,168)	(243,407)	(42,793)	(399,901)
Total . . . . .	<u>(2,176)</u>	<u>(22,706)</u>	<u>(114,840)</u>	<u>(219,906)</u>	<u>(9,353)</u>	<u>(368,981)</u>
<b>31 December 2014</b>						
Interest rate swap						
Derivative financial assets . . . .	(731)	(2,186)	(5,622)	14,416	1,222	7,099
Derivative financial liabilities . . .	(16,097)	(49,888)	(172,963)	(186,017)	25,090	(399,875)
Total . . . . .	<u>(16,828)</u>	<u>(52,074)</u>	<u>(178,585)</u>	<u>(171,601)</u>	<u>26,312</u>	<u>(392,776)</u>
<b>31 December 2015</b>						
Interest rate swap						
Derivative financial assets . . . .	-	18	1,388	10,376	12,068	23,850
Derivative financial liabilities . . .	(16,269)	(44,986)	(134,492)	(165,360)	(87)	(361,194)
Total . . . . .	<u>(16,269)</u>	<u>(44,968)</u>	<u>(133,104)</u>	<u>(154,984)</u>	<u>11,981</u>	<u>(337,344)</u>

## Company

	<u>Within 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2013</b>						
Interest rate swap						
Derivative financial assets . . . .	-	-	-	-	-	-
Derivative financial liabilities . . .	-	(2,403)	(10,280)	(22,642)	98	(35,227)
Total . . . . .	<u>-</u>	<u>(2,403)</u>	<u>(10,280)</u>	<u>(22,642)</u>	<u>98</u>	<u>(35,227)</u>
<b>31 December 2014</b>						
Interest rate swap						
Derivative financial assets . . . .	-	-	-	-	-	-
Derivative financial liabilities . . .	-	(1,655)	(6,144)	(15,842)	(710)	(24,351)
Total . . . . .	<u>-</u>	<u>(1,655)</u>	<u>(6,144)</u>	<u>(15,842)</u>	<u>(710)</u>	<u>(24,351)</u>
<b>31 December 2015</b>						
Interest rate swap						
Derivative financial assets . . . .	-	-	-	-	-	-
Derivative financial liabilities . . .	(1,061)	(2,178)	(8,304)	(11,649)	-	(23,192)
Total . . . . .	<u>(1,061)</u>	<u>(2,178)</u>	<u>(8,304)</u>	<u>(11,649)</u>	<u>-</u>	<u>(23,192)</u>

**48. CAPITAL MANAGEMENT**

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

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

Capital adequacy and the utilisation of regulatory capital are closely monitored by the management in accordance with the guidelines developed by the Basel Commission and relevant regulations promulgated by the CBRC. The Group files the required information to CBRC quarterly. As at 31 December 2013, 2014 and 2015, the capital adequacy ratio is 9.48%, 10.34% and 10.23% respectively.

**49. FAIR VALUE OF FINANCIAL INSTRUMENTS****Determination of fair value and valuation techniques**

Some of the Group's financial assets and liabilities are measured at fair value or with fair value disclosed for financial reporting purposes. The board of directors of the Company has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial instruments with quoted prices is determined by the open market quotations. And those instruments are classified as level 2, which include notes payable.

The Group uses valuation techniques to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

The valuation techniques used by the Group include the discounted cash flow model for cash and bank balances, borrowings, placement to banks and other financial institutions, accounts receivable, finance leases receivable, financial assets sold under repurchase agreement and certain derivatives (i.e. interest rate swap, forward contract etc.). The main parameters used in discounted cash flow model include recent transaction prices, relevant interest yield curves, foreign exchange rates, prepayment rates and counterparty credit spreads.

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

For certain financial instruments including finance leases receivable, accounts receivable and borrowings, the fair value of which are determined based on discounted cash flow model by using the unobservable discount rates that reflect the credit spreads.

**Financial instruments that are not measured at fair value**

The table below summaries the carrying amounts and expected fair values with obvious variances of those financial instruments not presented at their fair values:

	Carrying amount			Fair value		
	As at 31 December			As at 31 December		
	2013	2014	2015	2013	2014	2015
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Notes payable . . . . .	9,049,532	13,017,025	13,834,811	8,573,735	12,979,978	13,903,158

Fair value hierarchy of financial instruments not measured at fair value:

Group

As at 31 December 2013

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial liabilities</b>				
Notes payable . . . . .	–	(8,573,735)	–	(8,573,735)

As at 31 December 2014

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial liabilities</b>				
Notes payable . . . . .	–	(12,979,978)	–	(12,979,978)

As at 31 December 2015

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial liabilities</b>				
Notes payable . . . . .	–	(13,903,158)	–	(13,903,158)

The fair value of notes payable is determined by the open market quotations.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group and the Company's statements of financial position approximate their fair values because these financial assets and liabilities are matured within one year or at floating interest rates.

#### Financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Group

Financial assets/ financial liabilities	Fair value as at			Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2013	31/12/2014	31/12/2015		
	RMB'000	RMB'000	RMB'000		
1) Financial assets at fair value through profit and loss (Note 17)	Assets – - Liabilities – (-)	Assets – - Liabilities – (-)	Assets – 1,558,638 Liabilities – (-)	Level 2	Calculated based on the quotation from the administrator of the asset management schemes.
2) Foreign currency forward contracts (note 18)	Assets – 28,981 Liabilities – (-)	Assets – 70 Liabilities – (2,921)	Assets – - Liabilities – (105,472)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Interest rate swaps (note 18)	Assets – 17,414 Liabilities – (409,594)	Assets – 9,932 Liabilities – (394,393)	Assets – 1,991 Liabilities – (330,379)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

Company Financial assets/ financial liabilities	Fair value as at			Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2013	31/12/2014	31/12/2015		
	RMB'000	RMB'000	RMB'000		
1) Financial assets at fair value through profit and loss (note 17)	Assets - - Liabilities - (-)	Assets - - Liabilities - (-)	Assets 1,558,638 Liabilities - (-)	Level 2	Calculated based on the quotation from the administrator of the asset management schemes.
2) Foreign currency forward contracts (note 18)	Assets - 28,981 Liabilities - (-)	Assets - 70 Liabilities - (-)	Assets - (-) Liabilities - (-)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Interest rate swaps (note 18)	Assets - (-) Liabilities - (36,944)	Assets - (-) Liabilities - (26,584)	Assets - (-) Liabilities - (18,459)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

## H. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Save as disclosed in this report, no other payments have been paid or are payable in respect of the Relevant Periods by the Company or any of its subsidiaries to the directors and supervisors.

## I. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2015 and up to the date of this report.

## J. SUBSEQUENT EVENTS

There are no significant events after the reporting period.

Yours faithfully

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
 Hong Kong

The information set forth in this appendix does not form part of the accountants' report on the historical financial information of the Group (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the "Accountants' Report" set forth in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on 31 December 2015.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group had the Global Offering been completed on 31 December 2015 or any future date.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 derived from the consolidated statement of financial position as at that date as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015	Estimated net proceeds from Global Offering	Unaudited pro forma adjusted consolidated net tangible asset of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share	
	RMB (In millions) (note 1)	RMB (In millions) (note 2)	RMB (In millions)	RMB (note 3 and 4)	HKD
Base on the Offer Price of					
HK\$1.90 per share . . . . .	14,541	4,767	19,308	1.53	1.83
Base on the Offer Price of					
HK\$2.45 per share . . . . .	14,541	6,160	20,701	1.64	1.96

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*Notes:*

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 has been extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company of RMB14,993 million with an adjustment for intangible assets of RMB452 million.
- (2) Estimated net proceeds from the Share Offer are based on 3,100,000,000 Shares to be issued under the Share Offer and the Offer Price of HK\$1.90 and HK\$2.45 per Offer Share, respectively, being the lower end and higher end of the indicated Offer Price range, after deducting underwriting commissions and other estimated expenses payable by the Group in connection with the Share Offer and assuming the Over-allotment Option is not exercised. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1 to RMB0.8378, which was the spot exchange rate as at 31 December 2015 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 12,600,000,000 Shares comprise of Shares in issue as at date of this prospectus and those Shares to be issued assuming that the Global Offering had been completed on 31 December 2015, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) For the purpose of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of RMB0.8378 to HK\$1.00, being the spot exchange rate as at 31 December 2015 with reference to the rate published by the People's Bank of China. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.
- (5) No adjustment has been made to the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2015.

**B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PROFORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**Deloitte.**  
**德勤**

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**To the Directors of China Development Bank Financial Leasing Co., Ltd.**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2015 and related notes as set out on page II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 24 June 2016 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed global offering ("Global Offering") on the Group's financial position as at 31 December 2015 as if the Global Offering had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 December 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").



### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong,  
24 June 2016

**PRC TAXATION**

The following is a summary of certain PRC and Hong Kong tax consequences to investors relating to their subscription to H Shares under the Global Offering and their holdings as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC and Hong Kong in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section in this prospectus does not address any aspect of Hong Kong and PRC taxation other than income tax, capital tax, stamp duty, business tax and estate duty. Prospective investors are urged to consult their tax advisors regarding the PRC, Hong Kong and other tax consequences of investing and disposing of H Shares.

**Dividends***Individual investors*

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (“IIT Law”), as amended, and its implementation rules, dividends paid by PRC companies are generally subject to a PRC withholding tax at a flat rate of 20%.

Pursuant to the Notice on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) issued by the SAT on June 28, 2011, if a domestic non-foreign-invested enterprise issues its shares in Hong Kong, its non-PRC resident individual shareholders may be entitled to preferential tax treatments in accordance with the applicable tax treaties between the PRC and the countries in which they are tax residents and the applicable tax arrangements between the Mainland China and Hong Kong (Macau). In general, the distribution of applicable dividends by a domestic non-foreign-invested enterprise whose shares are issued and listed in Hong Kong is subject to a withholding individual income tax of 10% and there is no need to apply to the tax authorities in the PRC to qualify for this rate. If the tax rate specified in the relevant tax treaty or arrangement is lower than 10%, an individual shareholder who receives dividends may apply for a refund of the excess amount withheld, subject to an approval of the competent tax authority. In accordance with the PRC laws, if an individual shareholder is a resident of a country which has entered into a tax treaty with the PRC and the agreed tax rate is higher than 10% but lower than 20%, his dividend will be subject to income tax at the agreed tax rate. If an individual shareholder is a resident of a country which has not entered into a tax treaty with the PRC, his dividend will be subject to income tax at a tax rate of 20%. The company will withhold tax from any dividend payment at an applicable tax rate (which can be higher than 10% if the relevant individual shareholders and the tax rate applicable to such shareholder can be identified by the company).

*Enterprises*

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (“EIT Law”), and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), both effective on January 1, 2008, a non-resident enterprise is generally subject to a 10% enterprise income tax on the PRC-sourced income, if such non-resident enterprise does not have an organization or premises in the PRC or has an organization or premises in the PRC but the PRC-sourced income is not connected with such organization or premises in the PRC, subject to any applicable treaties for the avoidance of double taxation. The aforesaid income tax payable by the non-resident enterprises shall be withheld at source, for which the payer thereof shall be the withholding agent. When making such payment or when such payment becomes due and payable, the withholding agent shall withhold the income tax from the payment or the payment becoming due and payable.

Notice on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No.897) issued by the SAT on November 6, 2008, further clarified that a PRC resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to Non-PRC Resident Enterprise shareholders of H Shares which are derived out of profit generated since January 1, 2008. A Non-PRC Resident Enterprise shareholder which is entitled to a preferential tax rate under a tax agreement or an arrangement may, directly or through its entrusted agent or withholding agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld. The Reply of the State Administration of Taxation on Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394) issued by the SAT on July 24, 2009 further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends that it distributes to Non-PRC Resident Enterprise shareholders. Such tax rate may be modified pursuant to the tax treaty or agreement that the PRC has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC Government may impose tax on dividends paid to a Hong Kong resident (including specified natural person and legal entity) by a PRC company, but such tax generally does not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax does not exceed 5% of the total amount of dividends payable by that PRC company.

### *Tax Treaties*

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau may be entitled to a preferential treatment of such withholding tax in respect of dividends received from the PRC company. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, UK and US. A Non-PRC Enterprise which is entitled to a preferential tax rate under a relevant income tax treaty or arrangement shall apply to the PRC tax authorities for a refund of the difference between the amount of tax withheld and the amount payable at an agreed rate, subject to the approval of the PRC tax authorities.

### **Taxes Related to Share Transfer**

#### *Individual investors*

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, income of individuals from the transfer of shares of listed enterprises was still exempted from individual income tax. After the latest amendment to the IIT Law on June 30, 2011 and its implementing rules amended on July 19, 2011 and implemented on September 1, 2011, the SAT has not explicitly stated whether it will continue to exempt individual income tax on income derived by individuals from the transfer of listed shares. However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《財政部、國家稅務總局、證監會關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which provides that individuals' income from transferring listed shares on certain domestic exchanges generally will continue to be exempted from the individual income tax, except for the shares of certain specified companies which are subject to sales limitations (as defined in the supplementary notice of such Circular issued on November 10, 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not levied income tax on non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of our H Shares.

#### *Enterprises*

In accordance with the EIT Law and its implementation rules, a Non-PRC Resident Enterprise is generally subject to enterprise income tax at a rate of 10% with respect to the PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an organization or premises in the PRC but the PRC-sourced income is not connected with such organization or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties.

*Shanghai-Hong Kong Stock Connect Taxation Policy*

On October 31, 2014, the MOF, SAT and CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81) (hereinafter as “Shanghai-Hong Kong Stock Connect Taxation Policy”) which clarified the relevant taxation policy under Shanghai-Hong Kong Stock Connect.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, individual income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect from November 17, 2014 to November 16, 2017. Business tax will be temporarily exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Hong Kong Stock Exchange by mainland individual investors through Shanghai-Hong Kong Stock Connect. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax is withheld by H-share companies at the tax rate of 20%; for dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax is withheld by China Securities Depository and Clearing Co., Ltd (“CSDC”) at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDC by producing the tax credit document.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income (included in total income) derived from investment by mainland corporate investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. Business tax will be exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Stock Exchange by investors of mainland entities through Shanghai-Hong Kong Stock Connect. Enterprise income tax will be levied according to law on dividend income (included in total income) obtained by mainland corporate investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-share companies will not withhold dividend income tax for mainland corporate investors. The tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, mainland investors who transfer shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect shall pay stamp duty in accordance with the current tax laws of Hong Kong. CSDC and HKSCC may collect the abovementioned stamp duty on each other’s behalf.

***PRC stamp duty***

Under the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) amended on January 8, 2011 and the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例實施細則》), effective on October 1, 1988, PRC stamp duty does not apply to acquisitions or dispositions of H Shares outside of the territory of the PRC, as the PRC stamp duty is imposed on documents that are legally binding in the PRC and protected by PRC laws.

***Estate duty***

The PRC does not collect estate duty so far.

***Business tax***

According to the PRC Provisional Regulations on Business Tax (《中華人民共和國營業稅暫行條例》) amended on November 10, 2008 and implemented on January 1, 2009, enterprises and individuals that provide labor services, transfer intangible assets or sell real estate within the territory of the PRC as specified by such regulations are subject to business tax. The business tax rate applicable to financial and insurance companies is 5%.

Pursuant to the Pilot Scheme for the Conversion of Business Tax to VAT (《營業稅改增值稅試點方案》) (Cai Shui [2011] No. 110) promulgated by the MOF and the SAT on November 16, 2011, since January 1, 2012 the State started to introduce taxation reform in certain service industries (namely transportation and certain modern service industries) which are subject to business tax in a gradual manner, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in certain regions including Shanghai and Beijing. The MOF and the SAT further notified that the aforesaid pilot scheme for the conversion of business tax to VAT will be implemented nationwide since August 1, 2013.

Pursuant to the Notice on Comprehensively Promoting the Pilot Program of Levying Value-added Tax in Lieu of Business Tax (Cai Shui[2016]No.36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號)) promulgated by the MOF and the SAT on March 23, 2016, starting from May 1, 2016, the VAT pilot program will be extended to the whole country. Business tax payers in the industries of construction, real estate, financial and consumer service will be included into the scope of the VAT pilot program.

**FOREIGN EXCHANGE CONTROLS OF THE PRC**

Renminbi is the lawful currency of the PRC, which is subject to foreign exchange controls. The SAFE, under the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In accordance with the Notice on Deepening the Reform of the Foreign Exchange Administration System (《關於進一步改革外匯管理體制的通知》) (Guo Fa [1993] No. 89), since January 1, 1994, current account items applied to the policy of conditional exchange of Renminbi. The official exchange rate and the market rate for Renminbi were unified. The unified Renminbi exchange rate applied to a single, controlled floating exchange rate system based on market demand and supply. The PBOC published the Renminbi to other main currencies exchange rate on daily basis by reference to the change of international foreign exchange market. Foreign exchange buying and selling between designated foreign exchange banks and their clients are allowed within the limit of floating exchange rates.

On January 29, 1996, the State Council promulgated the Regulations of the People's Republic of China for the Control of Foreign Exchange (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") which became effective from April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to SAFE approval while capital account items are. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amended Foreign Exchange Control Regulations clarifies that the State does not impose restrictions on international payments and transfers under the current account items.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (Yin Fa [1996] No. 210) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolish all other restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On October 25, 1998, the PBOC and the SAFE jointly promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (關於停辦外匯調劑業務的通知), pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprise shall come under the banking system for the settlement and sale of foreign exchange.

On July 21, 2005, the PBOC announced that, effective on the same date, the PRC would implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will publish the closing price of a foreign currency such as the US dollar traded against the Renminbi in the interbank foreign exchange market after the closing of the market on each trading day, and will fix the central parity for Renminbi transaction on the following trading day.

On August 5, 2008, the State Council promulgated the revised Regulations of the People's Republic of China for the Control of Foreign Exchange (《中華人民共和國外匯管理條例》) (the "Revised Foreign Exchange Control Regulations"), which have made substantial changes to the foreign exchange regulatory system of the PRC. First, the Revised Foreign Exchange Control Regulations adopted an approach of balancing the inflow and outflow of foreign exchange fund. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administration authorities. Second, the Revised Foreign Exchange Control Regulations improved the mechanism for determining the Renminbi exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations enhanced the monitoring of cross-border foreign exchange fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations enhanced the supervision and administration of foreign exchange transactions and grant extensive authority to the SAFE to strengthen its supervisory and administrative ability.



Pursuant to relevant rules and regulations of the State, all foreign exchange income generated from current account transactions of the PRC enterprises may be either retained or sold to financial institutions engaging in the settlement or sale of foreign exchange. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example, foreign exchange income received by us from the sale of shares overseas) is not required to be sold to designated foreign exchange banks and can be deposited into foreign exchange accounts at the designated foreign exchange banks.

The PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of the SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises (like us) which, in accordance with regulations, are required to pay dividends to shareholders in foreign exchange, may on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

On December 26, 2014, SAFE issued the Notice of SAFE on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), which came into effect on the day of issuance. Except that banks and insurance companies of which the repatriation and settlement of foreign exchange received from overseas listing are subject to other regulations, the foreign exchange of an overseas listed domestic financial institution shall be administrated in accordance with the SAFE Notice. The SAFE Notice provides that:

- SAFE and its branches and Administrative Department of Foreign Exchange (“FE”) supervise, manage and examine the business registration, account opens and its use, the cross-border income and expenses, capital exchange for the local enterprises listed overseas.
- a domestic issuer shall, within 15 working days after the completion of the initial offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation with related materials.
- After overseas listing, a domestic shareholder intending to increase or reduce his holding of overseas shares of the listed company shall register his shareholding with the local Foreign Exchange Bureau at the place where he resides within 20 working days before the increase and reduction of shares with related materials.
- a domestic issuer (except for bank financial institutions) shall present his certificate of overseas listing to open a special account with a local bank for overseas listing of local enterprises to handle corresponding capital exchange and transfer for its business for its initial offer (or enhancement) or repurchase.

- a domestic issuer may transfer the capital raised through overseas listing to its local bank account or deposit at its overseas account. The use of proceeds shall be consistent with the purposes disclosed in the prospectus or other public documents such as the offering circular of corporate bonds, circular to shareholders and resolutions of meetings of the board of directors or shareholders' general meeting.

The Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (“Guo Fa [2014] No. 50,” 《國務院關於取消和調整一批行政審批項目等事項的決定》), which was issued and became effective on October 23, 2014, canceled the administrative approval by the SAFE and its branches over matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

Pursuant to the Circular on Further Simplifying and Improving Direct Investment Foreign Exchange Administration Policies (“Hui Fa [2015] No. 13,” 《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) which was issued by the SAFE and implemented on February 13, 2015 and June 1, 2015 respectively, two administrative approvals were abolished, namely the foreign exchange registration approval under the PRC direct investment and the foreign exchange registration approval under the oversea direct investment. Parts of direct investment foreign exchange business procedure were further simplified.

## TAXATION IN HONG KONG

### Taxation on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

### Taxation on Capital Gains and Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Currently, a profits tax is imposed on corporations at the rate of 16.5% and on individuals at a maximum rate of 15.0%. Certain categories of taxpayers (for examples, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

**Stamp Duty**

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of H Shares. The duty is charged at the ad valorem rate of 0.1% on the higher of the consideration for, or the market value of, the H Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required). Where a sale or purchase of H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

**Estate Duty**

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

This appendix contains a summary of laws and regulations on companies and securities in China, certain major differences between the PRC Company Law and the Companies Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on joint stock limited companies of China. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see the section entitled “Regulatory Environment.”

## PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the “Constitution”) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the “Legislation Law”), the National People’s Congress (the “NPC”) and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions, PBOC, the National Audit Office, and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people’s congresses of districted cities and their respective standing committees may formulate local regulations on urban and rural development and administration, environmental protection, and historical culture protection, among others, based on the specific circumstances and actual requirements of such cities, unless a law provides otherwise for the development of local regulations by a districted city. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions and shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government, districted cities and autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

## PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organized into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the primary people's courts, and are entitled to organize other courts as needed such as the intellectual property division.

The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The people's courts apply a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) (the "Civil Procedure Law"), which was adopted in 1991 and amended in 2007 and 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or against social and public interest.

**THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS**

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

- the Company Law of the People's Republic of China (《中華人民共和國公司法》) (the "PRC Company Law"), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised as of December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on March 1, 2014;
- the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "Special Regulations"), which was promulgated by the State Council on August 4, 1994 pursuant to relevant provisions of the PRC Company Law, and was applicable, to the overseas share subscription and listing of joint stock limited companies; and
- the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市章程必備條款》) (the "Mandatory Provisions"), which was jointly promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on August 27, 1994, and stated the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in Appendix V of this listing document.

Set out below is a summary of the provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to the Company.

**General**

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A state-owned enterprise ("SOE") that is reorganized into a joint stock limited company shall comply with the conditions and requirements specified by laws and administrative regulations for the modification of its operation mechanisms, the disposal and valuation of the company's assets and liabilities and the establishment of internal management organizations.

A joint stock limited company shall conduct its business in accordance with laws and professional ethics. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

**Incorporation**

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Special Regulations, SOEs or enterprises with the majority of their assets owned by the PRC Government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

According to the Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the "Securities Law"), the total share capital of a company seeking to list its shares on a stock exchange shall be no less than RMB30 million.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the Company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.



**Allotment and Issue of Shares**

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the China Securities Regulatory Commission (the “CSRC”) to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as “overseas listed and foreign invested shares” (“H shares”). Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as “domestic shares.” Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

**Registered Shares**

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items or assets, intellectual property rights, and land use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall be in registered form.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

**Increase of Share Capital**

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders’ general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a prospectus and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

**Reduction of Share Capital**

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts; and
- it shall apply to the relevant Industry and Commerce Administration for the registration of the reduction in registered capital.

**Repurchase of Shares**

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; and (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be canceled within ten days from the date of purchase in the case of (i) above and transferred or canceled within six months in the case of (ii) or (iv) above. Shares acquired in accordance with (iii) above shall not exceed 5% of the total number of the company's issued shares. Such acquisition shall be financed by funds appropriated from the company's profit after taxation, and the shares so acquired shall be transferred to the company's employees within one year.

**Transfer of Shares**

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholders' general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholders' general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and senior management shall declare to the company that their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

### Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or inquiries on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholders' general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

**Shareholders' General Meetings**

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and losses recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our extraordinary shareholders' general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, such notice shall be delivered to all the registered shareholders 45 days in advance to the meeting, and the matters to be considered and time and venue of the meeting shall be specified. The written reply of shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholders' general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again of the matters to be considered and time and venue of the meeting to shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the Special Regulations, where the company convenes shareholders' annual general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholders' general meeting shall be placed in the agenda of the meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of director or supervisor to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-third of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

### **Board**

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed by shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;

- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to make decisions on the establishment of the company's internal management bodies;
- to decide on appointment or dismissal of company managers and their remuneration, and decide on appointment or dismissal of deputy managers and person-in-charge of finance of the company based on the nomination by the managers as well as their remuneration;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

### **Board Meetings**

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisors. The chairman shall convene and preside over such meeting within ten days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

### **Chairman of the Board**

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

**Qualification of Directors**

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of personal debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

**Board of Supervisors**

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise. The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.



The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management; and
- other powers specified in the articles of association.

Supervisors may attend board of directors' meetings and make enquiries or proposals in respect of such board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

### **Manager and Senior Management**

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to take charge of management of the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the establishment of the company's internal management bodies;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person-in-charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to exercise other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

### **Duties of Directors, Supervisors and Senior Management**

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have the fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

### **Finance and Accounting**

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

### **Appointment and Retirement of Accounting Firms**

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

**Distribution of Profits**

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

**Dissolution and Liquidation**

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within ten days after its establishment, and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debt shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abuse of their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

### **Overseas Listing**

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic listed domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issue within 15 months after approval is obtained from the CSRC.

**Loss of Share Certificates**

If a registered share certificate is lost, stolen or destroyed, the respective shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court for a declaration that such certificate will no longer be valid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

**SECURITIES LAW AND REGULATIONS**

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information of the Company. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Provisional Regulations on the Administration of Share Issuance and Trading deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014, respectively. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that domestic enterprises shall obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

**ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS**

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "Arbitration Law") passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer and, in the case of the Listing Rules, also in contracts between the issuer and each of its directors and supervisors, to the effect that any disputes or claims arising (i) between holders of H shares and the issuer; (ii) between holders of H shares and the issuer's directors, supervisors, manager or other senior management; and (iii) between holders of H shares and holders of domestic shares may be referred to arbitration for resolution. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Center ("HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC. In accordance with the Arbitration Regulations of China International Economic and Trade Arbitration Commission (《中國國際經濟貿易仲裁委員會仲裁規則》) amended on November 4, 2014 and implemented on January 1, 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin and Chongqing.

Under the Arbitration Law and Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the “New York Convention”) adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People’s Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People’s Court of the PRC adopted the Arrangement on the Mutual Enforcement of Arbitration Award between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in China.

## OVERSEAS INVESTMENT REGULATIONS

Pursuant to the Regulations on the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM on August 19, 2014 which became effective on October 6, 2014, the MOFCOM and provincial commerce authorities shall be responsible for the filing and approval of overseas investment according to particular situation of overseas investment of enterprises. Upon such filing or approval of overseas investment, any changes to the Certificate of Overseas Investment (《企業境外投資證書》) shall be reported to the original filing or approving MOFCOM and provincial commerce authority for the application of approval of changes in compliance with relevant laws.

Pursuant to Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) promulgated by the SAFE which became effective on August 1, 2009, and Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE which became effective on June 1, 2015, upon obtaining approval for overseas investment, a PRC enterprise shall apply for foreign exchange registration for its overseas direct investments with the banks and the foreign exchange administrative authorities indirectly regulate the foreign exchange registration of overseas direct investment through banks.



Pursuant to the Administrative Measures on Approval and Filing of Overseas Investment Projects (《境外投資項目核准和備案管理辦法》) promulgated by the National Development and Reform Commission (the “NDRC”) on April 8, 2014, which became effective on May 8, 2014 and was revised subsequently on December 27, 2014, any overseas investment projects involving sensitive countries and regions or sensitive industries shall be subject to examination and approval by the NDRC. Where the amount of domestic investment is US\$2 billion or above, the NDRC shall offer an examination opinion and report it to the State Council for approval. Other overseas investment projects shall be filed to the NDRC or its provincial counterparts for record.

### ANTI-MONEY LAUNDERING REGULATIONS

The Anti-money Laundering Law of the People’s Republic of China (《中華人民共和國反洗錢法》), which became effective on January 1, 2007, sets out the responsibilities of the relevant financial regulatory authorities regarding anti-money laundering, including supervision over anti-money laundering, formulation of rules and regulations regarding anti-money laundering activities of financial institutions, monitoring and inspection of the anti-money laundering practice of financial institutions and investigations on suspicious transactions within their respective scope of authority. The persons in charge of the financial institutions shall be responsible for the effective implementation of internal control system regarding anti-money laundering. Financial institutions shall establish a client identification system and a system for keeping clients’ identity information and transaction records, as well as a report system for transactions involving large sums of money and for dubious transactions according to applicable requirements.

Pursuant to the Provisions on Financial Institutions Anti-money Laundering (《金融機構反洗錢規定》) promulgated by the PBOC which became effective on January 1, 2007, financial institutions and their branches are required to establish a comprehensive internal control system for anti-money laundering, and set up a special anti-money laundering department or designate an internal department to implement the anti-money laundering measures, formulate internal anti-money laundering policies and procedures and organize anti-money laundering training for staff to enhance their anti-money laundering capability.

Pursuant to the Administrative Measures of Client Identification and Identity Materials and Transaction Recording of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》) promulgated jointly by the PBOC, CBRC, CSRC and CIRC, which became effective on August 1, 2007, financial institutions are required to establish a client identification system, maintain records for the identities and relevant transactions of all clients and keep all retail transaction documents and record books.

Pursuant to the Administrative Measures on Reporting Large and Doubtful Transactions in Financial Institutions (《金融機構大額交易和可疑交易報告管理辦法》) promulgated by the PBOC which became effective on March 1, 2007, upon the detection of any transactions involving large sums of money or dubious transactions, the head office or the designated department of the financial institutions shall electronically report such transactions to the China Anti-money Laundering Monitoring and Analysis Center.

Pursuant to the Measures for the Supervision and Administration of the Anti-money Laundering Operations by Financial Institutions (for Trial Implementation) (《金融機構反洗錢監督管理辦法(試行)》) promulgated by the PBOC which became effective on November 15, 2014, the PBOC shall establish a regular anti-money laundering reporting system for financial institutions. The reporting agencies shall, pursuant to the provisions of the PBOC, designate persons to submit anti-money laundering work reports and other information and materials to the PBOC or its branches that are responsible for regulation, and accurately reflect the situations of anti-money laundering work.

## SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong laws applicable to a company incorporated in Hong Kong are based on the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company laws applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

### Corporate Existence

Under Hong Kong company laws, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

### Share Capital

Under the new Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) canceling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and asset verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

### **Restrictions on Shareholding and Transfer of Shares**

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the state, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. In addition, pursuant to the Announcement on Officially Launching the Pilot Shanghai-Hong Kong Stock Connect (《關於正式啟動滬港股票交易互聯互通機制試點的公告》) (the “Shanghai-Hong Kong Stock Connect Notice”) jointly announced by the CSRC and the Securities and Futures Commission of Hong Kong on November 10, 2014 which became effective on November 17, 2014, qualified PRC investors could buy specified overseas listed shares through systems such as the Shanghai-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our prospectus cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company’s shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company’s issue of shares and the 12-month lockup on controlling shareholders’ disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange described in the section entitled “Share Capital” in this prospectus.

### **Financial Assistance for Acquisition of Shares**

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company’s shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing financial assistance for the purpose of an acquisition of such shares similar to those under the Hong Kong company law.

**Variation of Class Rights**

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, please refer to the section entitled “Appendix V – Summary of Articles of Association” to this prospectus for details.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

**Directors, Senior Management and Supervisors**

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors’ interests in material contracts, restrictions on directors’ authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors’ liability and prohibitions against compensation for loss of office without shareholders’ approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

**Board of Supervisors**

Under the PRC Company Law, a joint stock limited company’s directors and managers are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**Derivative Action by Minority Shareholders**

Hong Kong laws permit minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations and diligent duties to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people’s court. In the event that the board of supervisors violates their fiduciary obligations and diligent duties to a company, the above

said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

### **Protection of Minorities**

Under Hong Kong laws, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

### **Notice of Shareholders' Meetings**

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice of a general meeting, other than an annual general meeting, is 14 days. The notice period for an annual general meeting is 21 days.

### **Quorum for Shareholders' Meetings**

Under Hong Kong laws, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

**Voting**

Under Hong Kong laws, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

**Financial Disclosure**

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

**Information on Directors and Shareholders**

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

**Receiving Agent**

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong laws is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of overseas listed foreign shares dividends declared and all other monies owed by the company in respect of its shares.

**Corporate Reorganization**

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

**Dispute Arbitration**

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

**Mandatory Deductions**

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong laws.

**Remedies of the Company**

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong laws (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

**Dividends**

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong laws, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

**Fiduciary Duties**

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

**Closure of Register of Shareholders**

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the PRC Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

**HONG KONG LISTING RULES**

The Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

**Compliance Advisor**

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance advisor acceptable to the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its financial results for the first full financial year commencing after the listing date. The compliance advisor should provide professional advice on continuous compliance with the Listing Rules and all other applicable laws and regulations, and to act at all times, in addition to its two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may require the company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.



**Accountants' Report**

The accountant's report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

**Process Agent**

A listed company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

**Public Shareholding**

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK\$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the issuer is expected to have a market capitalization at the time of listing of more than HK\$10,000 million.

**Independent Non-Executive Directors and Supervisors**

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate the standard of competence commensurate with their position as supervisors.

**Restrictions on Repurchase of Securities**

Subject to governmental approvals and the articles of association of the company, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The director must also state the consequences (if any) of any purchases which will arise under either or both of the Hong Kong Takeovers Code and/or any similar PRC law of which directors are aware. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

**Redeemable Shares**

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

**Pre-emptive Rights**

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of domestic shares and H shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the company's articles of association, prior to (i) authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (ii) any major subsidiary of the company making any such authorization, allotment, issue or grant so as materially to dilute the percentage equity interest of the company and its shareholders in such subsidiary.

No such approval will be required under the Listing Rules to the extent that (i) the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H shares as of the date of the passing of the relevant special resolution; or (ii) such shares are issued as part of the Company's plan at the time of its establishment to issue domestic shares and H shares and which plan is implemented within 15 months from the date of approval by securities supervision or administration authorities of State Council; or (iii) where upon approval by securities supervision or administration authorities of State Council, the shareholders of domestic shares of the company transfer its shares to overseas investors and such shares are listed and traded in foreign markets.

**Supervisors**

A company listed or seeking a listing on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange.

A PRC issuer is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

**Amendment to Articles of Association**

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions or the Listing Rules.

**Documents for Inspection**

A PRC issuer is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by its shareholders at reasonable charges of the following:

- a complete duplicate register of shareholders;
- a report showing the state of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);
- copy of the latest annual return filed with the SAIC or other competent PRC authority; and
- for shareholders only, copies of minutes of shareholders' meetings.

**Receiving Agents**

Under Hong Kong laws, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

**Statements in H Share Certificates**

A PRC issuer is required to ensure that all of its listing documents and H Share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;
- agrees with the company, each shareholder, director, supervisor, manager and other senior management and it (acting both for the company and for each director, supervisor, manager and other senior management), agree with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and

administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- authorizes the company to enter into a contract on his behalf with each director and senior management whereby such directors and senior management undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

### **Legal Compliance**

A PRC issuer is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

### **Contract between the PRC Issuer and Directors, Senior Management and Supervisors**

A PRC issuer is required to enter into a contract in writing with every director and senior management containing at least the following provisions:

- an undertaking by the director or senior management to itself to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Hong Kong Takeovers Code and an agreement that it must have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;
- an undertaking by the director or senior management to it acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the articles of association; and
- an arbitration clause which provides that whenever any differences or claims arise from the contract, its articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning affairs between us and its directors or senior management and between a holder of H shares and a director or senior management, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

A PRC issuer is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

**Subsequent Listing**

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

**English Translation**

All notices or other documents required under the Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange or to holders of the H Shares are required to be in English, or accompanied by a certified English translation.

**General**

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing.

**OTHER LEGAL AND REGULATORY PROVISIONS**

Upon the listing on the Hong Kong Stock Exchange, the provisions of the SFO, the Hong Kong Takeovers Code and such other relevant ordinances and regulations will apply to a PRC issuer.

**SECURITIES ARBITRATION RULES**

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party, or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC (other than the territories of Hong Kong, Macau and Taiwan).

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix contains a summary of the Articles of Association of the Company. The principal objective is to provide potential investor with an overview of our Articles of Association. As the information contained below is in summary form, it does not contain all the information that may be important to potential investor.

The Articles of Association of the Company are available for inspection at the address specified in Appendix VII in “Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection.”

### **CLASSES OF SHARES**

Shareholders holding different types of shares shall be Shareholders of different classes.

Shareholders of different classes shall enjoy the rights and assume the obligations stipulated by laws, administrative regulations and the Articles of Association.

Shareholders of each class shall rank *pari passu* in respect of their entitlement to dividends and any other forms of distribution.

Except Shareholders of other types of shares, Shareholders holding Domestic Shares and Shareholders holding overseas-listed Shares are considered as Shareholders of different classes.

### **DIRECTORS AND OTHER MANAGEMENT MEMBERS**

#### **Power to Allot and Issue Shares**

There is no provision in the Articles of Association empowering the Directors to allot and issue the Company’s Shares.

The increase in registered capital of the Company shall be proposed by the Board for the approval of the Shareholders’ general meeting by way of special resolution and subject to the approval by the competent authority of China.

#### **Power to Dispose of the Assets of the Company**

The Board shall only dispose of the Company’s assets within the scope of the Shareholders’ general meeting’s authorization.

The Board shall not, without the prior approval of the Shareholders’ general meeting, dispose or agree to dispose of any fixed assets where the aggregate amount of the expected value of the consideration for the proposed disposition and the value of the consideration for any disposition of any fixed assets that has been completed in the period of four months immediately preceding the proposed disposition, exceeds 33% of the value of the fixed assets as shown in the latest balance sheet reviewed by the Shareholders’ general meeting.

A disposition of fixed assets includes an act involving the transfer of an interest in assets but does not include the provision of security by way of fixed assets.

**Emoluments, Compensation or Payments for Loss of Office**

With the prior approval at the Shareholders' general meeting, the Company shall sign written contracts with its Directors and Supervisors of the Company concerning their emoluments. Such emoluments include:

- (I) emoluments in respect of his/her service as a Director, Supervisor or senior management member of the Company;
- (II) emoluments in respect of his/her service as a Director, Supervisor or senior management member of a subsidiary of the Company;
- (III) remuneration otherwise in connection with the provision of other management services to the Company and its subsidiary;
- (IV) compensation for his/her loss of office or retirement as a Director or Supervisor.

A Director or Supervisor shall not file any lawsuit against the Company for the benefits they are entitled to for the foregoing matters other than pursuant to the aforesaid contracts.

In the contract for emoluments entered into by the Company with a Director or Supervisor, it shall be provided that such Director or Supervisor of the Company has the right to receive, in connection with the takeover of the Company and subject to prior approval at the Shareholders' general meeting, compensation or other payments for loss of office or retirement. A takeover of the Company means any of the following circumstances:

- (I) an offer is made to all Shareholders by any person;
- (II) an offer is made by any person such that the offeror will become the controlling Shareholder.

If any Director or Supervisor does not comply with the above requirements, any sum payable to them shall belong to those persons who have sold their Shares as a result of the above-mentioned offer, and the expenses incurred for the pro rata distribution of the sum among those persons shall be borne by the relevant Director and Supervisor and shall not be deducted from the sum distributed.

**Loans to Directors, Supervisors and Other Management Members**

The Company shall not directly or indirectly make a loan to, or provide any guarantee in connection with the making of a loan to Directors, Supervisors or senior management members of the Company or its parent company, or their respective associates. However, the following circumstances are not subject to such prohibition:

- (I) the provision by the Company of a loan or a guarantee of a loan to a subsidiary of the Company;
- (II) the provision by the Company of a loan, a guarantee in connection with the making of a loan or other funds to Directors, Supervisors and senior management members of the Company to meet expenditure incurred by him for the purposes of the Company or for the purpose of enabling him/her to perform his/her duties, in accordance with the terms of an employment contract approved at the Shareholders' general meeting;
- (III) the Company may make a loan to or provide a guarantee in connection with the making of a loan to the Directors, Supervisors and senior management members or their respective associates, provided that the ordinary course of business of the Company includes the lending of money or the giving of guarantees and conducted on normal commercial terms.

A loan made by the Company in breach of the above provisions shall be immediately repaid by the recipient of the loan regardless of the terms of the loan.

A guarantee provided by the Company in breach of the above provisions shall be unenforceable against the Company, unless:

- (I) at the time when the loan was provided to an associate of the Directors, Supervisors and senior management members of the Company or its parent company, the lender did not know the relevant circumstances;
- (II) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

The aforesaid guarantee includes an undertaking or property provided to secure the performance of obligations by the obligor.

### **Financial Assistance for the Acquisition of Shares in the Company**

The Company or its subsidiaries shall not offer any financial assistance at any time by any means to purchasers or prospective purchasers of the Company's Shares. Such purchasers of the Company's Shares shall include those who directly or indirectly assume the obligations in relation to the purchase of the Shares of the Company.

The Company or its subsidiaries shall not offer any financial assistance at any time by any means in order to reduce or release the obligations of the aforesaid obligator.

The following activities shall not be prohibited:

- (I) the provision of financial assistance by the Company is given in good faith in the interest of the Company, and the principal purpose in giving the financial assistance is not for the purchase of the Company's Shares, or the giving of the financial assistance is an incidental part of a plan of the Company;
- (II) the lawful distribution of the Company's assets by way of dividends;
- (III) the allotment of bonus Shares of the Company as dividends;
- (IV) reduction of registered capital, repurchase of Shares or reorganization of the share capital structure effected in accordance with the Articles of Association;
- (V) the lending of money by the Company within its scope of business and in its ordinary course of business (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company);
- (VI) the provision of money by the Company for an employee shareholding scheme (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company).



For these purposes, financial assistance includes (without limitation to) the following meanings:

- (I) gift;
- (II) guarantee (including the assumption of obligations by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation in respect of the Company's own fault), release or waiver of any rights;
- (III) provision of loan or entering into a contract under which the obligations of the Company are to be fulfilled before the obligations of another party, and a change in the parties to, and the assignment of rights arising under, such loan or a contract;
- (IV) any other form of financial assistance given by the Company when the Company is insolvent, has no net assets or when its net assets would thereby be reduced to a material extent.

For these purposes, "assuming an obligation" includes the assuming of obligations by the changing of the obligor's financial position by way of entering into a contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

#### **Disclosure of Interests in Contracts with the Company**

Where a Director, Supervisor or senior management member of the Company in any way, directly or indirectly, has a material interest in a contract, transaction or an arrangement or a proposed contract, transaction or an arrangement with the Company (other than his/her contract of service with the Company), he/she shall declare the nature and extent of his/her interest to the Board at the earliest opportunity, whether or not the relevant matters thereof is otherwise subject to the approval of the Board under normal circumstances.

Unless the interested Director, Supervisor or senior management member of the Company discloses his/her interest in accordance with the aforesaid requirements to the Board and the relevant matter is approved at a meeting of the Board of Directors in which the interested Director, Supervisor or senior management member is not counted in the quorum and refrains from voting, a contract, transaction or an arrangement is voidable by the Company, except against a bona fide party thereto acting without notice of the breach of duty by the relevant Director, Supervisor or senior management member.

A Director, Supervisor or senior management member of the Company is deemed to have an interest in a contract, transaction or an arrangement in which an associate of him/her has an interest.

Where a Director, Supervisor or senior management members of the Company gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he/she has an interest in contracts, transactions or arrangements of any description which may subsequently be made by the Company, such notice shall be deemed to be a sufficient declaration of his/her interest, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of the Company.

Where a Director or any associates (as defined in the Hong Kong Listing Rules) of a Director has material interests in a matter to be resolved by the meeting of the Board, he/she shall abstain from voting on such resolution(s), shall not vote on behalf of other Directors and shall not be counted as quorum of the meeting.

Resolutions of the Board shall be passed by more than one-half of the votes of the Directors who have no relevant interest in the resolutions. Where less than three Directors who have no material interest in the resolutions attend the board meeting, the Board shall refer such matters to Shareholders' general meeting of listed companies for review. The Board should explain to the Shareholders' general meeting the discussion of the Board on such resolution(s) and the views of the Directors who have no interest in such resolution(s).

### **Appointment, Removal and Retirement**

The Company has a Board of Directors which shall be accountable to the Shareholders' general meeting. The Board shall consist of 9 Directors, who shall include one chairman of the board one vice chairman of the board and 3 independent directors. Directors shall be elected by the shareholders' general meeting and serve a term of 3 years. A director may serve consecutive terms if reelected upon the expiration of his term.

The Board shall have one chairman and may have vice chairman; both shall be taken by Directors and elected and removed by a majority of all Directors.

Shareholders, individually or in the aggregate, holding 3% or more of the Company's Shares with voting rights and the Nominations Commission have the right to nominate a candidate to be elected as a Director. Independent Directors shall be nominated by Shareholders, individually or in aggregate, holding 1% or more of the Company's Shares with voting rights.

The qualification of a Director, Supervisor and senior management member shall be in compliance with the applicable laws, regulations, rules of departments and regulatory documents and the Articles of Association. The qualification of Directors and senior management member must be verified by the Banking regulatory authority.

A Director may resign before the expiry of his/her term. The resigning Director shall submit to the Board a written resignation. Unless otherwise specified in the Articles of Association, the resignation of a Director shall be effective when the written resignation is served to the Board. In case that the number of Directors falls below the numbers of the Board members or the quorum, the leaving Director shall, prior to a new Director taking his/her office, continue to perform his/her duties as a Director in accordance with the laws, regulations, regulatory documents and the Articles of Association.

A person may not serve as a Director, Supervisor or senior management member of the Company in any of the following circumstances:

- (I) a person without legal capacity or with restricted legal capacity;
- (II) a person who has been sentenced to criminal punishment after serving less than 5 years for corruption, bribery, infringement of property, misappropriation of property or sabotaging social economic orders or who has been deprived of his/her political rights;
- (III) a person who is a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation as a result of mismanagement and he is personally liable for the insolvency of such company or enterprise, less than 5 years after cancellation of business licenses of the Company and enterprises;

- (IV) a person who is a former legal representative of a company or enterprise which has its business license revoked or is ordered to close down its business due to violation of law and who has personal liability;
- (V) a person who has relatively large amount of debts due and outstanding;
- (VI) a person who is subject to criminal investigation by the legal authority which is not yet closed;
- (VII) a person who is removed from office by other institutions or organizations due to the failure of performance of obligations involving his/her credibility;
- (VIII) a non-natural person;
- (IX) a person who is convicted of contravention of relevant securities regulations provisions by relevant competent authorities of the State, and such conviction involves a fraudulent act or dishonesty, where not more than five years have elapsed since the date of the conviction;
- (X) a person of whom is not appropriate to act as a Director, Supervisor or senior management member by the laws of the place(s), or the relevant regulations of the securities exchange(s).

The validity of an act of a Director, president and other senior management members on behalf of the Company is not, vis-a-vis a bona fide third party, affected by any non-compliance in his/her office, election or his/her qualification.

### **Duties**

In addition to obligations imposed by laws, regulations or listing rules of the stock exchange on which the Company's Shares are listed, the Company's Directors, Supervisors and senior management member owes a duty to each Shareholder, in the exercise of the functions and powers entrusted to them by the Company:

- (I) not to cause the Company to exceed the scope of the business stipulated in its business license;
- (II) to act honestly in the best interest of the Company;
- (III) not to expropriate in any guise the Company's property, including (without limitation to) usurpation of opportunities advantageous to the Company;
- (IV) not to expropriate the rights of Shareholders, including (without limitation to) rights to distribution and voting rights, save for a restructuring of the Company submitted to Shareholders' general meeting for approval in accordance with the Articles of Association.

Each of the Directors, Supervisors and senior management members of the Company owes a duty, in the exercise of his/her powers or discharge of his/her duties, to exercise the care, diligence and skill that a reasonably prudent person would have exercised in comparable circumstances.

Each of the Directors, Supervisors and senior management member of the Company shall carry out his/her duties in accordance with fiduciary principles and shall not put himself/herself in a position where his/her duties and his/her interests may conflict. This principle includes (without limitation to) discharging the following obligations:

- (I) to act honestly in the best interests of the Company;
- (II) to exercise powers within the scope of his/her powers;
- (III) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, regulations or with the informed consent of the Shareholders given in Shareholders' general meeting, not to delegate the exercise of his/her discretion to other person;
- (IV) to treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;
- (V) except in accordance with the Articles of Association or with the informed consent of Shareholders given in Shareholders' general meeting, not to enter into contract, transaction or arrangement with the Company;
- (VI) without the informed consent of Shareholders given in Shareholders' general meeting, not to use the Company's property for his/her own benefit in any form;
- (VII) not to exploit his/her position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation to) opportunities advantageous to the Company;
- (VIII) without the informed consent of Shareholders given in a Shareholders' general meeting, not to accept commissions in connection with the Company's transactions;
- (IX) to abide by the Articles of Association, faithfully execute his/her official duties and protect the Company's interests, and not to exploit his/her position and power and inside information in the Company to advance his/her own private interests;
- (X) not to compete with the Company in any form unless with the informed consent of the Shareholders given in Shareholders' general meeting;
- (XI) not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his/her own name or other names for the deposit of the Company's assets and not to provide a guarantee for debts of a shareholder of the Company or other individual(s) with the Company's assets;
- (XII) unless with the informed consent of the shareholders given in Shareholders' general meeting, to keep in confidence confidential information regarding the Company acquired by him/her in the course of and during his/her term and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental competent authorities is permitted if:
  - (I) disclosure is required by law;
  - (II) disclosure is required for public interest;
  - (III) the interests of the Director, Supervisor or senior management member require the disclosure.

Each Director, Supervisor or senior management member of the Company shall not cause the following persons or institutions (“associates”) to do what he/she is prohibited from doing:

- (I) the spouse or minor child of that Director, Supervisor or senior management member of the Company;
- (II) a person acting in the capacity of trustee of that Director, Supervisor or senior management member of the Company or any person referred to in the preceding paragraph (I) above;
- (III) a person acting in the capacity of partner of that Director, Supervisor or senior management member of the Company or any person referred to in paragraphs (I) and (II) above;
- (IV) a company in which that Director, Supervisor or senior management member of the Company, alone or jointly with persons referred to in paragraphs (I), (II) and (III) above, or other Directors, Supervisors and senior management members, have a de facto controlling interest;
- (V) the directors, supervisors and senior management members of the controlled company referred to in paragraph (IV).

The fiduciary duties of the Directors, Supervisors and senior management members of the Company do not cease upon termination of their term. The duty to keep confidential trade secrets of the Company survives after the termination of their term. The continuous period of other duties must be decided according to the principle of fairness, depending on the time lapse between the act concerned and the termination and the circumstances under which the relationships between them and the Company are terminated.

In addition to any rights and remedies provided by the laws and regulations, where a Director, Supervisor or senior management member of the Company is in breach of his/her duties to the Company, the Company has a right to:

- (I) claim damages from the relevant Director, Supervisor or senior management in compensation for losses incurred by the Company as a result of his/her negligence;
- (II) rescind any contract or transaction entered into by the Company with the Director, Supervisor or senior management member and with a third party (where the third party knows or should know that there is a breach of obligation by such Director, Supervisor or senior management member);
- (III) demand a surrender of profits made by the Director, Supervisor or senior management member in breach of his/her duties;
- (IV) recover any funds received by the Director, Supervisor or senior management member which should have been received by the Company, including (without limitation to) commissions;
- (V) demand return of the interest earned or may have been earned by the Director, Supervisor or senior management member on funds that should have been paid to the Company.

A Director, Supervisor or senior management member of the Company may be relieved from liability for specific breaches of his/her duties by the informed consent of the Shareholders’ general meeting. Other than obligated by laws, regulations, regulatory documents or relevant

requirements of the listing rules of the securities regulatory authority at the place where the Company's shares are listed, the controlling shareholders, when exercising his/her rights as a shareholder, shall not vote to bring about decisions that would impair the interest of all or part of the Shareholders on the following matters:

- (I) to release the obligation of Directors and Supervisors to act honestly in the best interest of the Company;
- (II) to allow Directors and Supervisors (for the interest of themselves or others), to expropriate by any means, the Company's property, including (without limitation to) opportunities advantageous to the Company;
- (III) to allow Directors and Supervisors (for the interest of themselves or others) to expropriate the rights of other Shareholders, including (without limitation to) rights to distribution and voting rights, save for restructuring of the Company submitted to the Shareholders' general meeting for approval in accordance with the Articles of Association.

#### **ALTERATIONS TO CONSTITUTIONAL DOCUMENTS**

The Company may amend its Articles of Association in accordance with laws, administrative regulations and its Articles of Association.

Any amendment of the Articles of Association of the Company shall be approved by the Banking regulatory authority. Where an amendment to the Company's Articles of Association involves matters provided for in the Articles of Association of Companies Seeking a Listing Outside the PRC Prerequisite Clauses ("Prerequisite Clauses"), it shall become effective after being examined and approved companies and the State Council Securities Commission. Where an amendment to the Company's Articles of Association involves matters of company registration, the registration shall be amended according to law.

#### **VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES**

Rights conferred on any class Shareholders in the capacity of Shareholders may not be varied or abrogated unless approved by a special resolution of Shareholders' general meeting and by holders of that affected class of Shares at a Shareholders' general meeting conducted in accordance with the Articles of Association. The following circumstances shall be deemed to be variation or abrogation of the rights of class Shareholders:

- (I) to increase or decrease the number of Shares of such class, or to increase or decrease the number of Shares of class having voting or distribution rights or privileges equal to or more than those of Shares of such class;
- (II) to effect an exchange of all or part of the Shares of such class into Shares of another class or to effect an exchange or create a right of exchange of all or part of the Shares of another class into the Shares of such class;
- (III) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to Shares of such class;
- (IV) to reduce or remove a dividend preference or a liquidation preference during the process of the Company's liquidation, attached to Shares of such class;

- (V) to add, remove or reduce conversion rights, options, voting rights, rights of transfer or pre-emptive rights, or rights to acquire securities of the Company attached to Shares of such class;
- (VI) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to Shares of such class;
- (VII) to create a new class of Shares having voting or distribution right or privileges equal to or more than those of the Shares of such class;
- (VIII) to restrict the transfer or ownership of the Shares of such class or add such restriction;
- (IX) to issue rights to subscribe for, or convert into, Shares of such class or another class;
- (X) to increase the rights and privileges of Shares of another class;
- (XI) to restructure the Company where the proposed restructuring will result in different classes of Shareholders bearing a disproportionate burden of responsibilities in such proposed restructuring;
- (XII) to revise or abrogate provisions of the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at Shareholders' general meetings, shall nevertheless have the right to vote at class general meetings in respect of matters concerning paragraphs (II) to (VIII), (XI) to (XII) above, but interested Shareholder(s) shall not be entitled to vote at class general meetings.

For the purpose of this section, interested Shareholder(s) shall have the following meaning:

- (I) if the Company has made a repurchase offer to all Shareholders on pro rata basis or made a repurchase of its own Share by means of public transaction at the stock exchange in accordance with the Articles of Association, "interested Shareholder(s)" shall refer to the controlling Shareholders as defined in the Articles of Association;
- (II) if the Company has made a repurchase of its own Share by means of agreement outside the stock exchange in accordance with the Articles of Association, "interested Shareholder(s)" shall refer to the Shareholders who are parties to the agreement;
- (III) in a restructuring plan of the Company, "interested Shareholder(s)" refers to those Shareholders who assume less responsibilities than other Shareholders of the same class or those Shareholders who enjoy interests different from other Shareholders of the same class.

Resolutions of a class meeting shall be passed by votes representing two-thirds or more of the voting rights held by the Shareholders of that class present at the relevant meeting who are entitled to vote.

Written notice of a class meeting shall be given 45 days before the date of the class meeting to notify all Shareholders in the share register of the class of the matters to be considered, the date and the place of the class meeting. A Shareholder who intends to attend the class meeting shall deliver his/her written reply to the Company 20 days before the date of the class meeting. Notice of class meetings may only be served to Shareholders entitled to vote thereat.

Class meeting shall be conducted in a manner as similar as possible to that of Shareholders' general meeting. The provisions of the Articles of Association relating to the manner of conducting any Shareholders' general meeting shall apply to class meeting.

The special voting procedures at a class meeting shall not apply in the following circumstances:

- (I) where the Company issues Domestic Shares and overseas listed Shares, either separately or concurrently, once every 12 months, with not more than 20% of each of its existing issued Domestic Shares and overseas listed Shares pursuant to approval by a special resolution at Shareholders' general meeting;
- (II) where the Company issues Domestic Shares and overseas listed Shares under a plan adopted at the time of its establishment within 15 months from the date of approval of the plan by the securities regulatory authority of the State Council.

## **ALTERATION OF CAPITAL**

### **Increase of Registered Capital**

Upon the demands of operation and business development and in accordance with relevant laws, regulations and the Articles of the Association, the Company may increase its registered capital in the following ways:

- (I) offering Shares to non-specific investors;
- (II) placing Shares to existing Shareholders;
- (III) dispatching bonus Shares to existing Shareholders;
- (IV) capitalization of capital reserve;
- (V) other methods permitted by laws, regulations and by the relevant regulatory authorities.

The increase in the share capital of the Company by issuing new Shares shall be approved in accordance with the Articles of Association and shall be conducted in accordance with the procedures under relevant laws, regulations and regulatory documents.

The shareholders should support the board of directors in making reasonable capital plans to keep the capital of the Company to comply with the provisions of the Banking Regulatory Commission. The sponsor shareholders shall provide the company with liquidity support or make up the capital according to the provisions of the banking regulatory authority.

### **Reduction of Registered Capital**

The Company reduces its registered capital in accordance with the PRC Company Law and procedures under other relevant laws, regulations, regulatory documents and the Articles of Association.

The Company must be approved by the Banking regulation authority and prepare a balance sheet and an inventory of assets when it is to reduce its registered capital.

The Company shall notify its creditors within 10 days of the adoption of the resolution to reduce its registered capital and shall publish an announcement in a newspaper at least three times within 30 days. Creditors shall, within 30 days of receiving the written notice or within 90 days since the date of the first public announcement for those who have not received the written notice, be entitled to demand the Company to pay its debts in full or to provide a guarantee for repayment.



The registered capital of the Company after reduction shall not be less than the statutory minimum which is RMB100 million.

**SPECIAL RESOLUTIONS – MAJORITY REQUIRED**

Resolutions of Shareholders' general meetings shall include ordinary resolutions and special resolutions.

An ordinary resolution shall be passed by more than one-half of the voting rights held by the Shareholders (including proxies) present at the meeting.

A special resolution shall be passed by two-thirds or more of the voting rights held by the Shareholders (including proxies) present at the meeting.

The following matters shall be resolved by way of a special resolution of the shareholders' general meeting:

- (I) increase or reduction of the Company share capital and issuance of any category of shares, warrants or other similar securities;
- (II) issuance of Company's bonds;
- (III) division, merger, dissolution and liquidation of the Company;
- (IV) amendment of the Articles of Association of the Company; and
- (V) other matters that, as resolved by way of an ordinary resolution of the shareholders' general meeting, may have a significant impact on the Company and require adoption by way of a special resolution.

Apart from the aforementioned matters which shall be passed by special resolutions, other matters requiring approval at Shareholders' general meeting shall be approved by ordinary resolutions.

**VOTING RIGHTS (GENERALLY, ON A POLL AND RIGHT TO DEMAND A POLL)**

Shareholders (including their proxies) are entitled to exercise the voting rights of their Shares at Shareholders' general meeting. Each Share shall have one voting right. Shares of the Company held by the Company shall not carry voting rights and shall not be included in the total number of voting Shares present at Shareholders' general meeting. Where the credit granted by the company to a shareholder is overdue, the vote of such shareholder at the general meeting of shareholders and of such shareholder's dispatched director at the board of directors shall be prohibited.

Unless otherwise provided in the Rules Governing the Listing of Securities or other laws and regulations relating to securities that are applicable, the vote of the shareholders' general meeting shall be decided on a show of hands, unless a poll is demanded by the following persons: (1) the chairman of the meeting; (2) at least 2 shareholders with voting rights; (3) shareholders who individually or jointly hold 10% or more of the Shares with voting rights.

A poll demanded on the election of chairman or adjournment of the meeting shall be taken immediately. A poll demanded on any other resolution shall be taken at such time as the chairman of the meeting decides and the meeting may proceed to discuss any other matters. The result of the poll shall be deemed as a resolution adopted at the meeting at which the poll is demanded.

On a poll, a Shareholder (including their proxies) who is entitled to have two or more votes need not cast all his votes for or against a resolution.

When the number of votes for and against a resolution is equal, whether the vote is taken by raising hands or by ballot, the chairman of the meeting shall be entitled to one additional vote.

### **SHAREHOLDERS' GENERAL MEETINGS**

Shareholders' general meetings include annual general meetings and extraordinary general meetings.

The Board shall convene an annual general meeting once each year and within six months from the close of every accounting year.

An extraordinary general meeting shall be convened within two months from the date of occurrence of any of the following events:

- (I) the number of Directors is less than two-thirds of the total number of Directors specified by the Company Law or lower than the minimum quorum;
- (II) the uncovered loss of the Company reaches one-third of the Company's total share capital;
- (III) Shareholders who individually or jointly hold more than 10% of the voting Shares of the Company request to convene the meeting in writing;
- (IV) the Board or the Board of Supervisors deems it necessary to convene the meeting.

### **ACCOUNTS AND AUDIT**

#### **Financial and Accounting Systems and Financial Reports**

The Company shall establish its financial and accounting systems according to laws, regulations and the requirements of the Chinese accounting standards formulated by the financial competent authority of China.

The Board shall at each annual general meeting submit to Shareholders the financial statements prepared by the Company as required by the relevant laws, regulations and regulatory documents.

The Company's financial reports shall be made available at the Company for Shareholders' review 20 days before the date of annual general meeting. Each Shareholder shall be entitled to obtain a copy of the financial reports as referred to in the Articles of Association.

In addition to financial statements prepared in accordance with Chinese accounting standards and regulations, the Company may also prepare its financial statements according to the international or overseas accounting standards in the place where the Company's Shares are listed. Material differences between the financial statements prepared according to different accounting standards shall be explicitly explained in the notes to the financial statements. When distributing the after-tax profits in the fiscal year, the Company shall base on the lower of the after-tax profits in the aforesaid two financial statements.

The Company shall publish its financial report twice in each fiscal year, i.e. the interim financial report within 60 days after the end of the first six months of a fiscal year and the annual financial report within 120 days after the end of a fiscal year.

**Appointment of an Accounting Firm**

The Company shall appoint an independent accounting firm which is qualified under the relevant regulations of the PRC to audit the annual financial reports and review other financial reports of the Company.

The term of office of the accounting firm appointed by the Company shall commence from the conclusion of the annual general meeting and shall end at the conclusion of the next annual general meeting.

The Board shall appoint an accounting firm to fill any casual vacancy in the office of the accounting firm before the convening of Shareholders' general meeting subject to the approval of the following Shareholders' general meeting. If the Company has other serving accounting firms, such accounting firms shall continue to perform their duties as long as the vacancy remains unfilled.

The remuneration or the basis of remuneration of an accounting firm shall be determined by Shareholders' general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

**Change and Removal of an Accounting Firm**

The Company's appointment, removal and non-reappointment of an accounting firm shall be resolved at Shareholders' general meeting and shall be filed with the relevant securities regulatory authority of the State Council.

The Shareholders' general meeting shall abide by the following provisions when proposing to pass a resolution regarding the appointment of an accounting firm not currently serving the company to fill the vacancy of an accounting firm, or the renewal of terms of service of an accounting firm appointed by the Board to fill a vacancy, or the dismissal of an accounting firm before the expiry of its term:

- (I) the proposal of appointment or dismissal shall be sent to the accounting firm to be appointed, to be or has been terminated prior to the issue of the notice of Shareholders' general meeting. The termination of an accounting firm includes dismissal, resignation and retirement.
- (II) if the accounting firm being terminated requires the Company to forward its written statement to Shareholders, the Company shall take the following measures unless the written statement is not received in time:
  1. to state on the notice issued for adoption of the resolution that an accounting firm about to leave its post has made a statement;
  2. to deliver a copy of the statement to Shareholders as an appendix to the notice of meeting in accordance with the Articles of Association.
- (III) if the statement of the accounting firm is not delivered in accordance with paragraph (II) above, the relevant accounting firm may request such statement to be read at the Shareholders' general meeting and may make further appeals.
- (IV) the accounting firm leaving its post shall be entitled to attend the following meetings:
  1. the Shareholders' general meeting at which its term of service would otherwise have expired;

2. the Shareholders' general meeting for filling the vacancy caused by its dismissal; the Shareholders' general meeting convened as a result of its voluntary resignation;
3. The accounting firm leaving its post shall be entitled to receive all notices of the aforementioned meetings and other information relating to such meetings and shall also be entitled to present its views at the meetings on matters in relation to its previous engagement as the accounting firm of the Company.

**Resignation of an Accounting Firm**

Any accounting firm may resign its office by depositing at the Company's legal residence a resignation notice which shall become effective on the date of such deposit or on such later date as stipulated in such notice. Such notice shall include the following:

- (I) a statement to the effect that there are no circumstances in relation to its resignation which should be brought to the notice of the Shareholders or creditors of the Company; or
- (II) a statement of any relevant situations which needs to be brought to the notice.

The Company shall send a copy of the notice to the relevant governing authority of the State within 14 days upon receipt of the written notice. If the notice contains a statement under paragraph (II) above, a copy of such statement shall be placed at the Company for Shareholders' inspection. The copy of such statement shall also be sent by prepaid mail to holders of overseas listed Shares of the Company at the address as recorded in the register of Shareholders.

Where the accounting firm's notice of resignation contains a statement of any circumstances which should be brought to the notice, the accounting firm may require the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

**NOTICE OF MEETINGS AND MATTERS TO BE DEALT WITH AT THE MEETING**

When the Company is to convene a Shareholders' general meeting, it shall notify all Shareholders in respect of time, place and matters to be considered 45 days before the meeting. Shareholders who intend to attend the Shareholders' general meeting shall send a written reply to the Company 20 days before the meeting.

The notice of shareholders' general meeting shall be in compliance with the following requirements:

- (I) it shall be made in writing;
- (II) it shall specify the place, date and time of the meeting;
- (III) it shall describe the matters to be discussed at the meeting;
- (IV) it shall record the date of equity interest for eligible Shareholders for attending the Shareholders general meeting;
- (V) it shall provide to the shareholders the information and explanation necessary for them to make a wise decision on the matters to be discussed. This principle shall apply (but not limit) when the Company proposes a merger, buy-back of shares, reorganization of share capital or other restructuring, it shall provide the specific conditions and contract (if any) of the transaction under discussions and earnestly explain the cause and result of the transaction;

- (VI) it shall disclose the nature and extent of conflict of interests, if any, of any director, supervisor, manager or other senior management staff in any matter to be discussed; and provide an explanation of the difference, if any, between the way in which the matter to be discussed would affect such director, supervisor, manager or other senior management staff in his capacity as shareholder and the way in which such matter would affect other shareholders of the same category;
- (VII) it shall contain the full text of any special resolution proposed to be adopted at the meeting;
- (VIII) it shall contain a conspicuous statement that shareholders entitled to attend and vote have the right to entrust one or more proxies to attend and vote on their behalf and that such proxy need not be a shareholder;
- (IX) it shall state the time and place for the delivery of the meeting's proxy's forms; and
- (X) name and phone number of the person for meeting enquiry.

Notice of Shareholders' general meeting shall be served to Shareholders (whether or not entitled to vote at the Shareholders' general meeting) by personal delivery or prepaid mail to their addresses as shown in the register of Shareholders. For holders of Domestic Shares, notice of Shareholders' general meeting may be issued by way of public notice (including the notice on the Company's website).

The public notice shall be published in one or more newspapers designated by the securities governing authority of the State Council within the period between 45 days and 50 days before the date of the meeting. After the publication of such notice, the holders of Domestic Shares shall be deemed to have received the notice of the relevant Shareholders' general meeting.

The Company shall, based on the written replies received 20 days before the date of the Shareholders' general meeting, calculate the number of voting Shares represented by Shareholders who intend to attend the meeting. If the number of voting Shares represented by the Shareholders who intend to attend the meeting has reached one-half or more of the Company's total voting Shares, the Company may hold the Shareholders' general meeting. Otherwise, the Company shall within five days notify the Shareholders again by public notice of the matters to be considered, the place and the date for the meeting. The Company may then hold the meeting after the publication of such public notice.

When the Company is to hold an annual shareholders' general meeting, shareholders holding 3% or more of the total number of the Company's voting shares shall be entitled to propose new motions in writing to the Company. The Company shall include in the agenda for the meeting the matters in the motions that fall within the scope of duties of the shareholders' general meeting.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the meeting or any resolution adopted at that meeting.

The Shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with laws:

- (I) deciding on the business policies, development strategic plan, and significant investment plans of the Company;

- (II) electing and replacing directors and deciding on matters concerning their compensation;
- (III) electing and replacing supervisors appointed from the shareholder representatives, and deciding on matters concerning their compensation;
- (IV) examining and approving work report of the board of directors;
- (V) examining and approving work report of the board of supervisors;
- (VI) examining and approving the Company's annual financial budget and final account proposals;
- (VII) examining and approving the Company's plans for profit distribution and loss make-up;
- (VIII) adopting resolutions concerning the increase or decrease of the Company's registered capital;
- (IX) adopting resolutions on merger, division, dissolution, liquidation or change of corporate form of the Company;
- (X) adopting resolutions on annual plans for issuance of corporate bonds;
- (XI) adopting resolutions on the engagement or dismissal of accounting firms by the Company;
- (XII) amending the Articles;
- (XIII) examining and approving the material equity investment, bond investment, asset acquisition, asset disposal, write off of assets and external guarantee that shall be approved by the general meeting of shareholders as stipulated by laws, administrative regulations and relevant regulations of the securities regulatory authority of the locality where the shares of the Company are listed;
- (XIV) examining and approving the share incentive plans;
- (XV) examining and approving proposals raised by the shareholders who individually or jointly hold more than five percent (5%) of the voting shares of the Company; and
- (XVI) examining and approving other issues that shall be approved by the general meeting of shareholders as stipulated by laws, administrative regulations, rules and relevant regulations of the securities regulatory authority of the locality where the shares of the Company are listed as well as the Articles.

The above matters which are within the scope of authority of the Shareholders' general meeting shall be considered and approved by the Shareholders' general meeting. However, the Shareholders' general meeting may delegate power to the Board to decide on such matters under necessary, reasonable and lawful circumstances.

**TRANSFER OF SHARES**

Unless otherwise provided by laws, regulations, securities regulatory authority at the place where the Company's Shares are listed, fully paid-up Shares in the Company are freely transferable and are not subject to any lien. Where a shareholder provides guarantee with the stock of the Company for itself or others, such shareholder shall strictly abide by the laws, regulations and the requirements of the regulatory departments and inform the board of directors of the same in advance; where a sponsor shareholder transfers the shares of the Company, such shareholder shall inform the board of directors of the Company of the same in advance. Where a sponsor pledges the shares of the Company for his/her own or for the others, requirements provided by the laws and regulations and regulatory authorities should be strictly followed and the Board should be notified in advance. Where a sponsor transfers the shares of the Company, the Board of the Company should be notified in advanced.

All the fully paid-up overseas listed Shares that are listed in Hong Kong can be freely transferred in accordance with the Articles of Association. Unless the following requirements are met, the Board may refuse to accept any transfer documents without giving any explanation for such refusal:

- (I) Transfer documents and other documents relating to the ownership of any shares or having an impact the ownership of the shares shall be registered and a fee shall be paid to the Company for registration. The standard of such fee shall be determined by the Board. However, such fee shall not exceed the maximum amount of fee provided by the Hong Kong Stock Exchange from time to time;
- (II) such transfer documents only relate to the overseas listed Shares listed on the Hong Kong Stock Exchange;
- (III) any stamp duty payable on the transfer documents are duly paid in accordance with the laws of Hong Kong;
- (IV) relevant share certificates and other proof which proves the transferor's ownership of the Shares shall be provided, as the Board may reasonably require;
- (V) there shall only be a maximum of four joint holders in the event that the Shares are to be transferred to joint holders;
- (VI) no Company's lien shall be attached to the relevant Shares;
- (VII) no share shall be transferred to minor or mentally defective person or person without legal capacity.

Where the Board refuses to register the transfer of Shares, the Company shall issue a notice of refusal to the transfer or and the transferee within two months from the date of application for the transfer.

Shares of the Company held by the promoter shall not be transferred within one year from the date of incorporation of the Company. Shares that have been issued before public offering of the Company shall not be transferred within one year from the date that the Shares of the Company are listed on a stock exchange. The sponsor shareholder should abide the prohibiting stipulation of the Banking regulatory authority when transfer the shares of the Company.

Directors, Supervisors and the senior management members of the Company shall declare to the Company that their shareholdings in the Company and any alternation of such shareholdings. They shall not transfer more than 25% of all the Shares held in the Company in any particular year during their tenure. They shall not transfer the Shares of the Company held within one year from the date of the Company's listing on a stock exchange, or six months after their resignation from their positions with the Company.

The Company shall not accept any pledge with its own Shares as the objectives.

### **POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES**

The Company may repurchase its Shares in the following circumstances in accordance with the laws, regulations and provisions of the Article of Associations and subject to the approval of the relevant governing authority of the State:

- (I) reducing the registered capital of the Company to cancel shares;
- (II) merging with any other companies holding Shares of the Company;
- (III) giving the Shares to employees of the Company as a reward;
- (IV) being requested to repurchase the Shares of the Company by the Shareholders who object to the resolutions adopted at the Shareholders' general meeting concerning merger or division of the Company;
- (V) other circumstances permitted by laws and regulations.

Where the Company repurchases its shares under circumstances (I) to (III), it shall obtain approval from Shareholders' general meeting. Where the Company repurchases its Shares under circumstance (I), it shall cancel the Shares within ten days from the date of repurchase. Where the Company repurchases its Shares under circumstances (II) and (IV), the Company shall transfer or cancel the Shares within six months.

The Shares repurchased by the Company under circumstance (III) shall not exceed 5% of the total issued Shares of the Company. The funds for repurchase shall be paid from the after-tax profits of the Company. The Shares redeemed shall be transferred to the employees within one year.

The Company may repurchase its Shares in accordance with the laws in any of the following ways after being approved by relevant competent authorities of the State:

- (I) making a repurchase offer pro rata to all Shareholders;
- (II) repurchasing by means of public dealing on a stock exchange;
- (III) repurchasing by an off-market agreement;
- (IV) other methods as permitted by relevant competent authorities.

Where the Company repurchases its Shares by an off-market agreement, the prior approval of Shareholders' general meeting shall be obtained in accordance with the Articles of Association. The Company may terminate or amend the contracts entered into in the aforementioned ways or waive its rights under a contract entered into in the aforementioned ways.



A contract to repurchase Shares includes (without limitation to) an agreement to become obliged to repurchase or an acquisition of the right to repurchase Shares. The Company shall not assign a contract to repurchase its Shares or the rights under a contract to repurchase its Shares.

For the redeemable shares which can be purchased by the Company, other than such purchases made through the stock exchange or by tender, the purchase price shall be limited to a certain single maximum price. If such purchases are made by tender, tenders shall be available to all Shareholders alike.

#### **POWER FOR ANY SUBSIDIARY OF THE COMPANY TO ITS OWN SHARES**

There are no provisions in the Articles of Association preventing ownership of shares in the Company by a subsidiary.

#### **DIVIDENDS AND OTHER METHODS OF PROFIT DISTRIBUTION**

Where the Company distributes its after-tax profits for the current financial year, it shall draw 10% of its profits as the company's statutory common reserve, provided that the company with an aggregate common reserve of more than 50% of the company's registered capital may elect not to draw any statutory common reserve any more.

Where the aggregate balance of the company's statutory common reserve is insufficient to cover any loss the company made in the previous financial year, the current financial year's profits shall first be used to cover the loss before any statutory common reserve is drawn therefrom in accordance with the provisions of the preceding paragraph.

Where any company has drawn a statutory common reserve from its after-tax profits, it may, subject to a resolution of the board of shareholders or the general meeting, draw a discretionary common reserve from its after-tax profits.

Where losses have been covered and the statutory and discretionary common reserves have been drawn, any remaining after-tax profits shall be distributed to shareholders in accordance with Article 34 of the Law in case of a limited liability company or on a pro rata basis in case of a joint stock limited company, unless its articles of association provides distribution shall not be made on a pro rata basis.

Where the board of shareholders, general meeting or board of directors distributes profits in violation of the provisions of the preceding paragraph before losses are covered and the statutory common reserve is drawn, the profits distributed must be returned to the company.

No profit may be distributed for shares held by the company itself.

The Company may distribute dividends in the following forms:

- (I) cash; and/or
- (II) Shares.

The Company shall appoint receiving agents on behalf of holders of the overseas listed invested Shares to receive on behalf of such Shareholders dividends declared and all other monies owing by the Company in respect of their overseas listed Shares. The receiving agents appointed by the Company on behalf of holders of the overseas listed Shares listed in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

**PROXIES**

Any Shareholder entitled to attend and vote at a Shareholders' general meeting shall be entitled to appoint one or more other persons (whether a Shareholder or not) as his proxy to attend and vote on his behalf. According to the appointment of the Shareholder, a proxy so appointed shall:

- (I) have the same right as the Shareholder to speak at the meeting;
- (II) have authority to demand or join in demanding a poll;
- (III) have the right to vote by hand or on a poll, but when more than one proxy has been appointed, the proxies only have right to vote on a poll.

Shareholders shall appoint a proxy by written instrument which is signed by the appointer or his/her agent so authorized in writing, or if the appointer is a legal person or other institutions, sealed by the stamp of the legal person or institution or signed by its legal representative, directors, or agents so appointed by written form.

The proxy letter issued by a Shareholder to entrust proxy to attend Shareholders' general meeting shall contain the following contents:

- (I) name of the proxy;
- (II) proxy's voting right;
- (III) the number of Shares represented by the proxy;
- (IV) instructions on each item to be discussed on the agenda of the Shareholders' general meeting, stating whether the Shareholder agrees to, objects to or abstains from voting the resolution in respect of his shareholding respectively;
- (V) issuing date of the proxy letter and its effective period;
- (VI) signature (or seal) of the appointer.

The proxy letter shall be deposited at the residence of the Company or at such a place as specified in the notice convening the meeting not less than 24 hours before the time of the meeting at which the proxy proposes to vote or the time appointed for the voting. If the proxy letter is signed by other person authorized by the appointer, the power of attorney or other authorization document shall be notarially certified. The notarially certified power of attorney or other authorization document, together with the proxy letter, shall be deposited at the residence of the Company or at such a place as specified in the notice convening the meeting.

The format of power of attorney or proxy letter provided to Shareholders by the Board of the Company for appointing proxies shall enable the Shareholder to instruct his proxies to vote for or against or abstain from voting and to make instructions on each item to be discussed on the agenda of the Shareholders' general meeting. The proxy letter shall specify whether the proxy may vote as he/she thinks fit in the absence of instructions from the Shareholder. If the proxy letter does not specify, the proxy may vote as he/she thinks fit in respect of any item without any specified instruction and the Shareholder shall be responsible for such voting.

A vote given in accordance with the terms of an instrument of proxy shall be valid if no notice in writing had been given to the Company with respect to the previous death or loss of capacity of the appointer, revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the relevant Shares before the commencement of the relevant meeting.

**CALLS ON SHARES AND FORFEITURE OF SHARES**

For dividends that are not claimed by anyone, the Company may exercise the right of expropriation under the precondition of complying with the relevant laws, regulations of China and the provisions of the Hong Kong Stock Exchange, but the right shall be exercised only after the expiration of the applicable period.

The Company shall send dividend warrants to Shareholders by mail directly or through the receiving agent. The Company shall have the right to terminate sending dividend warrants to Shareholders by mail after a dividend warrant fails to be redeemed for two consecutive occasions. However, the Company can exercise the right after the first occasion when such a dividend warrant is returned as undelivered.

The Company shall have the right to sell the Shares of Shareholders of overseas-listed Shares who are untraceable in a way deemed appropriate by the Board, provided the following conditions are met:

- (I) the Company has distributed dividends at least three times to such Shares within 12 years, and the dividends are not claimed by anyone during the period;
- (II) the Company publishes announcements in one or more newspapers in the place where the Company's Shares are listed after the expiration of the 12-year period, stating its intention to sell the Shares, and informs the stock exchange on which the Company's Shares are listed.

**RIGHTS OF SHAREHOLDERS**

The ordinary shareholders of the Company shall enjoy the following rights:

- (I) collect dividends and other profit distributions on the basis of the number of shares held by them;
- (II) participate or to appoint proxies to participate in shareholders' meetings and exercise voting rights;
- (III) supervise and control the Company's business activities, and raise suggestions and inquiries;
- (IV) transfer shares in accordance with laws, administrative regulations and the Company's Articles of Association;
- (V) obtain relevant information in accordance with the Articles of Association of the Company;
- (VI) participate in the distribution of the remaining property of the Company according to their shareholding when the Company is terminated or liquidated; and
- (VII) other rights conferred by laws, administrative regulations and the Company's Articles of Association.

**QUORUM OF THE GENERAL MEETINGS AND SEPARATE CLASS MEETINGS**

The Company shall calculate the number of Shares with voting rights represented Shareholders who intend to attend the meeting based upon the written reply received 20 days prior to the Shareholders' general meeting. Where the number of voting rights Shares held by Shareholders who are going to attend the meeting reaches half or more of the total of Shares with voting rights of the Company, then the meeting can be held. Otherwise, the Company shall, within five days, inform the Shareholders again, about the matters to be discussed in the meeting, with the location and date of the meeting by an announcement. The Company may convene a Shareholders' general meeting after such announcement has been made.

When the voting Shares represented by the Shareholders to be present in the meeting reach half or more of the total voting Shares of that class in the meeting, the Company can convene class meeting; otherwise, the Company shall, within five days, inform the Shareholders again of the matters to be reviewed in the meeting, the meeting date and place through an announcement. The company may convene class meeting after such announcement has been made.

**LIQUIDATION**

In any of the following circumstances, the Company may be dissolved and liquidate in accordance with the laws:

- (I) dissolution as resolved by a Shareholders' general meeting;
- (II) dissolution as a result of merger or division of the Company;
- (III) being legally declared bankruptcy as a result of failure to repay the debt due;
- (IV) its business license is revoked or it is ordered to close down its business or its business license is canceled in accordance with laws;
- (V) Other circumstances prescribed by laws, regulations and the articles of association of the Company.

Where the Company is dissolved as a result of merger or division, a liquidation committee shall be formed to carry out the dissolution.

Where the Board decides to liquidate the Company (due to causes other than where the Company has declared that it is insolvent), the Board shall, in its notice convening a Shareholders' general meeting, declare that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to repay its debts within 12 months after the commencement of the liquidation.

Upon passing of the resolution at the Shareholders' general meeting for the liquidation of the Company, all functions and powers of the Board shall cease forthwith.

The liquidation committee shall act in accordance with the instructions of the Shareholders' general meeting and report at least once a year to the Shareholders' general meeting on the committee's receipts and payments, the business of the Company and the progress of the liquidation and to place a final report before the Shareholders' general meeting on completion of the liquidation.

The liquidation committee shall give notices to the creditors within ten days after its establishment and issue announcements in the newspaper within 60 days after its establishment. The creditors shall report claims to the liquidation committee within 30 days after the date of the receipt of such notices or within 45 days after the date of the first announcement if no notice is received.

In the period of reporting claims, the liquidation committee should not make any debt repayment to the creditors.

### **OTHER PROVISIONS MATERIAL TO THE COMPANY AND ITS SHAREHOLDERS**

The Company is a joint stock limited company in perpetual existence.

The Articles of Association shall be passed at the Shareholders' general meeting by resolution and approved by regulatory authorities of the Banking industry under the State Council before becoming effective upon the initial public offering of the Shares of the Company. The Articles of Association shall become a legally binding document that regulates the organization and acts of the Company as well as the rights and obligations between the Company and its Shareholders.

Holders of the ordinary Shares of the Company shall perform the following obligations:

- (I) to comply with the Articles of Association;
- (II) to make contribution according to the number of Shares subscribed by them and the methods of capital contribution;
- (III) not to withdraw their contributed share capital unless in such circumstances as stipulated by the laws and regulations;
- (IV) not to abuse the Shareholders' rights to harm the interest of the Company or other Shareholders; Independent legal person status and limited liability of Shareholders shall not be abused to harm the interest of creditors of the Company;
- (V) other obligations imposed by the laws, regulations and regulatory documents and the Articles of Association.

### **BOARD SECRETARY**

The Company shall have a Board secretary who shall be appointed and dismissed by the Board. The Board secretary is the Company's senior management member responsible for and reporting to the Board. A Board secretary may be dismissed by the Board if the Board identifies any misconduct or negligence of duty of the Board secretary. The major duties of the Board secretary include the following:

- (I) to assist the Directors in handling the daily work of the Board, providing the Directors with or, reminding them of and ensuring that they understand the regulations, policies and requirements of the relevant regulatory authorities in relation to the Company's operation; and to assist the Directors and president in complying with the relevant laws, regulations, regulatory documents, the Articles of Association and any other application rules when exercising their powers;
- (II) to organize and prepare the documents of Shareholders' general meetings, Board meetings and special committees of the Board, prepare minutes of meetings and ensure the procedures of such meetings are in compliance with the legal requirements, and monitor the execution of the resolution by the Board;

- (III) to organize and coordinate information disclosure with the aim of enhancing the transparency of the Company and to ensure that the Company prepares and submits the reports and documents required by the regulatory authorities in accordance with laws;
- (IV) to coordinate the relationship between the Company and the investor, the regulatory authorities, intermediaries and media;
- (V) to assist the Board in preparing and revising documentation for corporate governance of the Company, and to establish a scientific decision making system and corporate governance procedure;
- (VI) to be responsible for keeping the important documents such as resolutions and minutes of the Shareholders' general meeting, the Board and the special committee of the Board; to maintain the shareholders' register, the register of Directors, Supervisors and Senior Management members and the information regarding the shareholding of Directors, Supervisors and Senior Management members of the Company;
- (VII) to perform other duties conferred by laws, regulations, rules, regulatory documents and the Articles of Association and other matters as authorized by the Board.

### **BOARD OF SUPERVISORS**

The Company shall have a Board of Supervisors. The Board of Supervisors is a supervisory entity of the Company responsible to the Shareholders' general meeting and monitors the senior management members such as the financial directors, Directors and the president so as to prevent them from abusing their powers and infringing the interest of Shareholders. The Board of Supervisors of the Company shall be composed of three to nine Supervisors and the specific number shall be determined by the Shareholders' general meeting. The Board of Supervisors shall have one chairman who shall have relevant accounting, audit, financial or legal professional knowledge and experience.

Supervisors representing Shareholders and external Supervisors shall be elected, replaced or dismissed by the Shareholders' general meeting. Supervisors representing employees shall be elected, replaced or dismissed at the employee representative meeting by the employees of the Company and will be an employee. Supervisors representing Shareholders shall be nominated by the Board of Supervisors or Shareholders individually or jointly holding 3% or more of the Shares with voting rights of the Company in aggregate.

The Board of Supervisors shall perform the following duties:

- (I) to examine and oversee the financial conditions of the Company, and review financial information including the financial reports and profit distribution plan;
- (II) to supervise the performance of Directors and senior management members and to propose the removal of Directors and senior management members who are in breach of the laws, regulations, the Articles of Association or the resolutions of the Shareholders' general meeting;
- (III) to urge Directors and senior management members to correct their acts which impair the interests of the Company;
- (IV) to verify financial information such as financial reports, business reports, profit distribution plans, etc. that the board of directors intends to submit to the shareholders' general meeting and, if in doubt, to be able to appoint, in the name of the Company, a registered accountant or practicing auditor to assist in reviewing such information;

- (V) to propose the convening of extraordinary general meetings and to convene and preside over Shareholders' general meetings when the Board fails to perform the duty of convening and presiding over Shareholders' general meeting under laws, regulations and the Articles of Association;
- (VI) to submit proposals to the Shareholders' general meeting;
- (VII) to negotiate with Directors on behalf of the Company and to initiate litigation against Directors or senior management members in accordance with the Company Law;
- (VIII) to propose to convene an extraordinary meeting of the Board;
- (IX) to elect of the chairman of the board of supervisors;
- (X) to formulate the rule of procedures of the Board of Supervisors or to formulate amendments to the rule of procedures of the Board of Supervisors;
- (XI) to formulate the assessment methods and remuneration package of Supervisors and carry out appraisal of Supervisors for approval at the shareholders' general meeting;
- (XII) to perform other duties as required by laws, regulations, regulatory documents, the requirements of the securities regulatory authority of the place where the shares of the Company are listed and the Articles of Association.

The meetings of the Board of Supervisors are divided into regular and extraordinary meetings of the Board of Supervisors. The meetings of the Board of Supervisors shall be convened at least once every season. The Board of Supervisors shall inform all Supervisors in writing ten days prior to the holding of the meeting.

To convene an extraordinary meeting of the Board of Supervisors, written notice shall be given seven days before the date of meeting. In case of emergency, the convening of an extraordinary meeting of the Board of Supervisors is not subject to the aforementioned notification time, but reasonable notice shall be given.

A meeting of the Board of Supervisors shall not be conducted unless two-thirds or more of all the Supervisors (including those who appoint other Supervisors to attend the meeting on their behalf) are present. The resolutions of the meeting of the Board of Supervisors shall be passed by not less than two-thirds of all the Supervisors.

## **BOARD**

The Board shall perform the following duties:

- (I) to convene and report its work to the Shareholders' general meeting;
- (II) to implement the resolutions of the Shareholders' general meeting;
- (III) to determine the development strategic plans, operation plans, development strategies and investment proposals of the Company;
- (IV) to formulate annual financial budget and final account statement of the Company;
- (V) to formulate profit distribution plan and plan for recovery of losses of the Company;
- (VI) to formulate proposals for increases or reductions of the registered capital of the Company and to formulate bond issuance plans in the annual bond issuance plans of the general meeting of shareholders as well as asset securitization plan;

- (VII) to formulate plans for the major acquisition, repurchase of shares of the Company, merger, separation, changes of the form and dissolution of the Company;
- (VIII) to determine the structure of internal management departments of the Company and the establishment or revocation of the branches;
- (IX) to elect the chairman and vice chairman of the Board;
- (X) to appoint or remove the president of the Company, the secretary to the Board and the chairman of the special committee of the Board;
- (XI) to appoint or remove vice president and other senior management members (excluding secretary to the Board) and the director of the internal audit as nominated by the president;
- (XII) to formulate the basic management system of the Company and the special committee of the Board;
- (XIII) to draft the Articles of Association, rules of procedure of the general meeting of shareholders and the rules of the board of directors;
- (XIV) to formulate equity incentive scheme;
- (XV) to manage the matters in relation to the information disclosure of the Company;
- (XVI) to determine the establishment special committee of the board of directors and to elect the members;
- (XVII) to determine the Risk Management System which including risk assessment, financial control, internal audit and legal risk control;
- (XVIII) to propose the appointment, removal or termination of appointment of accounting firm to the Shareholders' general meeting;
- (XIX) to listen to the regular reports of the company's president and senior management which is entrusted by the president, and to approve the president's work report;
- (XX) to determine external donation that three million yuan or more;
- (XXI) to examine and approve the major financial accounting policies and accounting estimates changes;
- (XXII) to determine the staff establishment, compensation plan and performance appraisal of the senior executives;
- (XXIII) to examine and approve the material equity investment, bond investment, asset acquisition, asset disposal, write off of assets and external guarantee except for those which shall be approved by the general meeting of shareholders as stipulated by the Articles of Association;
- (XXIV) to consider and approve connected party transactions which is stipulated by laws, administrative regulations and relevant regulations of the securities regulatory authority of the locality where the shares of the Company are listed;
- (XXV) to perform other duties as required by laws, regulations, regulatory documents, the requirements of the securities regulatory authority of the place where the Shares of the Company are listed and the Articles of Association, and other matters as authorized by the Shareholders' general meeting.



Resolutions by the board of directors on matters referred to in the preceding paragraph may be passed by the affirmative vote of more than half of the directors with the exception of resolutions on matters referred to in Items (V), (VI), (VII), (X), (XI), (XIII), (XXIII), which shall require the affirmative vote of more than two-thirds of the directors.

Board meetings are divided into regular Board meetings and extraordinary Board meetings. Regular Board meetings shall be convened at least once a season, approximately once a quarter. Regular Board meetings shall not be convened by way of correspondence. The Board shall notify all Directors and Supervisors in writing 14 days before the meeting is convened.

The chairman of the Board shall issue the notice of convening an extraordinary meeting of the Board within ten days from the date of the occurrence of the following circumstances:

- (I) request of more than three Directors;
- (II) request of the Board of Supervisors;
- (III) request of more than half of the independent Directors;
- (IV) The chairman of the Board deems necessary;
- (V) request of the Shareholders who, individually or jointly hold 10% or more of the Shares with voting rights of the Company in aggregate;
- (VI) request of the president.

To convene an extraordinary meeting of the Board, written notice shall be given to all Directors fourteen days before the date of meeting. In case of emergency, the convening of an extraordinary meeting of the Board is not subject to the aforementioned notification time, but reasonable notice shall be given.

A Board meeting shall not be conducted unless more than half of the Directors (including those who appoint other Directors to attend the meeting on their behalf) are present. If a Director has interest in any matters to be discussed, the Board meeting shall not be held until a simple majority of the Directors who do not have any interest in the matters to be discussed are present.

When the number of votes for and against a resolution is equal, whether the vote is taken by raising hands or by ballot, the chairman of the meeting shall be entitled to one additional vote.

Directors shall attend the meetings of the Board in person. If a Director is unable to attend the meeting for any reason, he/she may appoint another Director with the same class in writing to attend the meeting on his/her behalf. A proxy form shall state the name of the proxy, the scope of the authorization, the authority of the proxy and the period of validity, and also be signed or affixed by the principal and the proxy. The Director attending the meeting on behalf of another Director shall exercise his/her power within the scope of authorization. A Director who does not attend a Board meeting either in person or by proxy shall be deemed to have waived his/her voting right at the meeting.

**SPECIAL COMMITTEES OF THE BOARD**

Special committees including Risk Management and Internal Control Committee, Connected Transactions Committee, Audit Committee and Nomination and Remuneration Committee are set up under the Board of the Company.

**SETTLEMENT OF DISPUTES**

Any dispute or claim of rights relating to the affairs of the Company and arising between holders of overseas listed Shares and the Company, or between holders of overseas listed Shares and Directors, Supervisors, or senior management of the Company, or between holders of overseas listed Shares and holders of Domestic Shares, and arising as a result of the rights and obligations provided for in the Articles of Association, the PRC Company Law and other applicable laws, administrative requirements, shall be referred to arbitration by parties involved.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, where the persons being the Company or Shareholders, Directors, Supervisors, managers or other senior management members of the Company, shall comply with the arbitration.

Disputes in respect of the definition of Shareholders and disputes in relation to the register of members need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Center.

The resolution of any dispute or claim of rights referred to in the first paragraph above by arbitration is subject to the PRC laws, unless otherwise required by laws and administrative regulations.

An arbitral award made by the arbitral body shall be final and binding on the parties.

## 1. FURTHER INFORMATION ABOUT OUR COMPANY

### A. Incorporation

Our Company was established in 1984 in the PRC, and was converted to a limited joint stock company under the Company Law on September 28, 2015 by our promoters, namely CDB, HNA Group, Xi'an Aircraft Industry, Jiangsu Jia Yuan, Qitian Holding, Bank of Urumqi, Sichuan Financial Leasing and Huilian Assets Management, through a promoters agreement signed on August 11, 2015 with a registered capital of RMB9,500,000,000. Our Company has established a principal place of business in Hong Kong at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on December 17, 2015. Ms. Wong Sau Ping has been appointed as our agent for the acceptance of service of process in Hong Kong. As we are incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix V to this prospectus. A summary of certain relevant aspects of the laws and regulations of the PRC and Hong Kong is set out in Appendix IV to this prospectus.

### B. Changes in Share Capital

At the date of our Company's establishment as a joint stock limited company, our registered capital was RMB9,500,000,000, divided into 9,500,000,000 Domestic Shares of nominal value of RMB1.00 each. There has been no change to our Company's registered capital in the last two years and since its incorporation as a joint stock limited Company on September 28, 2015 up to the Latest Practicable Date.

Upon completion of the Global Offering, but without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, our registered capital will be increased to approximately RMB12,600,000,000, comprising 9,190,000,000 Domestic Shares and 3,410,000,000 H Shares fully paid up or credited as fully paid up, representing 72.9% and 27.1% of our registered capital, respectively.

Save as aforesaid, there has been no alteration in our Company's share capital since our Company's establishment.

### C. Our Company's Extraordinary General Meetings Held on November 24, 2015

At the extraordinary general meeting of our Company held on November 24, 2015, the following resolutions, among other things, were passed by the Shareholders of our Company, respectively:

- (a) the issue by our Company of the H Shares of nominal value of RMB1.00 each up to 3,100,000,000 Shares to be listed on the Stock Exchange, being approximately 24.6% of the Company's enlarged share capital after the issuance (without taking into account the H Shares which may be issued up on the exercise of the Over-allotment Option, being up to 15% of the Offer Shares initially available under the Global Offering); and
- (b) subject to the completion of the Global Offering, the Articles of Association effective on the Listing Date has been adopted, and the Board has been authorized to amend the Articles of Association in accordance with relevant laws and regulations and upon the request from the Stock Exchange and relevant PRC regulatory authorities.

**D. Our Reorganization**

We have undergone the Reorganization, details of which are set out in “History, Reorganization and Corporate Structure” in this prospectus. As advised by our PRC legal advisors, DeHeng Law Offices, except for the name change registration for the Company’s certain properties and lands (i.e. to change our registered name to China Development Bank Financial Leasing Co., Ltd.) are still in progress, all necessary consents, approvals, authorizations and permissions required to be obtained for the Reorganization have been obtained; all the Reorganization steps have been duly completed pursuant to the applicable PRC laws, regulations and rules; corresponding changes have been made to other matters in connection with the Reorganization that are subject to the registration changes with the industry and commerce authorities, and the above name change registration is not subject to substantial legal impediment.

**E. Change in Share Capital of our Subsidiaries and SPCs**

Our subsidiaries (for the purpose of the Listing Rules) and SPCs as of December 31, 2015 are set out in the Accountant’s Report under Appendix I to this prospectus. There has been no other alteration in the share capital of any of our subsidiaries or SPCs within the two years immediately preceding the date of this prospectus.

**2. FURTHER INFORMATION ABOUT OUR BUSINESS****A. Summary of our Material Contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of our business) within two years preceding the date of this prospectus which are or may be material, a copy of each has been delivered to the Registrar of Companies for registration:






- (a) the asset transfer agreement dated September 29, 2015 entered into by the Company and Shenzhen Office of China Orient Asset Management Corporation (the “Transferee”), pursuant to which the Company agreed to transfer, and the Transferee agreed to accept the non-performing financial assets portfolio of the Company consisting of 25 non-performing assets with a total book value of the corresponding debts of RMB754,140,342.75 for a consideration of RMB49.50 million;
- (b) the Hong Kong Underwriting Agreement (as more specifically described in the section headed “Underwriting – The Hong Kong Public Offering – Hong Kong Underwriting Agreement” in this prospectus);
- (c) a cornerstone investment agreement dated June 20, 2016, entered into among Three Gorges Capital Holdings Co., Ltd., CITIC CLSA Capital Markets Limited, CLSA Limited, Merrill Lynch Far East Limited, Merrill Lynch International and us, pursuant to which Three Gorges Capital Holdings Co., Ltd. agreed to subscribe for 1,306,500,000 H Shares, as detailed in “Cornerstone Investors” in this prospectus;
- (d) a cornerstone investment agreement dated June 20, 2016, entered into among China Reinsurance (Group) Corporation, The Hongkong and Shanghai Banking Corporation Limited, CITIC CLSA Capital Markets Limited, CLSA Limited and us, pursuant to which China Reinsurance (Group) Corporation agreed to subscribe for 370,800,000 H Shares, as detailed in “Cornerstone Investors” in this prospectus;












- (e) a cornerstone investment agreement dated June 20, 2016, entered into among Hengjian International Investment Holding (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, CITIC CLSA Capital Markets Limited, CLSA Limited and us, pursuant to which Hengjian International Investment Holding (Hong Kong) Limited agreed to subscribe for 252,000,000 H Shares, as detailed in “Cornerstone Investors” in this prospectus;
- (f) a cornerstone investment agreement dated June 20, 2016, entered into among Fortune Eris Holding Company Limited, CITIC CLSA Capital Markets Limited, CLSA Limited and us, pursuant to which Fortune Eris Holding Company Limited agreed to subscribe for our H Shares in the amount of Hong Kong dollars equivalent of US\$50,000,000, as detailed in “Cornerstone Investors” in this prospectus;
- (g) a cornerstone investment agreement dated June 20, 2016, entered into among Bank of China Group Investment Limited, Merrill Lynch Far East Limited, Merrill Lynch International, CITIC CLSA Capital Markets Limited, CLSA Limited and us, pursuant to which Bank of China Group Investment Limited agreed to subscribe for 159,000,000 H Shares, as detailed in “Cornerstone Investors” in this prospectus; and
- (h) a cornerstone investment agreement dated June 20, 2016, entered into among CCCC International Holding Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited, CITIC CLSA Capital Markets Limited, CLSA Limited and us, pursuant to which CCCC International Holding Limited agreed to subscribe for 154,000,000 H Shares, as detailed in “Cornerstone Investors” in this prospectus.

## B. Our Intellectual Property Rights

### (a) Trademarks

As of December 31, 2015, our Group has not registered any trademark which we consider to be or may be material to our business. As of the Latest Practicable Date, we have duly applied to register the following trademarks which are material to our business:

No.	Trademark	Place of Registration	Application No.	Application Class(es)	Date of Application
1	<b>CDB LEASING</b>	Hong Kong	303600459	35, 36, 39	November 17, 2015
2		Hong Kong	303600431	35, 36, 39	November 17, 2015
3	<p>A </p> <p>B </p> <p>C </p> <p>D </p>	Hong Kong	303600477	35, 36, 39	November 17, 2015

No.	Trademark	Place of Registration	Application No.	Application Class(es)	Date of Application
4	<p>A </p> <p>B </p> <p>C </p> <p>D </p>	Hong Kong	303601340	35, 36, 39	November 18, 2015
5	<p>A </p> <p>B </p> <p>C </p> <p>D </p>	Hong Kong	303601331	35, 36, 39	November 18, 2015
6	<p>A </p> <p>B </p> <p>C </p> <p>D </p>	Hong Kong	303601359	35, 36, 39	November 18, 2015
7	國銀金融租賃	China	18346015	35	November 16, 2015
8	國銀金融租賃	China	18345995	36	November 16, 2015
9	國銀金融租賃	China	18345842	39	November 16, 2015
10	國銀租賃	China	18408078	35	November 24, 2015
11	國銀租賃	China	18408415	36	November 24, 2015
12	國銀租賃	China	18408630	39	November 24, 2015

**(b) Patents**

As of the Latest Practicable Date, our Group has not registered patents which we consider to be or may be material to our business.

*(c) Domain Name*

As of the Latest Practicable Date, our Group has registered the following domain names which we consider to be or may be material to our business:

<u>No.</u>	<u>Domain Name</u>	<u>Place of Registration</u>	<u>Application Class(es)</u>	<u>Owner</u>	<u>Valid Period</u>
1	<i>Cdbleasing.net</i>	China	Top-level domain	Our Company	October 20, 2014 to October 20, 2016
2	<i>cdb-leasing.com</i>	China	Domestic domain	Our Company	October 20, 2014 to October 20, 2016
3	<i>SinoAero.ie</i>	Ireland	International domain	Our Company	October 20, 2014 to October 20, 2016

### **3. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS**

#### **A. Directors and Supervisors**

##### *(a) Disclosure of Interest*

Immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, none of our Directors, Supervisors and chief executive of our Company has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or is deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they apply to the Supervisors).

##### *(b) Particulars of Service Contracts*

Each of the Directors has entered into a service contract with our Company on June 13, 2016. The principal particulars of these service agreements are (a) for a term of three years commencing from the Listing Date; and (b) are subject to termination in accordance with the irrevocable terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable laws, rules or regulations.

Each of the Directors and Supervisors has entered into a contract pursuant to Rule 19A.54 and Rule 19A.55 of the Listing Rules with our Company which provides for, among others, compliance of relevant laws and regulations, observations of the Articles of Association and provision on arbitration with our Company.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

**(c) Directors' and Supervisors' Remuneration**

For the three years ended December 31, 2013, 2014 and 2015, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by us to our Directors were approximately RMB6,670,000, RMB5,059,000 and RMB5,019,000, respectively. For the three years ended December 31, 2013, 2014 and 2015, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by us to our Supervisors were approximately RMB731,000, RMB742,000 and RMB3,089,000, respectively. Save as disclosed under Note 42 to the Accountant's Report set out in Appendix I to this prospectus, no Director or Supervisor received other remuneration or benefits in kind from our Company in respect of the three years ended December 31, 2013, 2014 and 2015.

Under the current arrangements, our Directors and Supervisors will be entitled to receive compensation (including remuneration and benefits in kind before tax) from our Company for the year ending December 31, 2016, which is expected to amount to approximately RMB8,700,000 in total.

**B. Substantial Shareholders**

**(a) Interest in the Shares of our Company**

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10.0% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company, see "Substantial Shareholders."

**(b) Interest in our SPCs and Subsidiaries**

Shareholder	Approximate shareholding (%)	Subsidiary of our Company
Shenzhen Yigong Industrial Development Co., Ltd.	10	Changsha Jichuang Toll Management Co., Ltd.

Save as disclosed above, so far as our Directors are aware, apart from our Company, no one will, immediately following completion of the Global Offering (and assuming the Over-allotment Option is not exercised), directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group (excluding our Company).

**C. Personal Guarantees**

Our Directors and Supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.



**D. Agency Fees or Commissions Paid or Payable**

Save as disclosed in “Underwriting” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years ended on the date of this prospectus.

**E. Related Party Transactions**

During the two years preceding the date of this prospectus, we have engaged in the material related party transactions as described in Note 44 – Related Party Transactions to the Accountant’s Report set out in Appendix I to this prospectus.

**F. Disclaimers**

Save as disclosed in this prospectus:

- (a) none of our Directors, Supervisors or chief executive of our Company has any interests and short positions in our Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or is deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Stock Exchange, in each case once our H Shares are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;
- (b) none of our Directors or Supervisors nor any of the parties listed in the paragraph headed “Qualification of Experts” of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;
- (c) none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in our Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Stock Exchange; save as disclosed in this prospectus, none of our Directors or Supervisors nor any of the parties listed in paragraph headed “Qualification of Experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (d) none of the parties listed in the paragraph headed “Qualification of Experts” of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities; and
- (e) none of our Directors or Supervisors or their respective close associates or any Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers (if applicable) or our five largest customers.

#### **4. OTHER INFORMATION**

##### **A. Estate Duty**

We have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

##### **B. Litigation**

Save as disclosed in “Business – Legal and Regulatory” of this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened against any member of our Group as of the Latest Practicable Date.

##### **C. Restrictions on Share Repurchases**

In accordance with Article 143 of the Company Law, a company may not repurchase its own shares, except under one of the following circumstances:

- (1) to reduce its capital;
- (2) to merge with another company that holds its shares;
- (3) to reward its staff and workers with shares;
- (4) when a shareholder who votes against the resolution of the shareholders’ general meeting on the merger or division of a company requires the company to repurchase his or her shares.

When a company repurchases its own shares by reason of the provisions in (1) to (3) of the preceding clause, the resolution of the general meeting shall be required. After a company has repurchased its own shares in accordance with the preceding clause by reason of the provision in (1), the repurchased shares shall be cancelled within ten days of the repurchase, and if by reason of the provisions in (2) to (4), the repurchased shares shall be transferred or cancelled within six months.

When a company repurchases its shares by reason of the provision in (3) of the above clause, the amount of shares it repurchases shall not exceed 5% of the total amount of shares it has already issued. Funds used to repurchase such shares shall be paid out of the after-tax profits of the company. The shares so repurchased shall be transferred to the staff and workers within one year.

A company may not be the pledgee of its own shares.

##### **D. Joint Sponsors**

The Joint Sponsors have made an application on our behalf to the Listing Committee for listing of, and permission to deal in, our H Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made by us enabling the H Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

We have entered into an engagement agreement with the Joint Sponsors respectively, pursuant to which we agreed to pay RMB950,000 to each of the Joint Sponsors to act as our sponsors in the Global Offering.

**E. Preliminary Expenses**

Our preliminary expenses are approximately RMB710,000, and were borne by the Company.

**F. Qualification of Experts**

The qualifications of the experts are as follows:

Name	Qualification
CITIC CLSA Capital Markets Limited	Licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Merrill Lynch Far East Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of regulated activities under the SFO
Deutsche Securities Asia Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
DeHeng Law Offices	PRC legal advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Matheson	Irish legal advisors
Beijing Yingke Law Firm Shenzhen Office	Special counsel
Bei Jing Jin Li An Real Estate Appraisal Co., Ltd.	Property valuer
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer

**G. No Material Adverse Change**

Our Directors confirm that there has been no material adverse change in our financial or trading position since December 31, 2015.

**H. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**I. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**J. Miscellaneous**

Save as disclosed in this prospectus,

- (a) within the two years preceding the date of this prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (b) no Share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) within the two years immediately preceding the date of this prospectus, no commission, discount, brokerage or other special terms has been granted in connection with the issue or sale of any capital of our Company;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited company and does not expect to be subject to the Sino-Foreign Joint Venture Law of the PRC (中華人民共和國中外合資經營企業法);
- (h) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months; and
- (i) none of the equity and debt securities of our Company, if any, is listed or dealt within any other stock exchange nor is any listing or permission to deal in other stock exchanges being or proposed to be sought.

**K. Consents**

Each of the experts as referred to in the paragraph headed “Qualification of Experts” in this Appendix has given, and has not withdrawn its written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (other than the penal provisions) of sections 44A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**L. Promoters**

Promoters of the Company are CDB, HNA Group, Xi’an Aircraft Industry, Jiangsu Jia Yuan, Qitian Holding, Bank of Urumqi, Sichuan Financial Leasing and Huilian Assets Management. For details of our promoters, please see “History, Reorganization and Corporate Structure.”

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other interest have been paid, allotted or given to the above promoters in connection with the Hong Kong Public Offering or related transactions in this prospectus.

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## APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

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### DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

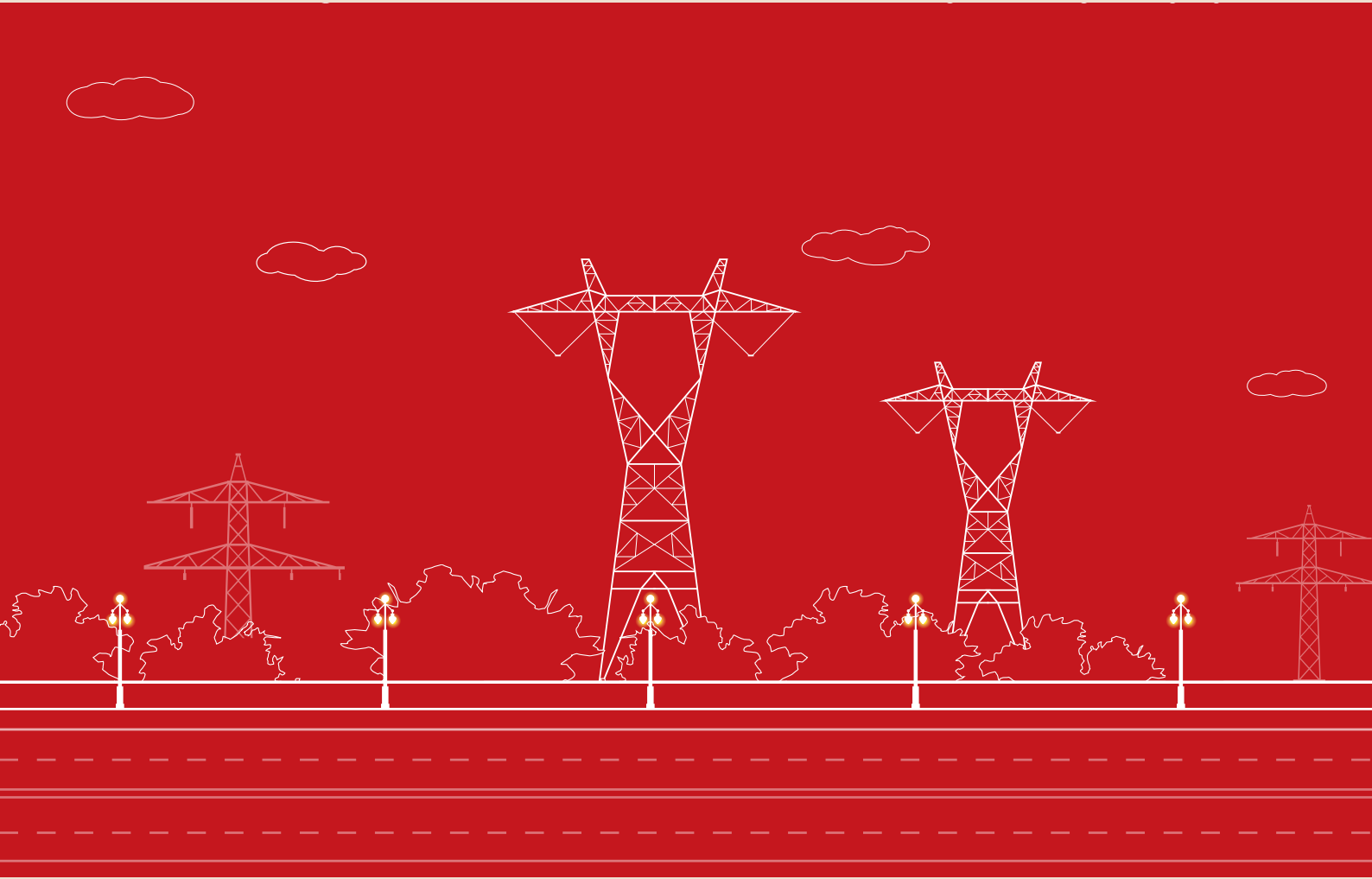
The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “Statutory and General Information – 4. Other Information – K. Consents” in Appendix VI to this prospectus; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “Statutory and General Information – 2. Further Information about our Business – A. Summary of our Material Contracts” in Appendix VI to this prospectus.

### DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Clifford Chance at 27/F, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the Accountant’s Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (d) the consolidated audited financial statements of our Group for the three years ended December 31, 2013, 2014 and 2015;
- (e) the PRC legal opinions issued by DeHeng Law Offices, our PRC legal advisor in respect of our general matters and property interests;
- (f) the material contracts referred to in the paragraph headed “Statutory and General Information – 2. Further Information about our Business – A. Summary of our Material Contracts” in Appendix VI to this prospectus;
- (g) the written consents referred to in the paragraph headed “Statutory and General Information – 4. Other Information – K. Consents” in Appendix VI to this prospectus;
- (h) the contracts referred to in the paragraph headed “Statutory and General Information – 3. Further Information about our Directors, Supervisors and Substantial Shareholders – A. Directors and Supervisors” in Appendix VI to this prospectus;
- (i) the legal opinions issued by Beijing Yingke Law Firm Shenzhen Office, our special counsel with respect to a potential legal proceeding;
- (j) the legal opinions issued by Matheson, our Irish legal advisors, in respect of certain aspects of Irish law referred to in this prospectus; and
- (k) the Company Law, the Special Regulations and the Mandatory Provisions together with unofficial English translations thereof.



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CHINA DEVELOPMENT BANK LEASING