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

2016 Annual Report

Contents

Company Overview

China Development Bank Financial Leasing Co., Ltd., a national non-banking financial institution regulated by CBRC, is the first listed financial leasing company in mainland China and the sole leasing business platform and listing platform of China Development Bank, 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. We enjoy higher international credit ratings, namely "Aa3" by Moody's,"A+" by Standard & Poor's and "A+" by Fitch.

As one of the leasing companies with the longest history in the PRC, we have witnessed and participated in the development of the PRC leasing industry. We have experienced various economic and industry cycles and regulatory reforms, and gained abundant experience through our exploration in business sectors, product innovation, risk management and control, operating management and other aspects. We have gradually built up our explicit positioning with focus on key industries and key clients through exploration in various business sectors on planning, continuous product innovation and business improvement as well as optimization of corporate governance. We target to build a business layout with Aircraft Leasing and Infrastructure Leasing which have well-developed business model, sound asset quality and growth potential as core sectors and to develop a customer positioning with large and medium-sized, high-quality customers as key customer groups.

The continued market-oriented reform of the PRC financial industry, increasing customer demand for customized leasing products and services, and favorable government policies have brought important opportunities to the leasing industry. We believe that our long operating history, market leading position, well-developed business model and premier brand name will enable us to seize such opportunities, achieve sustained growth, and continue to maintain our leading position in the fast developing PRC leasing industry.

Corporate Information

Board Of Directors

Executive Directors

Mr. Wang Xuedong *(Chairman)*
Mr. Fan Xun *(Vice chairman)*
Mr. Huang Min

Non-executive Directors

Mr. Geng Tiejun
Ms. Liu Hui
Mr. Li Yingbao

Independent Non-executive Directors

Mr. Zheng Xueding
Mr. Xu Jin
Mr. Zhang Xianchu

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 Transaction 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

Nomination Committee

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

Board of Supervisors

Mr. Jiang Daozhen *(Chairman)*
Mr. Lei Yanzheng
Mr. Sun Zhikun
Ms. Huang Xuemei
Mr. Zhuang Ganlang

Joint Company Secretaries

Mr. Huang Min
Ms. Wong Sau Ping *(ACIS, ACS)*

Authorized Representatives

Mr. Fan Xun
Mr. Huang Min

Corporate Information

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Registered Office

50–52/F New World Center
No. 6009 Yitian Road
Futian District
Shenzhen
Guangdong Province
PRC

Headquarters

50–52/F New World Center
No. 6009 Yitian Road
Futian District
Shenzhen
Guangdong Province
PRC

Principal Place of Business in Hong Kong

36/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Legal Advisors

As to Hong Kong law
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law
Beijing Zhong Lun Law Firm (Shenzhen Office)
9-10/F, Tower A
Rongchao Tower
6003 Yitian Road
Futian District
Shenzhen
PRC

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building, Central
Hong Kong

Compliance Advisor

Zhongtai International Capital Ltd.
Unit 3904–07, 39/F
Cosco Tower
183 Queen's Road Central
Hong Kong

Website of the Company

http://www.cdb-leasing.com

Stock Code

1606

Listing Date

July 11, 2016

Definitions

"Articles of Association"	Articles of Association of China Development Bank Financial Leasing Co., Ltd.
"Board" or "Board of Directors"	the board of directors of our Company
"Board of Supervisors"	the board of supervisors of our Company
"Capital Administrative Measures"	Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法》(試行)), issued by the CBRC on June 7, 2012 and being effective from January 1, 2013
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this annual report, 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), the Controlling Shareholder and a Connected Person of the Company
"CDB Capital"	CDB Capital Co., Ltd. (國開金融有限責任公司), a wholly-owned subsidiary of China Development Bank, the Controlling Shareholder of the Company
"CDB New Energy"	CDB New Energy Science and Technology Company Limited (國開新能源科技有限公司), which is held as to 30.46% equity interests by CDB Capital
"Company," "our Company" or "CDB Leasing"	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company established in the PRC in 1984 and converted into a joint stock limited company on September 28, 2015, the H Shares of which are listed on the Hong Kong Stock Exchange with stock code of 1606
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Connected Person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
"Director(s)"	director(s) of our Company
"Global Offering"	the Hong Kong Public Offering and the International Offering as mentioned in the Prospectus
"Group", "we" or "us"	our Company and its subsidiaries or SPCs, or our Company and any one or more of its subsidiaries or SPCs, as the context may require
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

Definitions

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Latest Practicable Date"	April 19, 2017, being the latest practicable date for the purpose of ascertaining certain information in this annual report prior to its printing
"Listing Date"	the date, being July 11, 2016, on which our Shares were listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"Prospectus"	the prospectus of the Company dated June 24, 2016
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Reporting Period"	from the Listing Date to December 31, 2016
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) in the share capital of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"State Council"	State Council of the PRC (中國國務院)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	supervisor(s) of the Company
"US$" or "US dollar(s)"	United States dollar(s), the lawful currency of the United States
"Shenzhen CBRC"	Shenzhen Office of the China Banking Regulatory Commission

Glossary of Technical Terms

"finance lease"	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risks and 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)
"narrow-body aircraft"	single-aisle aircraft, such as Airbus A320 family and Boeing 737 family
"operating lease"	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risk and rewards of the leased assets remain with the lessors
"SPC"	special purpose company
"wide-body aircraft"	twin-aisle aircraft, such as Airbus A330 family and Boeing 777 family
"PPP"	Public-Private-Partnership, a cooperation mode between the government and social capital
"%"	percent

Financial Highlights

1. Summary of Consolidated Statement of Profit or Loss

	For the year ended December 31,			
(RMB in thousands)	**2016**	2015	2014	2013
Finance lease income	**5,363,827**	5,994,754	7,014,851	6,679,397
Operating lease income	**5,453,157**	4,646,164	4,310,041	4,369,952
Total revenue	**10,816,984**	10,640,918	11,324,892	11,049,349
Net investment (losses)/gains	**(52,359)**	77,209	(3,769)	15,589
Other income, gains or losses	**676,180**	263,162	343,949	612,254
Total revenue and other income	**11,440,805**	10,981,289	11,665,072	11,677,192
Total expenses	**(9,373,074)**	(9,681,663)	(9,285,513)	(9,178,019)
Of which: Depreciation and amortisation	**(2,476,525)**	(2,034,732)	(1,860,301)	(1,988,339)
Interest expense	**(4,400,071)**	(5,055,233)	(6,036,064)	(5,700,203)
Impairment losses	**(1,825,773)**	(2,008,170)	(798,412)	(439,803)
Profit before income tax	**2,067,731**	1,299,626	2,379,559	2,499,173
Profit for the year	**1,561,339**	1,052,506	1,916,061	1,886,761
Basic and diluted earnings per share *(RMB)*	**0.14**	0.11	0.20	0.20

2. Summary of Consolidated Statement of Financial Position

	As at December 31,			
(RMB in thousands)	**2016**	2015	2014	2013
Total assets	**166,512,149**	155,695,092	140,365,938	142,378,402
Of which: Cash and bank balances	**9,336,415**	6,313,850	6,010,711	12,747,738
Accounts receivable	**6,841,777**	13,827,135	14,064,541	25,378,695
Finance lease receivables	**88,464,050**	80,945,115	76,911,731	68,754,795
Prepayments	**7,911,502**	6,862,803	4,142,166	1,055,059
Property and equipment	**47,344,054**	42,248,688	36,201,740	32,097,266
Total liabilities	**144,210,475**	140,702,176	126,355,712	130,249,613
Of which: Borrowings	**106,198,168**	102,494,469	93,460,322	100,516,090
Notes payable	**17,793,886**	13,834,811	13,017,025	9,049,532
Total equity	**22,301,674**	14,992,916	14,010,226	12,128,789
Net assets per share *(RMB)*(1)	**1.76**	1.58	N/A	N/A

(1) Net assets per share for years 2013 and 2014 is not available as the Company was converted into a joint stock company in 2015.

3. Selected Financial Ratios

	For the year ended December 31/ As at December 31,			
	2016	2015	2014	2013
Return on average total assets[1]	**0.97%**	0.71%	1.36%	1.33%
Return on average equity[2]	**8.44%**	7.26%	14.66%	17.06%
Net interest spread of finance lease business[3]	**2.10%**	2.21%	2.49%	2.88%
Net interest margin of finance lease business[4]	**2.70%**	2.61%	2.77%	3.09%
Net lease yield of operating lease business[5]	**8.74%**	8.56%	7.63%	6.35%
Profit margin before income tax of operating lease business[6]	**21.77%**	20.64%	16.55%	9.78%
Cost-to-income ratio[7]	**5.76%**	5.05%	4.63%	4.99%
Net profit margin before tax and impairment losses[8]	**35.99%**	31.09%	28.06%	26.60%
Net profit margin[9]	**14.43%**	9.89%	16.92%	17.08%
Non-performing asset ratio[10]	**0.98%**	1.39%	1.09%	0.40%
Non-performing asset ratio of finance lease business[11]	**1.63%**	2.21%	1.67%	0.65%
Credit ratings[12]				
Standard & Poor's	**A+**	A+	A+	N/A
Moody's	**Aa3**	A1	A1	N/A
Fitch	**A+**	A+	A+	N/A

(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 weighted average balance of total shareholders' equity during 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 of finance lease business 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. 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 profit before income tax of operating lease business by operating lease income.

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

(8) Calculated by dividing profit before tax and impairment losses for the year by the total revenue for the year.

(9) Calculated by dividing net profit for the year by the total revenue for the year.

(10) Calculated based on the percentage of non-performing assets over total assets before allowance for impairment losses as of the dates indicated.

(11) Calculated based on the percentage of non-performing finance lease related assets over finance lease related assets before allowance for impairment losses as of the dates indicated.

(12) Credit ratings are not applicable to the year 2013.

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

	Regulatory requirement	As at December 31,			
		2016	2015	2014	2013
Capital adequacy indicators[1]					
Core tier-one capital adequacy ratio[2]	≥6.7%[3]	**13.42%**	9.54%	10.03%	9.01%
Tier-one capital adequacy ratio[4]	≥7.7%[3]	**13.42%**	9.54%	10.03%	9.01%
Capital adequacy ratio[5]	≥9.7%[3]	**14.03%**	10.23%	10.34%	9.48%
Asset quality indicators					
Allowance to non-performing finance lease related assets[6]	≥150%[3]	**164.28%**	150.47%	127.48%	211.51%

(1) Calculated based on the Capital Administrative Measures published by the CBRC on June 7, 2012, which became effective on January 1, 2013 and replaced the Administrative Measures for Capital Adequacy Ratio of Commercial Banks (CBRC Order [2004] No. 2)(《商業銀行資本充足率管理辦法》（中國銀監會令2004年第2號）).

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

(3) Indicator requirements to be met by the end of 2016.

(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 assets by non-performing finance lease related assets.

Ranking and Awards

In January 2016, CDB Leasing won the "★★★ in Shenzhen Corporate Social Responsibility Evaluation" awarded by Shenzhen Corporate Social Responsibility Promotion Association.

In August 2016, CDB Leasing was named as the "2015 Key Enterprise in Service and Trade in Shenzhen" by Shenzhen Service and Trade Association.

In November 2016, CDB Leasing won the medal of the "2015 Best Green Finance Award in Banking Industry in Shenzhen" awarded by the Shenzhen Banking Association.

In November 2016, CDB Leasing won the title of "the Most Influential Leasing Company for the Year" in the selection of "2016 Gold Medal List of Chinese Financial Institutions • Golden Dragon Award" organized by Financial Times.

In January 2017, CDB Leasing won "the Best IPO" award in the selection of "2016 China Financial Market Listed Companies Awards" organized by China Financial Market, a renowned financial magazine in Hong Kong.

WANG XUEDONG
Chairman
and executive Director

Dear Shareholders,

On behalf of the Board of China Development Bank Financial Leasing Co., Ltd., I am delighted to report to all Shareholders on the annual results as of December 31, 2016.

In 2016, with slow recovery of global economy and increasing fluctuation in international financial market, the economic growth in the PRC remained at a reasonable level, while the economic structure was further optimized and the opening layout to overseas was further improved. The financial leasing industry encountered new opportunities and challenges.

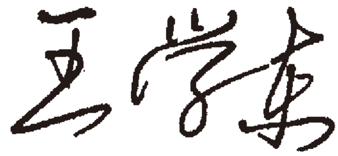
Chairman's Statement

In 2016, the Group overcame internal and external difficulties and challenges as well as presented promising development trend in various aspects including reform and development, business expansion, risk management and control as well as operating management through the hard-work and efforts by all staff. **Firstly, reform and development obtained a new breakthrough**. In 2016, the Group was listed on the main board of the Hong Kong Stock Exchange, thus established a financing channel in the international capital market and solved the capital bottleneck that restricted the long-term business development of the Group, which was a key step for internationalization and professionalization. Upon listing, the registered capital of the Group achieved more than RMB12.6 billion. We have become the financial leasing company with the largest registered capital size over the same industry in the PRC, providing a strong support for our business development. The establishment of a specialized aviation subsidiary in Ireland was approved by the CBRC and the international team of Aircraft Leasing has been fundamentally taking shape. The establishment of a specialized equipment manufacturing subsidiary in Tianjin has been accelerated. The collectivized business structure has been preliminarily developed. **Secondly, principal operating indicators were significantly improved**. In 2016, the total lease financing to lessees throughout the year amounted to RMB40.58 billion, representing a year-on-year increase of 15.5%, which created the highest level in recent four years. As at the end of 2016, the total assets of the Group reached approximately RMB166.51 billion, representing a growth of 6.9% as compared with that as at the beginning of the year; net profit for the year amounted to RMB1.56 billion, representing a year-on-year increase of 48.3%. In the meantime, the asset quality of the Group was significantly improved. The non-performing assets was controlled at RMB1.65 billion. The non-performing asset ratio was reduced to below 1% and provision coverage reached 164.28%. **Thirdly, effective risk management and control resulted in significantly improved asset quality**. Through strengthening the management and eliminating non-performing and risky projects by multi-channels, the amount and ratio of non-performing assets both achieved "double decreases". We, at the same time, also achieved a multi-level risk management with full coverage by optimizing assessment mechanism, standardizing lending procedures, strengthening post-lease management, improving audit supervision and implementing liability identification and investigation of non-performing assets to constantly improve risk management. **Fourthly, the foundation of operating management was further consolidated.** System development and implementation were reinforced through amending and establishing various systems in relation to operation and management. We completed an overall planning of IT construction to provide a strong support for business development and management enhancement. We initiated the establishment of the management accounting system as well as financial sharing service center to safeguard sustainable development of the Group.

The above achievements cannot be separated from strong support and understanding from all Shareholders and circles of society for a long time as well as joint efforts of both the management and all staff. I would like to extend my sincere gratitude on behalf of the Board in this regard.

The Board has been proactively enhancing the corporate governance level, and continuously optimizing and improving the governance system with the goal of safeguarding Shareholders' interests and maximizing Shareholders' values. Taking listing as an opportunity, we have appointed three independent Directors, and therefore, knowledge and industrial background of members of the Board were further diversified. The Board has established five special committees, significantly enhancing its efforts in decision-making, managing and controlling functions as well as protection for investors. Pursuant to the Hong Kong Listing Rules, requirement from the Articles of Association and actual needs, the Group held 17 Board meetings in total throughout the year to consider and approve relevant arrangements for the listing of the Company, 2016 interim results, establishment of corporate governance system, related party transactions, operating management and other resolutions. Risk Management and Internal Control Committee, Related Party Transaction Control Committee, Audit Committee, Remuneration Committee and Nomination Committee established under the Board have fulfilled the rights and responsibilities granted by the Board in improving various aspects of the Company including risk management and control, related party transaction management, financial operation and internal control, remuneration incentive system as well as Directors' appointment and management.

Looking forward to 2017, the global economic development will encounter complex and ever-changing international environment, but it will still show a trend of recovery. The long-term upward trend in Chinese economy basically remains unchanged, whereas there still exists various conflicts and difficulties in economic operation. However, with stable promotion of economic reform in the PRC, financial leasing industry will continue to embrace favorable opportunities for development. Encountering opportunities and challenges from the external environment, the Group will, under the keynote of "pushing forward through stability, quality and efficiency improvement and enhancement, innovation and development, and risk prevention and control", deepen the reform in various aspects including development of corporate governance mechanism, establishment of specialized subsidiaries and human resource management so as to accelerate the establishment of market-oriented operating mechanism. We will actively promote the optimization of business layout and innovation in business model, profit model and other models to enhance the dynamic of development. We will continue strengthening risk management and control through various measures to resolutely safeguard the bottom line of risks. Striving to achieve the major goal of operation and development approved by the Board in 2017, we will create greater values for all Shareholders, staff and circles of society.



Chairman and executive Director
March 29, 2017

President's Statement

FAN XUN
Vice Chairman,
executive Director and
president

In 2016, CDB Leasing focused on the listing of the Company, relied on the driving force of deepening reform, and took a firm grasp on strengthening the operating management and risk management and control, thus all the work entered a new era. As at the end of 2016, the amount of total assets reached RMB166.51 billion, the leased assets amounted to RMB142.18 billion, and the net profit for the year was RMB1.56 billion, ROA of 0.97%, ROE of 8.44% and capital adequacy ratio of 14.03%, showing promising development and growth trends.

Review for 2016

Promoting the optimization of business layout. We formulated a guideline for leasing business, took the initiative to carry out business transformation and innovation on business model and business varieties, achieved the total lease financing of RMB40.58 billion to lessees throughout the year, being the highest level since 2013. The business structure with Aircraft Leasing and Infrastructure Leasing segments as main body became clearer.

Assets of both Aircraft Leasing and Infrastructure Leasing segment grew steadily as compared with those of last year. Assets of Shipping, Commercial Vehicle and Construction Machinery segment were basically flat with last year, while assets of Other Leasing Business segment were substantially reduced. We took the initiative in cooperating with overseas large-scale cargo owner under ore carriers finance lease, and reached a business cooperation intention on construction machinery and vehicle business with leasing companies of domestic mainstream manufacturers and a number of insurance companies. We commenced developing collectivized organization structure with the establishment of the Irish specialized aviation subsidiary approved and the establishment process of the Tianjin specialized equipment manufacturing subsidiary promoted in an orderly manner. Thus the professionalism of the Group was constantly enhanced.

Efforts to improve efficiency of operation. We further strengthened assets management, explored the finance lease factoring business so as to expand the revenue sources. We also innovated domestic and foreign currency financing, and were approved to issue RMB-denominated financial bonds of RMB10 billion in the National Inter-bank Bonds Market, and also completed the issuance of the first tranche of RMB-denominated three-year bonds of RMB3 billion at fixed interest rate, successfully applied for a mid- and long-term foreign debt quota of US$1 billion, entered into strategic cooperation agreement with six large-scale state-owned and joint-stock commercial banks, allowing the Group to reduce financing costs, effectively control interest rate risk, exchange rate risk and liquidity risk and also realize exchange gains.

Strengthening comprehensive risk management. We optimized and improved assessment mechanism, strictly enhanced assessment, review and approval of project development, strengthened risk control of key customers and industries, disposed of non-performing and risky projects through different channels, paid attention to and strengthened internal audit work, improved the effectiveness of internal audit, and further optimized comprehensive risk management system to achieve multi-level risk management with full coverage.

Enhancing the management level. We formulated the business development plan of the Company for the "Thirteenth Five-Year Plan" and confirmed the strategic positioning and development goals, promoted implementation of market-oriented human resource management and remuneration reform plan to enhance core competitiveness, strengthened the arrangement for assets and liabilities and financial capital management and established the risk pricing system of leasing business to improve the level of delicate management, reinforced construction and implementation of the system, completed the overall planning of IT construction, initiated the establishment of management accounting system and financial service sharing center to assist the business development and management improvement of the Company.

Prospect for 2017

In 2017, CDB Leasing will further consolidate the development foundation, improve the operating efficiency, carry out innovation on business model and business varieties, strengthen the development of professional competence, promote cost reduction and efficiency improvement, cultivate core competitiveness, and promote sustained development of the Company.

Promoting sustained development of business. We will consolidate the development of Aircraft Leasing, Infrastructure Leasing and other advantageous segment business, enhance the professionalism of Shipping, Commercial Vehicle, Construction Machinery, New Energy and other business areas, strengthen the research and judgement of various conditions, and strive to explore new business and new revenue growth to enhance market competitiveness.

Continuously strengthening risk management and control. We will strengthen and improve assessment management, enhance the project credit structure and risk mitigation measures, strengthen beforehand research, judgement and alert of risks, vigorously resolve and dispose of risks and non-performing projects, strengthen the development of internal audit capacity, steadily promote the risk liability identification, develop the comprehensive risk management system, and adhere to defending against the risk bottom line.

President's Statement

Constantly enhancing profitability level. We will strengthen the ability of assets and liabilities management, and put efforts on cost reduction and efficiency improvement, optimize the pricing mechanism of leasing business, actively expand the source of non-rental income, and increase the contribution to the comprehensive income. We will also further improve and broaden financing channels, refine financing strategies and reduce financing costs, reinforce business plans and implementation, improve the efficiency of capital utilization, and reduce the scale of invalid liabilities.

Consolidating the management foundation. We will strengthen the overall planning of financial budget, actively promote development of management accounting system and financial sharing service center as well as the reorganization of business and management process, effectively press forward the informatization development, and steadily implement the reform plan of human resource management.

2017 is the first complete fiscal year of CDB Leasing on full operation after listing. All staff of the Company will put strenuous efforts with stronger confidence to overcome difficulties and take initiative to promote the operation and management towards a new stage so as to strive to create excellent operating results.

Vice chairman, executive Director and president
March 29, 2017

JIANG DAOZHEN

Chairman of the Board of Supervisors

Management Discussion and Analysis

1. Business Situation and Company's Responses

1.1 Business Environment

1.1.1 Macro-Economy

In 2016, a slow recovery was seen in the global economy and there was a further slowdown in the growth rate in trade and investment, etc., along with increasing uncertainties in geopolitics. There was a continuous diversification in the recovery pace among major economies, of which the United States performed better in economic recovery with a hike in interest rate again in December 2016 after the interest rate hike in December 2015. Though a slight recovery was seen in the economy of the Eurozone, it was still experiencing the refugee issue and risks exposed to the banking industry with the uncertainties brought by "Brexit" in politics, economy and diplomatic affairs. With the backdrop of slow growth in the aggregate demand in the world, a number of emerging market economies were still facing various risks, such as weak external demand and fluctuation in the movement in foreign investment, which resulted in pressure on economic adjustment and transition. Under the influence of macro-economy worldwide, interest rates and exchange rates in major countries were undergoing volatilities to a certain extent.

In 2016, the PRC government adhered to the keynote of "seeking progress while ensuring stability", focused on pushing forward supply-side structural reform, moderately increased aggregate demand, firmly promoted reform and properly responded to risk challenges. The economic society had maintained a stable and healthy development amid the moderate and steady trend towards favorable momentum in the economy. During the year, economic growth remained at a reasonable level, economic structure was continuously optimized and the layout of opening-up policy was further improved. The adjustment and optimization of industrial structure encouraged an increasing demand of enterprises for the transformation of production model, diversified financing channels and other aspects.

1.1.2 Industry Environment

In general, leasing industry was encountering favorable opportunities for development. Regarding demand, the local leasing business was still in a rapid development stage with only around 6% of market penetration rate of the leasing market, which was far behind developed counties in Europe and the United States that recorded a market penetration rate of 15% to 30%. Regarding policies, the government improved the position of the leasing industry to a strategic level of serving the real economy. By promulgating the Guiding Opinions on Accelerating the Development of Finance Lease Industry (《關於加快融資租賃業發展的指導意見》) and the Guiding Opinions on Promoting the Sound Development of Financial Leasing Industry (《關於促進金融租賃行業健康發展的指導意見》), the General Office of the State Council proposes to include leasing business in the consideration of overall strategy for the development of national economy, requires a higher market penetration rate of the leasing market and assists enterprises in equipment investment and technology upgrade, strives for achieving a leadership in market scale and competitiveness among all operators in the leasing markets worldwide, which in turn greatly facilitates the development of the finance lease industry of the PRC under favorable policies on, among others, the market access, taxation and business operation of the leasing market. Regarding leasing business segment, in recent years, the PRC maintained a relatively high growth rate of investment in infrastructures, proactively implemented the strategy of the "Belt and Road Initiatives" and made great efforts in the transformation and upgrade of economic structure. With the inherent nature of "financing capitals" and "financial goods" of leasing business, enormous opportunities were provided for market development in leasing business of infrastructures and relevant equipment.

In 2016, the overall leasing industry was characterized by accelerated capital influx, rapid development, concentration on specific industries, more normative and reinforced regulations, etc. Firstly, various sources of capital were pouring into the financial leasing industry. According to the statistics published by the CBRC, by the end of the third quarter of 2016, there were 52 financial leasing companies in the PRC (excluding three specialized subsidiaries), 12 of which were newly-established. Financial institutions of all kinds led by commercial banks, insurance companies and asset management companies have accelerated their layout in the financial leasing industry. Secondly, the industry was developing in a rapid manner. According to the statistics published by the CBRC, by the end of the third quarter of 2016, the total assets of the financial leasing industry amounted to RMB1.94 trillion with paid-in capital of RMB154.597 billion, representing an increase of approximately RMB310 billion (or 19%) and RMB25.642 billion (or 20%), respectively, as compared with those by the end of 2015, which indicated an expending scale of the industry. Thirdly, financing to lessees mainly focused on aircraft, ship, infrastructure, construction machinery and medical equipment, etc. and the degree of professionalism and internationalization of the industry was further improved. Fourthly, the industry regulations have been standardized and reinforced. With the rapid development of the financial leasing industry, financial leasing has become a vital element in the non-banking financing industry. The CBRC has sped up the establishment of a mature regulatory system for the financial leasing industry so as to reinforce supervision over the industry and ensure the orderly and solid development of the financial industry.

1.2 Our Responses

In 2016, faced with the weak growth of the global economy and the rapid development of the leasing industry, the Group focused on operation and management improvements and risk control, and actively conducted various works, such as business exploration, risk management, treasury management, and internal management. Meanwhile, leveraging the opportunities of listing, the Group pressed forward the development of mechanism and system, accelerated the establishment of a market-oriented operation mechanism so as to improve the competitiveness in the market.

Regarding business development, the Group further optimized its business layout, and the business structure mainly featured by Aircraft Leasing and Infrastructure Leasing became clearer. In 2016, the Group continued to make more lease financing on aircraft and infrastructure segments and achieved steady growth in the asset scale of core business segments with low risks. Regarding Aircraft Leasing, the Group was pursuing a more professional development under which an international business team was basically set up and an Irish subsidiary of aircraft leasing was approved for establishment, which has turned CDB Leasing into the first financial leasing company that owns an overseas specialized subsidiary. Regarding Infrastructure Leasing, the Group made more efforts in developing infrastructure leasing businesses through business referral and strategic cooperation agreements and processed sale-and-leaseback transactions of infrastructure projects mainly with existing clients of China Development Bank and government clients. Meanwhile, the Group innovated its business model, which enriched the profile of leasing products and broadened sources of business and income. In addition, the group proactively explored paths for the development of Ship, Commercial Vehicle and Construction Machinery Leasing segment under the premise that assets safety is ensured. Regarding Ship Leasing, the Group realized the cooperation with large foreign cargo owners for the first time. Meanwhile, it also acquired ship assets at a low price in the market to develop business on ships under operating lease. Regarding Commercial Vehicle and Construction Machinery Leasing, the Group made agreements on the cooperation intention of asset portfolios transaction amounting to RMB5 billion with leasing companies of domestic major manufacturers and the cooperation intention of performance insurance business for vehicles with various insurance companies, and reinforced its leasing business of new energy vehicles.

Regarding risk management, the Group further optimized the comprehensive risk management system and improved the risk management level. The release of the Basic Provisions on Comprehensive Risk Management (Provisional) (《全面風險管理基本規定（試行）》) further consummated the risk management framework and system. The Group also achieved a multi-level risk management with full coverage by optimizing assessment mechanism, standardizing lending procedures, strengthening post-lease management, improving audit supervision and implementing liability identification and investigation of non-performing assets. In the face of severe industry risk situation, the Group achieved "double decreases" in both the amount and ratio of non-performing assets and stabilized asset quality by strengthening beforehand research, judgment and alert of risks and mitigating non-performing and risky projects through multiple channels. Regarding compliance risk, the Group established and improved the internal control and compliance system with the assistance of the professional intermediary, which pushed forward standard and professional compliance management, and improved the capability of prevention and control of compliance risk. Meanwhile, in response to the domestic and overseas double regulations upon listing, the Group enhanced proactive compliance and implemented full coverage of compliance so as to prevent compliance risks.

Regarding financing, the Group further expanded financing sources and reduced financing cost. The Company was successfully listed in Hong Kong on July 11, 2016, which has connected itself to financing channels in international capital markets and turned itself the first listed domestic financial leasing company. The Group was approved to issue RMB-denominated financial bonds of RMB10 billion on the National Inter-bank Bonds Market and successfully issued the first tranche of RMB-denominated three-year bonds of RMB3 billion at fixed interest rate and the interest rate of such issuance reached the most favorable level in the financial leasing industry. Moreover, the Group has made successful application to the National Development and Reform Commission for medium- and long-term foreign debt quota of US$1 billion and completed filings under the macroprudential management of full-coverage cross-border financing in State Administration of Foreign Exchange, which enabled the Group to commence its cross-border coordinated management of funding resources denominated in foreign currency. Regarding credit rating, the Group was appraised by Moody's a rating of Aa3, which reaches the national sovereignty rating while remaining international ratings of A+ by Standard & Poor's and Fitch as well as the highest issuer rating of AAA by China Chengxin International Credit Rating Company Limited, having international ratings higher than all other listed leasing companies in the world. In 2016, the average cost of interest-bearing liabilities of the Group was 3.43%, decreased significantly as compared with that in 2015.

Regarding internal management, the Group further bolstered the foundation of operation and management. The Group improved standardization and efficiency of the work by enhancing the establishment and implementation of the system, as well as the adjustment and reconstruction of procedure. It completed the overall planning for informationization and strived to establish a relatively comprehensive information-based management system in three years so as to provide strong support for the development of the Company. It also initiated the establishment of the management accounting system as well as financial sharing service center to improve level of delicate management. The Company's operation and management foundation was further consolidated, thus providing adequate safeguard for the business development.

In addition, seizing the opportunities upon listing, the Group accelerated the construction of market-oriented mechanism and system to improve its competitiveness in the market, as the mechanism and system construction concerned the long-term stable development of the Group in the future. Taking into account its strategic and development requirements, the Group studied and formulated an implementation scheme for the human resources management reform and thus provided mechanism for market-oriented development. The Group also improved the talents development and cultivation system, optimizing the performance assessment system, and establishing a sound performance-oriented incentive and restrictive mechanism. The Group would formulate a personnel career development system that is in line with its development requirements under such scheme, to construct and deepen the human resources management system that conforms to the market-oriented demands. The market-oriented mechanism and system construction further inspired the initiative of the staff, which would enhance internal driving force for the Group development and help improve and strengthen the competitiveness of the Group in the market.

To sum up, in 2016, the Group achieved a new leapfrog in its reform and development through active and effective responsive strategies, demonstrating a favorable development trend in all respects.

2. Financial Review

2.1 Analysis on Consolidated Statement of Profit or Loss

2.1.1 Overview of Consolidated Statement of Profit or Loss

In 2016, the Group maintained a steady increase in results. Total revenue and other income amounted to RMB11,440.8 million, representing an increase of RMB459.5 million, or 4.2% as compared with that of last year; profit for the year amounted to RMB1,561.3 million, representing an increase of RMB508.8 million, or 48.3% as compared with that of last year, due primarily to substantial increases in operating lease income and other income and gains as well as a decrease in interest expense. The increase was partially offset by increases in depreciation and amortisation as well as staff costs.

The following table sets forth the consolidated statement of profit or loss of the Group for the years indicated and the changes:

	For the year ended December 31,		
(RMB in millions, except percentages)	**2016**	2015	Change
Revenue			
Finance lease income	**5,363.8**	5,994.7	(10.5%)
Operating lease income	**5,453.2**	4,646.2	17.4%
Total revenue	**10,817.0**	10,640.9	1.7%
Net investment (losses)/gains	**(52.4)**	77.2	(167.9%)
Other income, gains or losses	**676.2**	263.2	156.9%
Total revenue and other income	**11,440.8**	10,981.3	4.2%
Depreciation and amortisation	**(2,476.5)**	(2,034.7)	21.7%
Staff costs	**(229.0)**	(123.1)	86.0%
Fee and commission expenses	**(55.9)**	(55.9)	0.0%
Interest expense	**(4,400.1)**	(5,055.2)	(13.0%)
Other operating expenses	**(385.8)**	(404.6)	(4.6%)
Impairment losses	**(1,825.8)**	(2,008.2)	(9.1%)
Total expenses	**(9,373.1)**	(9,681.7)	(3.2%)
Profit before income tax	**2,067.7**	1,299.6	59.1%
Income tax expense	**(506.4)**	(247.1)	104.9%
Profit for the year	**1,561.3**	1,052.5	48.3%

2.1.2 Total Revenue

Revenue of the Group was primarily derived from finance lease income and operating lease income. In 2016, total revenue of the Group amounted to RMB10,817.0 million, representing an increase of RMB176.1 million, or 1.7% as compared with that of last year, due primarily to an increase in operating lease income, which was partially offset by a decrease in finance lease income.

2.1.2.1 Finance Lease Income

The following table sets forth the segment finance lease income of the Group for the years indicated:

	For the year ended December 31,		
(RMB in millions, except percentages)	**2016**	2015	Change
Finance lease income			
Aircraft Leasing	**227.1**	228.9	(0.8%)
Infrastructure Leasing	**3,315.0**	3,306.0	0.3%
Ship, Commercial Vehicle and Construction Machinery Leasing	**1,004.3**	1,193.0	(15.8%)
Other Leasing Business	**817.4**	1,266.8	(35.5%)
Total	**5,363.8**	5,994.7	(10.5%)

In 2016, finance lease income of the Group amounted to RMB5,363.8 million, accounting for 49.6% of total revenue and representing a decrease of RMB630.9 million, or 10.5% as compared with that of last year, due primarily to (1) the lower interest rate of finance lease projects for the whole year of 2016 resulting from the great reduction of the benchmark interest rates by the PBOC for five times in 2015, amounting to 125 basis points in aggregate as well as (2) the decrease in income from finance lease projects, resulting from the impact of overall transformation of business tax to value-added tax.

With respect to Aircraft Leasing, in 2016, finance lease income of the Group amounted to RMB227.1 million, representing a decrease of RMB1.8 million, or 0.8% as compared with that of last year, due primarily to a decrease in finance lease interest rate, which was partially offset by the finance lease income generated from the new aircraft finance lease projects in 2016.

With respect to Infrastructure Leasing, in 2016, finance lease income of the Group amounted to RMB3,315.0 million, representing an increase of RMB9.0 million, or 0.3% as compared with that of last year, due primarily to an increase in lease financing to lessees in the Infrastructure Leasing throughout the year, which was partially offset by the lower interest rate of finance lease projects.

With respect to Ship, Commercial Vehicle and Construction Machinery Leasing, in 2016, finance lease income of the Group amounted to RMB1,004.3 million, representing a decrease of RMB188.7 million, or 15.8% as compared with that of last year, due primarily to the lower interest rate of finance lease projects as well as a decrease in the business scale of Commercial Vehicle and Construction Machinery segment.

With respect to Other Leasing Business, in 2016, finance lease income of the Group amounted to RMB817.4 million, representing a decrease of RMB499.4 million, or 35.5% as compared with that of last year, due primarily to (1) the Group's proactive control over the lease business scale of this segment; (2) a decrease in interest rates of finance lease projects; and (3) a further reduction of the segment assets resulting from the sale of certain assets.

2.1.2.2 Operating Lease Income

The following table sets forth the segment operating lease income of the Group for the years indicated:

(RMB in millions, except percentages)	**For the year ended December 31, 2016**	2015	Change
Operating lease income			
Aircraft Leasing	**5,227.0**	4,500.3	16.1%
Infrastructure Leasing	**123.0**	119.8	2.7%
Ship, Commercial Vehicle and Construction Machinery Leasing	**86.7**	3.8	2,181.6%
Other Leasing Business	**16.5**	22.3	(26.0%)
Total	**5,453.2**	4,646.2	17.4%

In 2016, operating lease income of the Group amounted to RMB5,453.2 million, accounting for 50.4% of total revenue and representing an increase of RMB807.0 million, or 17.4% as compared with that of last year, due primarily to an increase of aircraft for operating lease in light of the expansion of Aircraft Leasing business by the Group with the gross lease yield of Aircraft Leasing business stable.

The operating lease income of the Group is mainly derived from Aircraft Leasing business. In 2016, operating lease income generated by Aircraft Leasing amounted to RMB5,227.0 million, accounting for 95.9% of the total operating lease income. Meanwhile, the Group explored the opportunity in operating lease business in ship area with caution, which contributed to substantial increase in operating lease income from Ship, Commercial Vehicle and Construction Machinery Leasing segment with an operating lease income of RMB86.7 million for 2016, representing an increase of 21.8 times than last year.

2.1.2.3 Net Investment (Losses)/Gains

In 2016, net investment losses of the Group amounted to RMB52.4 million, representing a decrease of RMB129.6 million as compared with RMB77.2 million of net investment gains in last year, due primarily to losses of RMB81.7 million in aggregate in the closing of derivative instrument contracts at maturity resulting from the depreciation of RMB against US dollar and interest income from available-for-sale financial assets.

2.1.2.4 Other Income, Gains or Losses

In 2016, other income and gains of the Group amounted to RMB676.2 million, representing an increase of RMB413.0 million, or 156.9% as compared with that of last year, due primarily to (1) an increase in exchange gains received by retaining partial net US dollar assets exposure; and (2) an increase in income from intermediary business generated by sale of operating lease assets and business innovation.

2.1.3 Total Expenses

In 2016, total expenses of the Group amounted to RMB9,373.1 million, representing a decrease of RMB308.6 million, or 3.2% as compared with that of last year, due primarily to a decrease in interest expense. Such decrease in total expenses was partially offset by the increase in depreciation and amortisation and increase in staff costs.

2.1.3.1 Depreciation and Amortisation

In 2016, depreciation and amortisation of the Group amounted to RMB2,476.5 million, representing an increase of RMB441.8 million, or 21.7% as compared with that of last year, due primarily to an increase in operating lease assets, in particular those for Aircraft Leasing. The number of owned aircraft held for operating lease increased from 140 as at the end of 2015 to 158 as at the end of 2016.

2.1.3.2 Staff Costs

In 2016, staff costs of the Group amounted to RMB229.0 million, representing an increase of RMB105.9 million, or 86.0% as compared with that of last year. The increase was mainly because the Group strengthened the high-level talents reserve and construction of professional team, and intensified the role of incentive and restriction mechanism in order to better implement the Company's development strategies and enhance the market competitiveness. Therefore, the Group accordingly expanded the size of professionals team, introduced internationalized and professional aeronautical team and established a more market-oriented remuneration and incentive system.

2.1.3.3 Fee and Commission Expenses

In 2016, fee and commission expenses of the Group amounted to RMB55.9 million, which remained basically unchanged as compared with that of last year.

2.1.3.4 Interest Expense

In 2016, interest expense of the Group amounted to RMB4,400.1 million, representing a decrease of RMB655.1 million, or 13.0% as compared with that of last year, due primarily to (1) a decrease in average cost of interest-bearing liabilities resulting from relatively loose monetary policy in China for the first three quarters of 2016 and sufficient liquidity of US dollar market; (2) the lower overall funding costs due to Group's proactive adjustment of debt financing strategies; and (3) overall transformation of business tax to value-added tax, leading to an increase in deductible value-added tax by interest expense, resulting in a decrease in interest expense after being offset.

2.1.3.5 Other Operating Expenses

In 2016, other operating expenses of the Group amounted to RMB385.8 million, representing a decrease of RMB18.8 million, or 4.6% as compared with that of last year, due primarily to a decrease in taxes and additional resulting from overall transformation of business tax to value-added tax in 2016.

2.1.3.6 Impairment Losses

In 2016, impairment losses of the Group amounted to RMB1,825.8 million, representing a decrease of RMB182.4 million, or 9.1% as compared with that of last year, due primarily to the Group's effective risk control over leased assets by virtue of its prudent risk management, as well as the disposal and resolving of non-performing assets by the Group through multiple channels during the year.

2.1.4 Profit before Income Tax

In 2016, profit before income tax of the Group amounted to RMB2,067.7 million, representing an increase of RMB768.1 million, or 59.1% as compared with that of last year, due primarily to (1) a greater increase in operating lease income than in operating lease costs; (2) an increase in exchange gains generated from net US dollar asset exposure; and (3) an increase in income from intermediary business.

2.1.5 Income Tax Expense

In 2016, income tax expense of the Group amounted to RMB506.4 million, representing an increase of RMB259.3 million, or 104.9% as compared with that of last year, due primarily to an increase in profit before income tax.

2.1.6 Profit for the Year

In 2016, profit for the year of the Group amounted to RMB1,561.3 million, representing an increase of RMB508.8 million, or 48.3% as compared with that of last year.

2.1.7 Net Interest Spread and Net Interest Margin of Finance Lease Business

The following table sets forth, among others, interest income, interest expense, net interest income, net interest spread and net interest margin of finance lease business of the Group for the years indicated:

	For the year ended December 31,	
(RMB in millions, except percentages)	**2016**	2015
Finance lease business		
Interest income[(1)]	**5,363.8**	5,994.7
Interest expense[(2)]	**2,805.6**	3,623.2
Net interest income	**2,558.2**	2,371.5
Average balance of finance lease related assets[(3)]	**94,713.3**	90,980.8
Average balance of interest-bearing liabilities[(4)]	**78,779.7**	82,755.7
Average yield[(5)]	**5.66%**	6.59%
Average cost[(6)]	**3.56%**	4.38%
Net interest spread of finance lease business[(7)]	**2.10%**	2.21%
Net interest margin of finance lease business[(8)]	**2.70%**	2.61%

(1) Interest income represents finance lease income.

(2) Interest expense is the cost of interest-bearing liabilities of finance lease business.

(3) Average balance of finance lease related assets represents the average monthly balance of finance lease related assets.

(4) Average balance of interest-bearing liabilities is the average monthly balance of the interest-bearing liabilities of finance lease business.

(5) Calculated by dividing finance lease income by the average monthly balance of finance lease related assets.

(6) Calculated by dividing the cost of the interest-bearing liabilities of finance lease business by the average monthly balance of interest-bearing liabilities of finance lease business.

(7) Calculated by the difference between the average yield of finance lease related assets and the average cost of the interest-bearing liabilities of finance lease business.

(8) Calculated by dividing net interest income by the average monthly balance of finance lease related assets for finance lease business.

In 2016, net interest spread of finance lease business of the Group was 2.10%, representing a decrease of 0.11 percentage point as compared with that of last year, due primarily to the narrowing of net interest spread of finance lease business of the Group against a downward interest rate and increasingly intensive industry competition environment. Net interest margin of finance lease business was 2.70%, representing an increase of 0.09 percentage point as compared with that of last year, due primarily to the partial contribution of additional capital from the listing of the Company to finance lease business for the year, which in turn decreased interest expense and increased net interest revenue.

2.1.8 Net Lease Yield and Profit Margin before Income Tax of Operating Lease Business

The following table sets forth the net lease yield and profit margin before income tax of operating lease business of the Group for the years indicated:

	For the year ended December 31,	
	2016	2015
Operating lease business		
Net lease yield of operating lease business[1]	**8.74%**	8.56%
Profit margin of operating lease business before income tax of operating lease business[2]	**21.77%**	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.

(2) Calculated by dividing profit before income tax of operating lease business by operating lease income.

In 2016, net lease yield and profit margin before income tax of operating lease business of the Group were 8.74% and 21.77%, respectively, representing an increase of 0.18 percentage point and 1.13 percentage points as compared with those of last year, respectively, due primarily to a decrease in the level of US dollar financing cost resulting from the gradual repayment of existing high-cost US dollar debts upon maturity in this year while the operating lease financing of the Group are mainly denominated in US dollar. Moreover, partial contribution of additional capital from the listing of the Company decreases the interest expense of operating lease.

2.2 Analysis on Consolidated Statement of Financial Position

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

	As of December 31,		
(RMB in millions, except percentages)	**2016**	2015	Change
Assets			
Cash and bank balances	**9,336.4**	6,313.9	47.9%
Placement to banks and other financial institutions	**1,100.0**	1,100.0	0.0%
Financial assets at fair value through profit or loss	**2,133.7**	1,558.6	36.9%
Derivative financial assets	**9.7**	2.0	385.0%
Accounts receivable	**6,841.8**	13,827.1	(50.5%)
Finance lease receivables	**88,464.1**	80,945.1	9.3%
Prepayments	**7,911.5**	6,862.8	15.3%
Available-for-sale financial assets	**274.6**	122.4	124.3%
Assets held-for-sale	**994.0**	0.0	–
Investment properties	**356.6**	376.2	(5.2%)
Property and equipment	**47,344.1**	42,248.7	12.1%
Deferred tax assets	**591.0**	703.1	(15.9%)
Other assets	**1,154.6**	1,635.2	(29.4%)
Total assets	**166,512.1**	155,695.1	6.9%
Liabilities			
Borrowings	**106,198.2**	102,494.5	3.6%
Due to banks and other financial institutions	**4,000.0**	4,900.0	(18.4%)
Financial assets sold under repurchase agreements	**3,136.0**	5,922.3	(47.0%)
Derivative financial liabilities	**199.3**	435.9	(54.3%)
Accrued staff costs	**94.2**	33.5	181.2%
Tax payable	**132.3**	242.0	(45.3%)
Notes payable	**17,793.9**	13,834.8	28.6%
Deferred tax liabilities	**441.6**	266.9	65.5%
Other liabilities	**12,215.0**	12,572.3	(2.8%)
Total liabilities	**144,210.5**	140,702.2	2.5%
Total equity	**22,301.6**	14,992.9	48.7%

2.2.1 Total Assets

The principal components of the Group's assets were accounts receivable, finance lease receivables, prepayments and property and equipment, collectively representing 90.4% of the Group's total assets as at December 31, 2016. As at December 31, 2016, total assets of the Group amounted to RMB166,512.1 million, representing an increase of RMB10,817.0 million, or 6.9% as compared with that as at the end of last year, due primarily to further expansion of the Group's business size, which was partially offset by sale of non-performing asset portfolios.

2.2.1.1 Accounts Receivable

The Group's accounts receivable includes operating lease receivables, advances for finance lease projects and other accounts receivable. Operating lease receivables refer to accruals for the operating lease rentals receivable as at December 31, 2016; 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; and other accounts receivable refers to the accounts receivable incurred by the sale of leased assets. As at December 31, 2016, accounts receivable of the Group amounted to RMB6,841.8 million, representing a decrease of RMB6,985.3 million, or 50.5% as compared with that as at the end of last year, due primarily to the transfer of the Group's advances for finance lease projects to finance lease receivables when all leasing conditions were met upon conclusion and handover of finance lease assets.

2.2.1.2 Finance Lease Receivables

	As of December 31,		
(RMB in millions, except percentages)	**2016**	2015	Change
Finance lease receivables – gross	**114,536.2**	104,171.4	9.9%
Less: Unearned finance income	**(23,676.0)**	(20,262.8)	16.8%
Finance lease receivables – net	**90,860.2**	83,908.6	8.3%
Less: Allowance for impairment losses	**(2,396.1)**	(2,963.5)	(19.1%)
Finance lease receivables – carrying value	**88,464.1**	80,945.1	9.3%

As at December 31, 2016, finance lease receivables of the Group amounted to RMB88,464.1 million, representing an increase of RMB7,519.0 million, or 9.3% as compared with that as at the end of last year, due primarily to the continuous increase in finance lease business of the Group, which was partially offset by sale of non-performing asset portfolios.

2.2.1.3 Prepayments

As at December 31, 2016, prepayments of the Group amounted to RMB7,911.5 million, representing an increase of RMB1,048.7 million, or 15.3% as compared with that as at the end of last year, due primarily to the increase in prepayments for aircraft purchase.

2.2.1.4 Property and Equipment

Property and equipment is composed of equipment held for operating lease and property and equipment held for administrative purpose. As at December 31, 2016, equipment held for operating lease of the Group amounted to RMB46,857.8 million, representing an increase of RMB4,986.8 million, or 11.9% as compared with that as at the end of last year, due primarily to an increase in the number of aircraft for operating lease.

As at December 31, 2016, property and equipment held for administrative purpose of the Group amounted to RMB486.3 million, representing an increase of RMB108.6 million, or 28.8% as compared with that as at the end of last year, due primarily to the increase in the number of construction in progress resulting from the construction of new office building of the Group.

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

(RMB in millions, except percentages)	**As of December 31,**		
	2016	2015	Change
Property and equipment			
Equipment held for operating lease	**46,857.8**	41,871.0	11.9%
Property and equipment held for administrative purpose	**486.3**	377.7	28.8%
Property and equipment – carrying value	**47,344.1**	42,248.7	12.1%

2.2.1.5 Cash and Bank Balances

As at December 31, 2016, cash and bank balances of the Group amounted to RMB9,336.4 million, representing an increase of RMB3,022.5 million, or 47.9% as compared with that as at the end of last year, due primarily to sufficient retained liquidity reserve at the end of the year by the Group for ensuring the capital needs for business in early 2017 in response to tight liquidity in domestic capital market in the fourth quarter of 2016.

2.2.1.6 Placement to Banks and Other Financial Institutions

As at December 31, 2016, placement to banks and other financial institutions of the Group amounted to RMB1,100.0 million, which remained unchanged as compared with that as at the end of last year.

2.2.1.7 Financial Assets at Fair Value through Profit or Loss

As at December 31, 2016, financial assets at fair value through profit and loss of the Group amounted to RMB2,133.7 million, representing an increase of RMB575.1 million, or 36.9% as compared with that as at the end of last year, due primarily to the additional fixed income products with a principle of RMB500.0 million invested by the Group through asset management plan, and the increase in fair value at the end of the year.

2.2.1.8 Other Assets

Other assets primarily included interest receivable, other receivables, prepaid expenses, deductible value-added tax and land use rights. As at December 31, 2016, other assets of the Group amounted to RMB1,154.6 million, representing a decrease of RMB480.6 million, or 29.4% as compared with that as at the end of last year, due primarily to the refund of aircraft prepayments and a decrease in deductible input value-added tax in 2016.

2.2.2 Leased Assets

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

	As of December 31,		
(RMB in millions, except percentages)	**2016**	2015	Change
Finance lease related assets			
Finance lease receivables	**88,464.1**	80,945.1	9.3%
Accounts receivable – advances for finance lease projects	**6,499.0**	12,845.6	(49.4%)
Total	**94,963.1**	93,790.7	1.3%

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

	As of December 31,		
(RMB in millions, except percentages)	**2016**	2015	Change
Operating lease assets			
Investment properties	**356.6**	376.2	(5.2%)
Property and equipment – equipment held for operating lease	**46,857.8**	41,871.0	11.9%
Total	**47,214.4**	42,247.2	11.8%

2.2.3 Total Liabilities

As at December 31, 2016, total liabilities of the Group amounted to RMB144,210.5 million, representing an increase of RMB3,508.3 million, or 2.5% as compared with that as at the end of last year, due primarily to the increases in borrowings and notes payable, which were partially offset by decreases in balance of due to banks and other financial institutions, financial assets sold under repurchase agreements, derivative financial liabilities, tax payable and other liabilities.

2.2.3.1 Borrowings

As at December 31, 2016, borrowings of the Group amounted to RMB106,198.2 million, representing an increase of RMB3,703.7 million, or 3.6% as compared with that as at the end of last year, due primarily to the increase in financing for expansion of business size.

2.2.3.2 Due to Banks and Other Financial Institutions

The Group is a member of the interbank lending market in China and is able to obtain interbank lending with a term within three months. As at December 31, 2016, the balance of the due to banks and other financial institutions of the Group amounted to RMB4,000.0 million, representing a decrease of RMB900.0 million, or 18.4% as compared with that as at the end of last year, due primarily to repayment of partial stock of due to banks and other financial institutions upon maturity at the end of the year.

2.2.3.3 Notes Payable

As at December 31, 2016, notes payable of the Group amounted to RMB17,793.9 million, representing an increase of RMB3,959.1 million, or 28.6% as compared with that as at the end of last year, due primarily to the issue of RMB3 billion three-year RMB financial bond by the Group in the National Inter-bank Bonds Market in 2016. Moreover, the balance of notes denominated in US dollars was also partially affected by the fluctuation in exchange rates.

2.2.3.4 Other Liabilities

As at December 31, 2016, other liabilities of the Group amounted to RMB12,215.0 million, representing a decrease of RMB357.3 million, or 2.8% as compared with that as at the end of last year, due primarily to the decrease in related liabilities resulting from conclusion of certain transactions of leased assets.

2.3 Analysis on Consolidated Statement of Cash Flows

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

(RMB in millions, except percentages)	For the year ended December 31, **2016**	2015	Change
Net cash from operating activities	**4,085.3**	11,841.9	(65.5%)
Net cash used in investing activities	**(8,908.5)**	(9,903.9)	(10.1%)
Net cash from financing activities	**7,796.7**	(584.2)	–
Net increase/(decrease) in cash and cash equivalents	**2,973.5**	1,353.8	119.6%

In 2016, net cash inflow from operating activities of the Group amounted to RMB4,085.3 million, representing a decrease of 65.5% as compared with that of last year, due primarily to the decrease in accumulated borrowings throughout the year. For the same period, net cash outflow from investing activities of the Group amounted to RMB8,908.5 million, representing a decrease of 10.1% as compared with that of last year, due primarily to the decrease in the amount of asset management plan invested by the Group as compared with that of last year. Furthermore, in 2016, net cash inflow from financing activities of the Group amounted to RMB7,796.7 million, representing an increase of RMB8,380.9 million as compared with that of last year, due primarily to funding through issue of new Shares from the successful listing of the Company in Hong Kong, and issue of RMB3 billion RMB financial bond in 2016.

3. Business Operation

The major business segments of the Group include Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business. Although the economic growth in mainland China continued to slow down in 2016, the Group achieved stable growth in business scale and revenue by accurately capturing the economic situation and effectively and consistently implementing development strategies. In 2016, the Group further facilitated development of Aircraft Leasing and Infrastructure Leasing business with mature business operation models, good asset quality and strong growth potential. The Group carried out Ship, Commercial Vehicle and Construction Machinery Leasing in a prudent manner. The Group also proactively controlled the scale of Other Leasing Business and gradually exited from industries with higher credit risk exposure, thereby further optimized its business layout. In 2016, the total lease financing to lessees throughout the year amounted to RMB40.58 billion, and the lease financings to lessees in Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business were RMB8.08 billion, RMB22.13 billion, RMB8.45 billion and RMB1.92 billion respectively.

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

(RMB in millions, except percentages) **Segment assets**	**As of December 31,**			
	2016		2015	
	Amount	**Percentage**	Amount	Percentage
Aircraft Leasing	**62,606.3**	**37.7%**	55,788.3	36.0%
Infrastructure Leasing	**68,676.6**	**41.4%**	60,660.9	39.2%
Ship, Commercial Vehicle and Construction Machinery Leasing	**20,246.1**	**12.2%**	20,070.1	12.9%
Other Leasing Business	**14,392.1**	**8.7%**	18,472.7	11.9%
Total	**165,921.1**	**100.0%**	154,992.0	100.0%

The following table sets forth the segment revenue and other income for the years indicated:

(RMB in millions, except percentages) **Segment revenue and other income**	**For the year ended December 31,**			
	2016		2015	
	Amount	**Percentage**	Amount	Percentage
Aircraft Leasing	**5,896.5**	**51.5%**	4,916.6	44.8%
Infrastructure Leasing	**3,535.2**	**30.9%**	3,520.2	32.1%
Ship, Commercial Vehicle and Construction Machinery Leasing	**1,116.3**	**9.8%**	1,211.7	11.0%
Other Leasing Business	**892.8**	**7.8%**	1,332.8	12.1%
Total	**11,440.8**	**100.0%**	10,981.3	100.0%

The following table sets forth the segment profit/(loss) before income tax for the years indicated:

(RMB in millions) **Segment profit/(loss) before income tax**	**For the year ended December 31,**	
	2016	2015
	Amount	Amount
Aircraft Leasing	**1,359.1**	1,121.2
Infrastructure Leasing	**1,503.8**	1,220.8
Ship, Commercial Vehicle and Construction Machinery Leasing	**(207.5)**	(9.0)
Other Leasing Business	**(587.7)**	(1,033.4)
Total	**2,067.7**	1,299.6

The following table sets forth the segment profit margin before income tax for the years indicated:

	For the year ended December 31,	
	2016	2015
Segment profit margin before income tax[1]		
Aircraft Leasing	**24.92%**	23.71%
Infrastructure Leasing	**43.74%**	35.64%
Ship, Commercial Vehicle and Construction Machinery Leasing	**(19.02%)**	(0.75%)
Other Leasing Business	**(70.48%)**	(80.16%)

(1) Calculated by dividing the segment profit before income tax by the segment revenue. The revenue includes finance lease income and operating lease income.

The following table sets forth the segment return on assets before income tax for the years indicated:

	For the year ended December 31,	
	2016	2015
Segment return on assets before income tax[2]		
Aircraft Leasing	**2.30%**	2.20%
Infrastructure Leasing	**2.33%**	2.17%
Ship, Commercial Vehicle and Construction Machinery Leasing	**(1.03%)**	(0.04%)
Other Leasing Business	**(3.58%)**	(5.25%)

(2) Calculated by dividing the segment profit before income tax by the average balance of segment assets at the beginning and the end of the year.

3.1 Aircraft Leasing

Leasing companies have been playing an important role in financing the global aviation industry. At present, with rapid growth momentum in global aviation industry, the demand for aircraft has been increasing, resulting in greater demand for aircraft leasing. Compared with finance lease, operating lease can effectively reduce the leverage level of the lessee and avoid residual value risk. Hence, the proportion of operating leases in the Aircraft Leasing segment has been increasing gradually. As the unit value of aircraft is high and the business operation of aircraft leasing is relatively complicated, most of the companies currently engaging in aircraft leasing business in the PRC are large-scale leasing companies with strong capital base and outstanding business capabilities. The Group insists Aircraft Leasing as the core business segment, and focuses 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.

In 2016, in order to further promote the development of internationalization and professionalization of the Aircraft Leasing segment, the Group established a specialized aviation subsidiary in Ireland and introduced overseas talents and advanced management experience. As such, the Group preliminarily established an international aviation team as well as an international aviation management system, laying a foundation of organization structure, human resources and market mechanism for deepening the internationalized reform of the aviation business. The establishment of a specialized aviation subsidiary in Ireland was approved, making the Company the first financial leasing company to establish an overseas specialized leasing subsidiary under the approval of CBRC. We planned to develop the specialized aviation subsidiary in Ireland into a platform of business development and asset management in Aircraft Leasing segment, and further expand into the global market based on the overseas platform, thereby providing strong support to further optimizing the global allocation of aircraft leasing assets, supporting the national strategy of the "Belt and Road Initiatives", and promoting the leading position of the PRC aircraft leasing industry in the global market.

The Group continued to expand its own aircraft portfolio, business scale and client network, consistently enhanced the leased assets trading capability, accumulated experience in the industry, and further consolidated its leading position in the PRC aircraft leasing industry. As of December 31, 2016, total assets of the Aircraft Leasing segment amounted to RMB62,606.3 million, representing an increase of RMB6,818.0 million, or 12.2%, as compared with that as at the end of last year. Total revenue and other income of the Aircraft Leasing segment in 2016 amounted to RMB5,896.5 million, representing an increase of RMB979.9 million, or 19.9%, as compared with that of last year.

Benefiting from the aircraft portfolio which was in conformity with the demand in the industry, high-quality lease contracts and excellent management capability, profitability of the Group's Aircraft Leasing business remained at a stable level. In 2016, the segment return on assets before income tax of the Aircraft Leasing was 2.30%, which increased by 0.10 percentage point as compared with that of last year.

In 2016, the Group delivered 29 aircraft, 25 of which were under operating leases. The Group completed lease extensions for 12 aircraft and re-leases for 3 aircraft. Currently, the Group has established a leading-in-scale, young and diversified aircraft portfolio which adapts to the industry development trend. As of December 31, 2016, the Group had a portfolio of 403 aircraft, consisting of 192 owned aircraft, 11 managed aircraft and 200 committed aircraft (including 65 potential orders of aircraft on non-binding letters of intent). Among the portfolio, the Group's owned aircraft portfolio consisted primarily of narrow-body aircraft, including Airbus A320 family and Boeing 737NG family, and wide-body aircraft, including Airbus A330 and Boeing 777. As of December 31, 2016, in terms of the net carrying amount before allowance for impairment losses of aircraft portfolio, Airbus and Boeing aircraft collectively represented 92.4% of total owned aircraft of the Group.

The following table sets forth the breakdown of owned aircraft portfolio of the Group by type of manufacturer as of the dates indicated:

	As of December 31,			
	Percentage by net carrying amount before allowance for impairment losses of owned aircraft portfolio		**Percentage by numbers of owned aircraft portfolio**	
Manufacturers	**2016**	2015	**2016**	2015
Airbus	**56.9%**	58.6%	**49.5%**	44.4%
Boeing	**35.5%**	32.9%	**29.2%**	27.2%
Others	**7.6%**	8.5%	**21.3%**	28.4%
Total	**100.0%**	100.0%	**100.0%**	100.0%

The Aircraft Leasing segment of the Group is primarily operated under operating leases with owned aircraft portfolio maintaining a 100% fleet utilization. As of December 31, 2016, 158 of the Group's owned aircraft were under operating leases, while 34 of owned aircraft were under finance leases. In terms of the net carrying amount of leased assets, finance leases and operating leases accounted for 7.7% and 92.3%, respectively. During the year, the Group conducted its Aircraft Leasing business primarily through placement of new aircraft on orders and selectively through sale-and-leaseback transactions.

The Group maintains a young aircraft fleet portfolio to sustain its competiveness. Meanwhile, the Group mitigates risk exposures and uncertainties by entering into long-term contracts. As of December 31, 2016, the average age of the Group's owned aircraft fleet on operating leases by the Group was 4.8 years.

Through prudent client selection and effective management over leased assets, the Group was able to maintain excellent asset quality of Aircraft Leasing segment. As of December 31, 2016, the non-performing asset ratio of the Group's Aircraft Leasing segment was nil.

The Group is expanding its Aircraft Leasing business globally via five aircraft leasing business platforms in Tianjin Free Trade Zone, Shanghai Free Trade Zone, Xiamen Area in Fujian Free Trade Zone, Ireland and Cayman Islands. Currently, the Group has 41 clients in 22 countries and regions, including the PRC, Asia Pacific (excluding the PRC), Europe, the Middle East and Africa, as well as Latin America, of which 28 were overseas clients.

The following table sets forth the breakdown of the Group's percentage of lease revenue and percentage of net carrying amount of underlying leased assets in Aircraft Leasing by region of lessees for the years indicated and as of the dates indicated:

	Percentage of lease revenue For the year ended December 31,		**Percentage of net carrying amount of underlying leased assets As of December 31,**	
Region	**2016**	2015	**2016**	2015
The PRC	**52.0%**	45.6%	**58.8%**	51.3%
Asia Pacific (excluding the PRC)	**18.0%**	20.9%	**12.9%**	16.7%
Europe	**17.6%**	20.1%	**16.1%**	19.5%
Middle East and Africa	**7.8%**	8.6%	**6.2%**	7.9%
Latin America	**4.6%**	4.8%	**6.0%**	4.6%
Total	**100.0%**	100.0%	**100.0%**	100.0%

The Group continued to expand its sales network and strengthen aircraft asset management and trading capabilities. In 2016, the Group sold a total of 11 aircraft to different buyers, optimizing the composition of aircraft portfolio, and also capturing gains in advance, thereby enhanced the profitability of the intermediary business and liquidity of the portfolio. Gains realized from the aircraft sales of the Group in 2016 represented an increase of 155% as compared with that of last year.

In 2017, the Group will promote the progress of the internationalization of Aircraft Leasing, continue to recruit sophisticated professional talents in the industry across the world, develop a global marketing network covering the Asia-Pacific, Europe, Middle East, Africa and the Americas through the global layout in Ireland and Hong Kong, and further improve the management efficiency and business performance in Aircraft Leasing through adequately leveraging international team experience, optimization of process, establishment of system and utilization of automation system. The Group will continue to focus on the core business of placing new aircraft on orders and re-leasing aircraft upon expiration of the lease, prudently carry out sale-and-leaseback transactions with high-quality customers. The Group will also strengthen proactive management on the aircraft portfolio, vigorously increase the sale of aircraft, develop the superior aircraft portfolio composition with different aircraft models, ages, lessees and leasing terms, and enhance the liquidity and the yield of aircraft portfolios according to the portfolio management goal. The Group will develop long-term strategic cooperative relationships with aircraft manufacturers and financing institutions, and strengthen business synergy with China Development Bank, the substantial Shareholder, to provide the customers with more extensive and attractive products. In 2017, the Group will keep deepening the reform and development in the Aircraft Leasing segment and establish a set of operation and management mechanism in line with the industry norms and the international conventions with a view to progressively achieving the strategic goal of building a professional, international and market-oriented Aircraft Leasing business.

3.2 Infrastructure Leasing

2016 was the starting year under the "Thirteenth Five-Year" Plan when China further promoted urbanization and took extensive efforts in the construction of infrastructure, including transportation, municipal facilities and energy, etc., which increased the demand for infrastructure investments, indicating the huge potential for infrastructure market. Infrastructure Leasing projects were normally led by the government and the projects are of low credit risks and high asset quality. In general, such projects are of large size and long-term which required leasing companies to have a strong capital base. In light of the huge market potential and assets with premium quality and favourable profitability in Infrastructure Leasing, the Group considers Infrastructure Leasing as one of its core business segments. By making full use of its strengths of extensive financing channels, ample capital and low capital costs and leveraging the long-term accumulated experience in Infrastructure Leasing, the Group has been continuously increasing investments in selected regions and promoting business development.

In 2016, the Group continued to increase its investments in Infrastructure Leasing segment. Lease financing to lessees for such business segment represented 54.5% of the total lease financing to lessees of the Group, achieving a relatively significant growth on a year-on-year basis. With regard to the strategy of business development, the Group provided relatively flexible comprehensive financial services to its clients, mainly through the business collaboration with branches of China Development Bank, by leveraging the extensive government clients base and the infrastructure projects experience of China Development Bank, as well as its first-mover advantage of medium- and long-term loan projects in the infrastructure financing. The Group developed its business with a focus on China Development Bank's clients and government clients through business referral and strategic cooperation agreements.

The Group had established a relatively mature business model for the Infrastructure Leasing segment, accumulated extensive experience and gradually enhanced business scale and profitability. As of December 31, 2016, the total assets of the Infrastructure Leasing segment of the Group amounted to RMB68,676.6 million, representing an increase of RMB8,015.7 million, or 13.2%, as compared with that as at the end of last year. In 2016, such business segment realized revenue and other income of RMB3,535.2 million, representing an increase of RMB15.0 million, or 0.4%, as compared with that of last year, and segment return on assets before income tax of 2.33%, which increased by 0.16 percentage point as compared with that of last year.

A majority of the Infrastructure Leasing business of the Group was under finance leases, while a minority was under operating leases. As of December 31, 2016, in terms of the net carrying amount of leased assets, finance leases and operating leases accounted for 99.3% and 0.7%, respectively. Currently, Infrastructure Leasing of the Group is carried out primarily through sale-and-leaseback transactions, which effectively helps local governments and enterprises in activating the existing infrastructure assets.

The Group maintained stable future cash flows by entering into long-term contracts with lessees. Meanwhile, the Group maintained sound asset quality for such business segment by virtue of its outstanding risk management capability. As of December 31, 2016, the non-performing asset ratio of the Infrastructure Leasing segment of the Group was nil.

The Group continued to expand its business network and accumulate client resources, and has currently built up a broad client base nationwide. As of December 31, 2016, clients of Infrastructure Leasing reached throughout 24 provinces, autonomous regions and direct-controlled municipalities in the PRC.

Infrastructure Leasing business comprises Transportation Infrastructure Leasing (toll roads, rail transit), Urban Infrastructure Leasing (municipal facilities, affordable housing) and Energy Infrastructure Leasing (energy and electric power equipment) as classified by the type of leased assets.

Transportation Infrastructure Leasing

Transportation Infrastructure Leasing business primarily comprises the leasing of toll roads and rail transit equipment. In order to obtain stable leasing income, the Group provides sale-and-leaseback services on fixed assets for highways, toll roads and bridges operating companies with stable toll revenue as well as rail transit operating companies with stable income from tickets, advertising, real estate rental and other rail transit management. Meanwhile, the Group requires the lessees to pledge the toll-collecting rights as a security so as to reduce business risks.

In 2016, the Group proactively carried out business innovation and made a breakthrough in the business model of asset circulation. Under such model, the Group successfully executed the finance lease factoring project for a highway, which explored a new source of income for intermediary businesses.

As of December 31, 2016, the existing leasing projects of the Group include toll roads in 10 provinces and rail transit equipment in five cities in the PRC.

Urban Infrastructure Leasing

Urban Infrastructure Leasing business primarily comprises the leasing of municipal facilities and affordable housing. The municipal facilities leases are serviced mainly by revenues from the operation of municipal facilities. In addition, the Group typically requires companies owned or controlled by the government to provide joint liability guarantee in order to reduce business risks. With regard to the leasing of affordable housing, the Group strictly follows relevant government policies to render leasing services for affordable housing. Affordable housing leases are serviced mainly by rents and government fiscal support. In addition, to mitigate credit risk, the Group usually enters into repurchase agreements with the local governments where the lessees are located, under which the local governments agree to repurchase leased affordable housing of the Group in the event of default.

Urban Infrastructure Leasing business developed rapidly for the year. The business network was further expanded, covering 13 provinces, autonomous regions and direct-controlled municipalities in the PRC. Classes of the new clients exploited included urban asset investment companies, water supply and environmental protection companies as well as tourism companies.

While solidifying the advantages of traditional businesses, the Group proactively sought for business innovations in 2016. Through cooperation with commercial banks on executing factoring business of urban infrastructure leasing, the Group innovated business models, which efficiently enhanced the revenue of the intermediary business. Meanwhile, the Group proactively explored joint leasing model so as to expand sources of business and income.

As of December 31, 2016, the Group provided leasing services for municipal roads, water, gas, heating, pipelines and other municipal facilities in 15 provinces, autonomous regions and direct-controlled municipalities in the PRC. In addition, the Group collaborated with local governments in affordable housing leasing services in five provinces, autonomous regions and direct-controlled municipalities in the PRC, providing financing for an aggregate of over 37,000 affordable housing properties.

Energy Infrastructure Leasing

Building on our experience in providing equipment leasing services to traditional power enterprises in China, the Group has been providing leasing services to clean energy enterprises with promising growth potential, which is in line with the national policy orientation of energy structure optimization of the PRC.

In 2016, the Group reinforced the market trend analysis and industry research, and primarily promoted clean energy and electric power equipment businesses. The Group put greater efforts on the business development with leading enterprises in the industry and signed cooperation framework agreements with several key clients, and also reserved, decided and invested a batch of leasing projects of clean energy and electric power equipment with promising future. Meanwhile, the Group explored diversified leasing models, promoted cooperation on subleasing within the same industry, and carried out direct leasing transactions of clean energy power stations, which enhanced market competitiveness of the Group. In 2016, the clean energy projects exploited by the Group mainly involved power equipment leasing of nuclear power, wind power and solar power, etc.

As of December 31, 2016, the Group mainly provided energy and electric power equipment leasing services to a number of enterprises in 15 provinces, autonomous regions and direct-controlled municipalities in the PRC.

Currently, in respect of the Infrastructure Leasing segment, the Group has formed a business layout mainly focusing on Transportation Infrastructure Leasing and Urban Infrastructure Leasing, while developing quality projects of Energy Infrastructure Leasing.

The following table sets forth the net carrying amount and proportion of assets of each sub-segment in Infrastructure Leasing of the Group as of the dates indicated:

(RMB in millions, except percentages)	**Net carrying amount of sub-segment's assets as of December 31, 2016**	**Percentage of net carrying amount of sub-segment's assets as of December 31, 2016**
Transportation Infrastructure Leasing	**28,295.8**	**41.2%**
Urban Infrastructure Leasing	**34,133.3**	**49.7%**
Energy Infrastructure Leasing	**6,247.5**	**9.1%**
Total	**68,676.6**	**100.0%**

In 2017, the Group will continue to promote Infrastructure Leasing business, closely follow the changes in national policies, and reinforce researches on supply-side structural reform, new urbanization, regional development, interconnection and other policies. Specifically, the Group will mainly choose to cooperate with regions with promising economic environment and clients with effective financial support from the government by proactively developing various leasing projects on metro, inter-city railway, municipal roads, underground comprehensive pipeline network, nuclear power, wind power and other aspects of transportation infrastructure, urban infrastructure and clean energy. Meanwhile, with regard to innovation, the Group will not solely rely on the traditional credit structure and financing model under the credit enhancement measures but also proactively promote the adoption of PPP business model, hence gradually increasing the proportion of PPP projects in Infrastructure Leasing business.

3.3 Ship, Commercial Vehicle and Construction Machinery Leasing

In 2016, the Group focused on optimizing its business layout, selected quality leased assets and quality clients with a prudent approach for Ship, Commercial Vehicle and Construction Machinery Leasing. As of December 31, 2016, total assets of the Ship, Commercial Vehicle and Construction Machinery Leasing segment amounted to RMB20,246.1 million, representing an increase of RMB176.0 million, or 0.9%, as compared with that as at the end of last year. In 2016, total revenue and other income of the Ship, Commercial Vehicle and Construction Machinery Leasing segment amounted to RMB1,116.3 million, representing a decrease of RMB95.4 million, or 7.9%, as compared with that of last year, and the segment return on assets before income tax was -1.03%, which decreased by 0.99 percentage point as compared with that of last year. The decrease in profitability of such business segment was primarily due to the loss arising from the significant increase in provision for the Construction Machinery Leasing in response to the severe industrial risk tendency, while Ship and Commercial Vehicle Leasing have generated profits before income tax.

Ship Leasing

An obvious cyclical feature exists in shipping market. In light of the sluggish recovery of the global economy and the fact that China's economy has entered a "new normal" period, the growth in demand of shipping market was relatively slow and the oversupply of shipping capacity continued, resulting in a negative impact on the shipping freight and ship's unit value, both of which have fallen to a two-decade low. As affected by the continuous downturn in the shipping market, orders for new ships dropped significantly in 2016 and reached a new low of recent two decades. The significant fall in orders for new ships has provided a certain support to the gradual stability of the shipping market. In 2016, among all sub-segments of shipping, the dry bulk carrier market saw an outstanding performance. The Baltic Dry Index (BDI) has steadily increased by 103% from 473 points at the beginning of the year to 961 points at the end of the year and reached 1,257 points, the peak of the year, in November 2016. The operating results of dry bulk carrier companies achieved a significant improvement and the market value of dry bulk carriers also increased conspicuously, while the performances of container ships, oil tankers, liquefied gas carriers and other ship types remained stable.

As there was no significant improvement in the overcapacity of shipping market, in 2016, the Group continued to provide Ship Leasing services worldwide with a prudent approach, constantly optimized the asset structure of the vessel fleet, and selected the mainstream ships with features of energy conservation, environmental protection and high technology as the leased assets, so as to push forward the upgrade of large-scale, high-tech and energy conserving vessel fleet. In 2016, the Group successfully cooperated with Fortescue Metals, the fourth largest mining company in the world, and entered into a finance lease contract amounting to US$473 million for eight ultra-large ore carriers, representing the largest transaction in terms of direct financing from a major Chinese financial institution by a non-Chinese enterprise in Australia. Meanwhile, the Group acquired ship assets at a low price in the market and carried out cooperation with high quality clients under ship operating leases. In addition, the Group was trying to find opportunities of superior projects through active market exploration and completed the delivery of 10 new ships in 2016, including five container ships and five dry bulk carriers.

The Group deploys vessel fleet based on the market condition, and has established a diversified composition of vessel fleet. As of December 31, 2016, the Groups owned and leased 45 vessels of different types, consisting of 18 container ships, 13 dry bulk carriers, two liquefied gas carriers, four chemical tankers, five oil tankers and three dredgers.

The Group's Ship Leasing is mainly carried out under finance leases, while also gradually exploring operating leases. As of December 31, 2016, 36 of the Group's vessel fleet were held under finance leases while nine of the vessel fleet were under operating leases. In terms of the net carrying amount of leased assets, finance leases and operating leases accounted for 92.2% and 7.8%, respectively (the delivery of the property rights for four operating lease ships was completed on December 30, 2016. As the four ships were not leased as of December 31, 2016, they were not included in the net carrying amount of operating lease assets, but were then leased and recorded in operating lease assets from January 2017). With regard to the business model, the Group mainly conducted Ship Leasing business through sale-and-leaseback transactions.

The Group maintained a young vessel fleet to improve business competitiveness, while locking steady cash flow through entering into long-term leases with lessees. As of December 31, 2016, the average age of the Group's owned vessel fleet was 6.3 years.

Target clients of the Group mainly include large state-owned shipping groups and their subsidiaries, as well as high-quality domestic and overseas cargo owners and shipping companies. While optimizing the domestic business, the Group proactively expanded its overseas business and participated in the competition in international market. As of December 31, 2016, the Group provided Ship Leasing services to 34 clients from four countries, among which 30 were overseas clients.

In 2017, it is estimated that the global shipping market will remain at the digesting stage of the previously accumulated excessive shipping capacity and therefore the fundamentals of the overcapacity in general will be unlikely to improve significantly. In the sluggish market environment, the Group will proactively reserve its strength by utilizing the market adjustment period and explore future market development opportunities in order to build Ship Leasing into a new growth driver with "distinct features, outstanding advantages and quality assets". With regard to the business development, by insisting on the guiding ideology of "being strong before expansion", the Group will focus on the mid- and high-end clients as well as the major projects, meanwhile adhere to the principle of balancing business development and risk management, so as to fight for quality client resources and project resources and increase the market influence and market share. Meanwhile, the Group will proactively optimize the composition of ship portfolios and explore high-end special shipping business such as large liquefied gas carriers, luxury cruise ships and marine engineering equipment with a prudent approach on the basis of consolidating the predominance of traditional commercial ships such as container ships, dry bulk carriers and oil tankers. Leveraging previous successful execution experience in operating lease projects, the Group will proactively conduct ship operating lease business with cargo owners and shipping companies with sound reputation and strong capital base.

Commercial Vehicle Leasing

Along with the continuous growth of China's economy, the demand for commercial vehicles continued to rise. As an important financing channel for transportation companies, leasing has a broad market space. According to the statistics of China Association of Automobile Manufactures, the sales volume of commercial vehicle in China in 2016 was 3.65 million, representing a year-on-year increase of 5.8%. In order to mitigate pollution, the national policies have been promulgated consecutively in recent years to encourage the development of new energy vehicles. By combining the market demand and the policy orientation, the Group vigorously promoted the new-energy bus business in 2016 and carried out in-depth cooperation with various large bus companies in China. In addition, by matching the actual demand of major manufacturers, the Group selectively developed other types of commercial vehicle leasing business. Upon in-depth discussion with numerous manufacturers and distributors, the Group promoted asset portfolio model step by step with varieties of products to adequately satisfy the demands of manufacturers for different products, and further enhanced the cooperative relationship with major manufacturers. Currently, the Group has conducted cooperation dialogues with various leasing companies and came to intention of cooperation.

All Commercial Vehicle Leasing business of the Group is under finance leases, which is an ancillary financing service provided for the end-sales primarily through a wholesale business model with credit line granted for manufacturers or distributors and repurchase guarantee by manufacturers or joint and several liability guarantee by distributors. Under such model, sale-and-leaseback transactions and direct leasing transactions are conducted based on the nature of the leased assets. In addition, by carrying out the asset portfolio sale-and-leaseback transactions with the leasing platforms of manufacturers, the Group achieved a diversified cooperation with major manufacturers, and therefore enhanced the coherence between the Group and major manufacturers.

In 2017, the Group will enhance the innovation of business variety, expand the scope of cooperation, and further improve professional expertise in order to satisfy various financing needs of the market under the new situation. At the same time, the Group will pay close attention to the policy orientation relating to new energy so as to capture opportunities in new energy industry, emphatically study and develop businesses relating to new energy vehicles, deepen cooperation with high-quality public transport companies, and press forward energy conservation and emission reduction of urban transportation.

Construction Machinery Leasing

Facing the downturn of macro-economy, the sale of construction machineries was under certain pressure, and hence the demand for end-consumer financing was robust. As one of the professional segments, the Construction Machinery Leasing business gained the popularity among numerous leasing companies and as a result, the competition of such market was relatively fierce. In this regard, the Group adhered to the principle of "seeking progress while ensuring stability" in 2016, focused on strengthening and enhancing cooperation with key manufacturers, explored innovative business models, and deepened vertical business development, so as to support the development of natural persons and SMEs.

All Construction Machinery Leasing business of the Group is under finance leases. Similar to commercial vehicles, such business is mainly carried out through the cooperation with manufacturers and distributors under wholesale business model, while minority of such business is carried out through sale-and-leaseback transactions and direct leasing transactions after procuring from manufacturers.

In 2017, the Group will continue to strengthen risk management and prevent the asset risks of Construction Machinery Leasing effectively. Meanwhile, on the basis of continuously optimizing business management process, the Group will focus on the priorities of national strategy, deepen the innovation of business model and extend the creative model of asset portfolio transactions with key manufacturers' leasing platforms, so as to enhance the capabilities in financial services.

The following table sets forth the net carrying amount and proportion of assets of each sub-segment in Ships, Commercial Vehicle and Construction Machinery Leasing of the Group as of the dates indicated:

(RMB in millions, except percentages)	**Net carrying amount of sub-segment's assets as of December 31, 2016**	**Percentage of net carrying amount of sub-segment's assets as of December 31, 2016**
Ship Leasing	**11,617.7**	**57.4%**
Commercial Vehicle Leasing	**1,512.4**	**7.5%**
Construction Machinery Leasing	**7,116.0**	**35.1%**
Total	**20,246.1**	**100.0%**

3.4 Other Leasing Business

Owing to the slowdown of China's economy in recent years, certain traditional manufacturing industries face challenges of overcapacity, which resulted in poor operating performance of many companies. The proportion of small and medium enterprises in traditional manufacturing industries is relatively large and the fluctuations in operating results of such enterprises are highly volatile. Affected by the overall environment of lessees' industries, assets of Other Leasing Business invested by the Group are exposed to relatively higher credit risk. To mitigate the risk of Other Leasing Business segment and improve operating results, in 2016, the Group actively controlled the scale of Other Leasing Business segment, reduced the balance of leased assets in the industries with relatively high credit risks, and shifted the business focus of such segment to strategic emerging industries, environmental protection industry and manufacturing sectors supported by national policies. In addition, the Group further enhanced risk management by strengthening the research in macro-economy and industry, improving credit enhancement measures, consolidating post-lease management and collateral management, as well as mitigating risks through the whole process of the business. The Group has achieved sound results in adjustment initiatives in Other Leasing Business segment.

As of December 31, 2016, total assets of Other Leasing Business segment amounted to RMB14,392.1 million, representing a decrease of RMB4,080.6 million, or 22.1%, as compared with that as at the end of last year, indicating an overall shrinking trend. In terms of the net carrying amount of leased assets, finance leases and operating leases accounted for 97.1% and 2.9%, respectively.

With effective measures of the Group to prevent and control risks, the performance results of Other Leasing Business segment slightly improved. In 2016, total revenue and other income of such segment amounted to RMB892.8 million, representing a decrease of RMB440.0 million, or 33.0%, as compared with that of last year. Segment return on assets before tax was -3.58%, which increased by 1.67 percentage points as compared with that of last year.

In 2017, with regard to Other Leasing Business, the Group will strengthen industry research and business model innovation, and design leases products tailored to clients' needs. In addition, the Group will implement differentiated strategy, improve the ability of project development and risk management. Besides, the Group will prudently explore business of other industries and expand business in projects operated independently which generate stable cash flows with leased assets having the nature of value preservation or value creation, so as to explore new drivers for business growth.

4. Financing

On August 31, 2016, Moody's increased the rating of the Group to Aa3. Due to its high credit ratings ("Aa3" by Moody's, "A+" by Standard & Poor's, and "A+" by Fitch), the Group continuously enhanced its funding capability and diversified its financing channels. The Group continued to deepen its cooperation with domestic and overseas banks and other financial institutions to ensure that there would be sufficient funds available for business development. As of December 31, 2016, the Group had established business relationships with 85 banks and was granted uncommitted credit facilities amounting to a total of approximately RMB416.21 billion including unused uncommitted credit facilities of approximately RMB300.27 billion. Meanwhile, the Group continued to explore financing options including domestic debt financing, asset securitization financing and equity financing, and other more diversified financial instruments. The Group obtained the approval for the issuance of RMB10 billion financial bonds from the Shenzhen CBRC and the PBOC in February 2016 and September 2016, respectively, and successfully issued the first tranche of three-year RMB-denominated financial bonds of RMB3 billion at an interest rate of 3.0% on October 26, 2016 which was the lowest interest rate issued by financial leasing companies historically. In addition, the Group has submitted application documents for the qualification in relation to asset securitization to the Shenzhen CBRC in September 2016. On July 11, 2016, the Company was successfully listed on the Hong Kong Stock Exchange, which further expanded its financing channels in the capital markets and enhanced the financing capability of the Group.

In 2016, in light of the complex and ever-changing domestic and international macro economy and financial market condition, the Group actively implemented corresponding measures regarding financing activities in response to the changes in macro environment. Through proactive adjustment of financing strategies and optimization of financing structure, the financing costs of the Group decreased significantly. In 2016, the average cost of interest-bearing liabilities of the Group was 3.43%, which decreased by 89 basis points as compared with that of last year. In respect of interest structure, the Group actively shortened the duration of liabilities denominated in RMB to match with that of leased assets denominated in RMB to ensure the stability of interest spread. In respect of exchange rates, the Group continued to implement its existing strategy on exchange rate risk management and maintain basically matching of assets and liabilities in terms of currency type. In addition, the Group also actively retained certain volume of net exposure to assets denominated in US dollar according to its study and judgment on market trend.

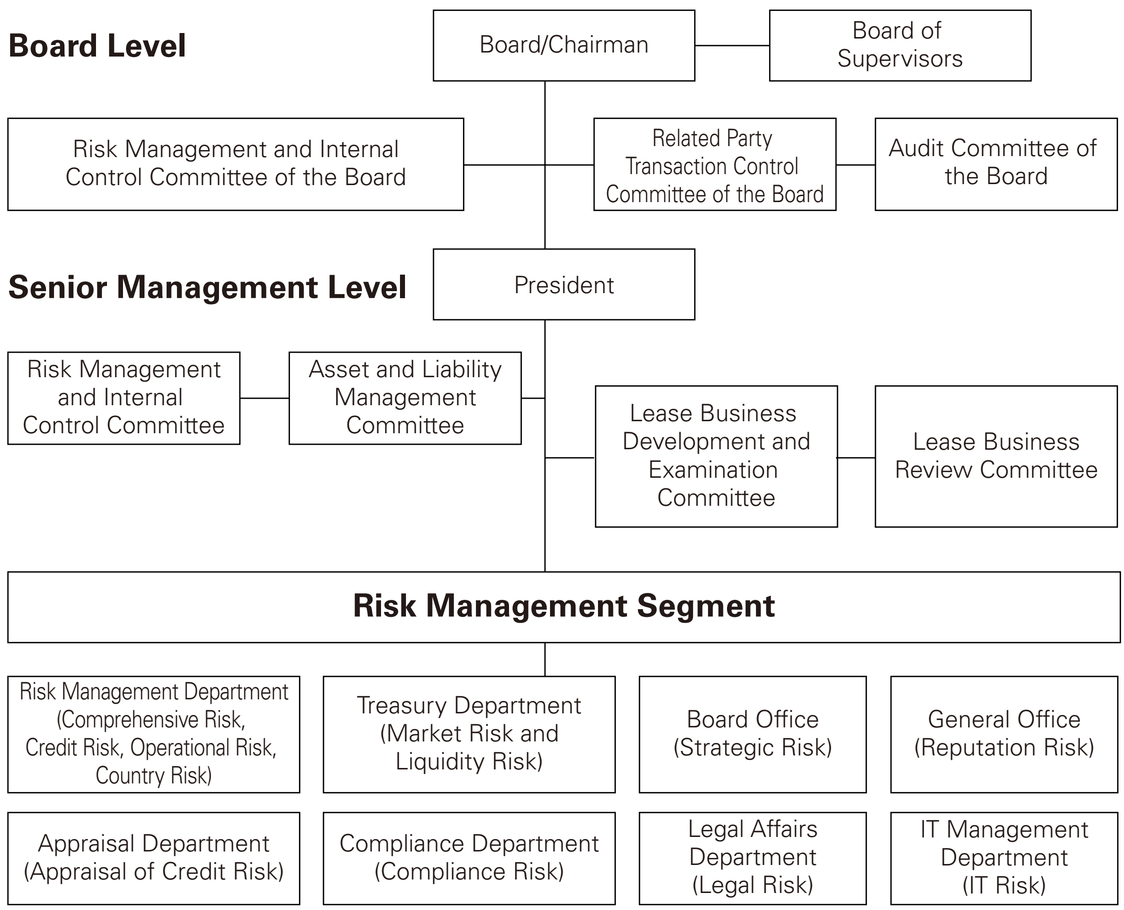
In 2016, the major financing sources of the Group included bank borrowings, issuance of notes, interbank lending and sales under repurchase agreements. As of December 31, 2016, the Group's borrowings, notes payable, due to banks and other financial institutions, and financial assets sold under repurchase agreements were RMB106,198.2 million, RMB17,793.9 million, RMB4,000.0 million and RMB3,136.0 million, respectively.

5. Risk Management

The Group is exposed to various risks in the normal course of its business, including credit risk, interest rate risk, exchange rate risk, liquidity risk, information technology risk and reputation risk. The Group has established a comprehensive risk management system which forms an impeccable risk management framework and system with a detail-defined division among all business segments, risk management department and internal audit department to constantly identify, evaluate and monitor the risks in the normal course of the Group's operation, so as to achieve an appropriate balance between risks and benefits while reducing the potential negative impact on the Group's financial performance. The Group deploys the abundant data resources and credit experience of CDB to enhance its risk management and carries out post-lease management under the assistance of the branches of CDB, allowing it to identify and defuse risks.

In 2016, the Group strengthened its comprehensive risk management and control with optimization of the establishment of comprehensive risk management system, and drafted a programmatic document for risk management, namely the Basic Provisions on Comprehensive Risk Management (Provisional) (《全面風險管理基本規定（試行)》), which has been approved by the management. The document specifies the responsibility of the Board, the Board of Supervisors and the senior management on risk management and redraws the boundary of the risk management responsibility of each department in each segment, which further improved the risk management infrastructure of the Company.

The following graph illustrates our risk management framework:



The Board fulfils risk management responsibility in compliance with the Articles of Association and relevant regulatory requirements. The Risk Management and Internal Control Committee under the Board is responsible for the formulation of risk strategy, risk appetite and limitation, continuous supervision over the Company's risk management and internal monitoring systems as well as evaluation and determination of the Company's risk nature and acceptance level. The Board of Supervisors undertakes the supervision responsibility of comprehensive risk management, and the supervision and evaluation of the duties and responsibility fulfilment of the Board and the senior management in respect of risk management and urges rectification. The senior management of the Company undertakes the implementation responsibility of the comprehensive risk management and the execution of the Board resolutions and is responsible for the organization and implementation of comprehensive risk management of the Company.

The Risk Management Department is the overall planning and management department of the Company's comprehensive risk management, which is responsible for the management of the comprehensive risk, credit risk, operational risk and country risk; the Board Office is responsible for the management of strategic risk; the Appraisal Department is responsible for comprehensive review and assessment of credit risks; the Treasury Department is responsible for the management of market risk and liquidity risk; the Compliance Department is responsible for the management of the compliance risk, related party transaction risk and internal control; the General Office is responsible for the management of reputation risk; the Legal Affairs Department is responsible for the management of legal risk; the IT Management Department and the Risk Management Department are responsible for the management of information technology risk.

5.1 Credit Risk

Credit risk refers to the risk of loss incurred by the group due to the failure of fulfilment of contractual obligations by counterparties when due. The credit risk to which the Group is exposed primarily derives from leasing business. Credit risk is considered as one of the most significant risks in the Group in its business operation. Management therefore carefully manages the exposure to credit risk adhering to prudent principles and mitigates the overall credit risk through portfolio management across different countries, regions and various industries.

The Group selects clients based on industries and regions and carries out credit risk management based on its own development strategy, market condition and the national policy. The Group has established an impeccable project management procedure, including pre-lease due diligence, project examination and approval, contract signing and provision of lease financing and post-lease inspection. The Group strengthens control and management of credit risk by conducting industrial research, implementing credit rating, monitoring lessees' business status and evaluation of the impact of changes in technology on leased assets.

The Group employs a range of policies and measures to mitigate credit risks. For Aircraft and Ship Leasing, as the second-hand market of leased items is relatively mature and the market value is relatively stable, the Group normally does not require lessees to provide additional collaterals when carrying out leasing business in those fields. For Ship Leasing businesses, the Group normally requires the de facto controller of the lessees to provide guarantees to further mitigate credit risks. For Aircraft operating leases, the Group manages its credit risks through rental fees received in advance. For Commercial Vehicle and Construction Machinery Leasing, the Group adopts either the manufacturer or the distributor credit model under which manufacturer partners are required to provide a repurchase guarantee, or distributor partners to provide a joint and several liability guarantee for each lease. As commercial vehicles and construction machinery have relatively established second-hand markets for used equipment, we do not require additional security for such leasing businesses from the lessees. For Infrastructure Leasing and Other Leasing Business, the most typical measures for the Group to control credit risks are taking of collateral, margin deposits and guarantees by third parties. The Group provides guidelines on acceptable types of collateral, which mainly includes civil aircrafts and engines, vessels, machinery and equipment, highway toll rights, land use rights and properties.

In 2016, the Group further improved the risk alert and limitation management, and enhanced the risk monitoring of major clients and industries by paying close attention to the impact of the industry and market trend as well as regulatory policies on leasing risk. Meanwhile, the Group further optimized the procedure, method and standard of credit risk rating, increased the capability of measuring credit risk, developed and finished the model building of debt rating loss given default in aviation, ship, infrastructure, construction machinery and commercial vehicle businesses, improved the risk-based pricing program and ensured that the price has covered the risk cost. In addition, the Group proactively carried out the on-site post-lease inspection for leasing projects which allows it to uncover and disclose risks in a timely manner and gradually normalize and improve the level of post-lease management. Regarding the elimination of non-performing and risk-bearing projects, the Group stabilized the assets quality and safeguarded the bottom line against risk through various channels such as enhancing collection, collecting according to laws, bulk transfer and entrusting CDB's branches for management over the entire process.

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

	As of December 31,	
(RMB in millions)	**2016**	2015
Financial assets		
Cash and bank balances	**9,336.4**	6,313.9
Placement to banks and other financial institutions	**1,100.0**	1,100.0
Financial assets at fair value through profit and loss	**2,133.7**	1,558.6
Derivative financial assets	**9.7**	2.0
Accounts receivable	**6,841.8**	13,827.1
Finance lease receivables	**88,464.1**	80,945.1
Available-for-sale financial assets	**152.1**	0.0
Other financial assets	**262.3**	416.4
Total	**108,300.1**	104,163.1

Asset quality

The Group evaluates asset quality and adjusts asset categories quarterly based on the asset risk, and adopts measures to mitigate risks for the projects with overdue rent and material risks in a timely manner. The Group's asset quality classification system is based on Governing Principles on the Risk-based Classification of Assets of Non-banking Financial Institutions (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, the Guidelines on the Risk-based Classification of Loan (《貸款風險分類指引》) issued 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 the Shenzhen CBRC in November 2004. In addition, the Group formulated its provisioning policies for financial assets in accordance with the statutory requirements relating to the asset quality classification of the China banking industry, international accounting standards and the accompanying guidance.

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

	As of December 31,	
(RMB in millions, except percentages)	**2016**	2015
Five-category		
Normal	**163,394.7**	151,208.9
Special mention	**4,461.2**	5,515.7
Substandard	**1,096.4**	1,423.7
Doubtful	**493.0**	779.4
Loss	**65.3**	0.6
Total assets before allowance for impairment losses	**169,510.6**	158,928.3
Non-performing assets[(1)]	**1,654.7**	2,203.7
Non-performing asset ratio[(2)]	**0.98%**	1.39%

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

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

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

	As of December 31,	
(RMB in millions, except percentages)	**2016**	2015
Five-category		
Normal	**92,548.7**	90,803.2
Special mention	**3,436.4**	4,071.0
Substandard	**1,096.4**	1,423.7
Doubtful	**493.0**	722.6
Loss	**0.6**	0.6
Finance lease related assets before allowance for impairment losses	**97,575.1**	97,021.1
Non-performing finance lease related assets(1)	**1,589.9**	2,146.9
Non-performing asset ratio of finance lease business(2)	**1.63%**	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 asset quality classification system, including "substandard", "doubtful" and "loss".

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

As of December 31, 2016, the non-performing assets of the Group was RMB1,654.7 million, representing a decrease of RMB549.0 million as compared with that as at the end of last year; while the non-performing asset ratio was 0.98%, representing a decrease of 0.41 percentage point as compared with that as at the end of last year. As of December 31, 2016, the non-performing finance lease related assets of the Group were RMB1,589.9 million, representing a decrease of RMB557.0 million as compared with that as at the end of last year; while non-performing asset ratio of finance lease business was 1.63%, representing a decrease of 0.58 percentage point as compared with that as at the end of last year. The significant improvement in asset quality was primarily due to the enhanced credit risk management and control by the Group in 2016, as well as the disposal and mitigation of risky assets and non-performing assets. For new businesses, the Group followed the principle of rigorous selection of sectors and customers. For existing businesses, the Group took measures to mitigate risk at various stages of business including post-lease management and collateral management in order to strengthen credit risk management.

The following table sets forth, the distribution of the Group's finance lease related assets by segments and the five-category asset quality classification as of December 31, 2016:

(RMB in millions, except percentages)	**Aircraft Leasing**	**Infrastructure Leasing**	**Ship, Commercial Vehicle and Construction Machinery Leasing**	**Other Leasing Business**	**Total**
Five-category					
Normal	3,648.6	62,675.0	15,626.4	10,598.7	92,548.7
Special mention	180.2	13.9	1,453.7	1,788.6	3,436.4
Substandard	–	–	1,074.2	22.2	1,096.4
Doubtful	–	–	115.4	377.6	493.0
Loss	–	–	–	0.6	0.6
Finance lease related assets before allowance for impairment losses	3,828.8	62,688.9	18,269.7	12,787.7	97,575.1
Non-performing finance lease related assets	–	–	1,189.6	400.3	1,589.9
Non-performing asset ratio of finance lease business	0.00%	0.00%	6.51%	3.13%	1.63%

The Group maintained sound asset quality for its Aircraft Leasing segment and Infrastructure Leasing segment through cooperation with superior aviation companies to conduct the leasing business of mainstream aircraft and cooperation with large SOEs and enterprises under local governments to conduct infrastructure leasing business. As of December 31, 2016, the non-performing asset ratios of the finance lease business of these two major segments were both nil. In respect of the Ship, Commercial Vehicle and Construction Machinery Leasing segment, the credit risk of Construction Machinery Leasing was increased, resulting in the increase of non-performing asset ratio of finance lease business in this segment. Regarding the Other Leasing Business segment, the non-performing asset ratio of finance lease business significantly dropped as compared with that as at the end of last year through disposal of non-performing assets.

The following table sets forth overdue finance lease receivables of the Group as of the dates indicated:

(RMB in millions)	As of December 31, 2016	2015
Neither overdue nor impaired	**88,184.9**	80,376.0
Overdue but not impaired	**1,085.4**	1,385.7
Impaired	**1,589.9**	2,146.9
Finance lease receivables – net	**90,860.2**	83,908.6
Less: Allowances for impairment losses	**(2,396.1)**	(2,963.5)
Finance lease receivables – carrying value	**88,464.1**	80,945.1

Concentration of credit risks

The Group proactively implemented the requirements of the regulatory authorities and timely monitored the financing concentration of a single client through project inspection. Besides, the Group has established a client's ledger to carry out quarterly monitoring over the financing concentration of group clients in order to prevent credit concentration risk. As of December 31, 2016, the balance of finance lease transactions for the largest single client accounted for 12.48% of the net capital while the balance of finance lease transactions for the largest single group client accounted for 23.46% of the net capital.

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

Concentration indicator	As of December 31, 2016	2015
Degree of concentration of single client financing[1]	**12.48%**	18.39%
Degree of concentration of single group client financing[2]	**23.46%**	18.39%

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

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

As of December 31, 2016, in terms of finance lease related assets before allowance for impairment losses, the total financing raised by the top ten single clients amounted to RMB21,708.0 million, accounting for 22.2% of finance lease related assets before allowance for impairment losses.

The following table sets forth the financing amount raised by the top ten clients of the Group in terms of finance lease related assets before allowance for impairment losses as of December 31, 2016:

(RMB in millions, except percentages)	**Business segment**	**Financing amount**	**Percentage of finance lease related assets before allowance for impairment losses**
Client A	Infrastructure	2,781.8	2.9%
Client B	Infrastructure	2,595.9	2.7%
Client C	Infrastructure	2,529.9	2.6%
Client D	Infrastructure	2,209.9	2.3%
Client E	Infrastructure	1,983.1	2.0%
Client F	Infrastructure	1,971.2	2.0%
Client G	Aircraft	1,944.2	2.0%
Client H	Infrastructure	1,931.9	2.0%
Client I	Infrastructure	1,890.4	1.9%
Client J	Infrastructure	1,869.7	1.8%
Total		21,708.0	22.2%

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

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

	As of December 31,			
(RMB in millions, except percentages)	**2016**		2015	
	Amount	**Percentage**	Amount	Percentage
Aircraft Leasing	**3,824.1**	**4.2%**	2,937.5	3.5%
Infrastructure Leasing	**56,835.2**	**62.6%**	48,179.2	57.4%
Transportation Infrastructure	**21,293.8**	**23.4%**	29,008.0	34.6%
Urban Infrastructure	**31,576.2**	**34.8%**	14,305.0	17.0%
Energy Infrastructure	**3,965.2**	**4.4%**	4,866.2	5.8%
Ship, Commercial Vehicle and Construction Machinery Leasing	**18,269.5**	**20.1%**	17,557.9	20.9%
Ship	**9,645.0**	**10.6%**	8,272.4	9.9%
Commercial Vehicle	**1,611.6**	**1.8%**	1,724.9	2.0%
Construction Machinery	**7,012.9**	**7.7%**	7,560.6	9.0%
Other Leasing Business	**11,931.4**	**13.1%**	15,234.0	18.2%
Commercial Property	**3,725.2**	**4.1%**	5,022.4	6.0%
Other Sectors	**8,206.2**	**9.0%**	10,211.6	12.2%
Total	**90,860.2**	**100.0%**	83,908.6	100.0%

5.2 Market Risk

5.2.1 Interest Rate Risk

The risk of losses in the Group's overall income and economic value resulting from adverse movements in interest rates, maturity structure and other factors. Interest margins of the Group may increase as a result of fluctuation in market interest rates, but may reduce or incur losses in the event that unexpected movements arise. Therefore, the Group primarily manages the interest rate risk through controlling the repricing of the leasing assets and its corresponding liabilities.

The Group's RMB-denominated leasing business mainly bore a floating interest rate while the liabilities mainly bore a fixed rate interest. For this particular situation, the Group proactively shortened the duration of RMB-denominated liabilities in order to reduce interest rate risk. As influenced by the relatively loose monetary policy in 2016, the financing cost of the Group was in a dropping trend in 2016 and the spreads remained basically stable, indicating an effective management over interest rate risk.

The Group mainly received fixed rental income under operating leases in foreign currencies while the corresponding bank borrowings bore a floating rate interest. The Group hedged the cash flow volatility risk as a result of the liability interest rate fluctuation through interest rate swap contracts, as a hedging strategy, and switched the floating rate into fixed rate through interest rate swap contract to effectively match the future fixed rental income, and stabilized the margin while mitigating the effect of changes in US currency interest rates on the operating and financial performance of the Group.

5.2.2 Exchange Rate Risk

Exchange rate risk refers to the risk of losses in the Group's overall income and economic value resulting from an adverse movement in exchange rates. The exchange rate risk exposure primarily arises from the profits of some of the Group's overseas SPCs, which are denominated in foreign currencies.

The strategy for exchange rate risk management is to match the currencies of assets and liabilities actively in daily operations by identifying and measuring the impact of exchange rate changes on operations through foreign currency exposure analysis, exchange rate sensitivity analysis and other instruments, and hedging exchange rate exposure through currency derivatives instruments. Most of leased assets of the Group such as aircraft and ships under the finance and operating leases are purchased in US dollars and the corresponding finance lease receivables and operating lease assets are denominated in US dollars, while the major capital sources of which are onshore and offshore US dollar-denominated bank borrowings and bonds. Apart from Aircraft Leasing and Ship Leasing businesses, other leasing segments of the Group are substantially denominated in Renminbi. Hence, there is no significant exchange rate risk exposure.

As of December 31, 2016, the Group's net exposure for US dollar-denominated assets that affect profit or loss amounted to US$440.7 million and the existing nominal principal amount of US dollar to Renminbi non-deliverable forward contracts amounted to US$41.0 million. In 2016, through precise study and judgment on the market trend and timely adjustment to the strategy of exchange rate risk management with a reasonable arrangement on settlement and exchange of proceeds from the Initial Public Offering in Hong Kong, the Group proactively retained certain risk exposures for US dollar-denominated assets and realized exchange gains of RMB167.7 million due to the appreciation of US dollar against Renminbi.

5.3 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 resources at any time to meet the repayment needs of matured liabilities and to seize new investment opportunities through undertaking certain liquidity risks in order to achieve a high interest rate spreads level.

The Group established a three-level liquidity reserve system to mitigate and defuse liquidity risk while managing liquidity risk and balancing between interest rate spread and liquidity risk by adopting the following measures: proactive management of the maturity profile of our assets and liabilities while maintaining appropriate liquidity reserve for mitigating the liquidity risk; and obtaining diversified funding via multiple channels, thereby continuously preserving sufficient funds to purchase assets and repay debts. Bank deposits and the money market are primary sources of liquidity management for the Group's cash reserve. As of December 31, 2016, the Group had a borrowing and lending limit of RMB12.64 billion. In addition, the Group was able to carry out spot bonds trading and bonds repurchase via the interbank bond market, enabling it to replenish liquidity from the market in a timely manner. In 2016, liquidity of the Group remained strong with no material liquidity risk incident.

5.4 Other Risks

5.4.1 Information Technology Risk

Information technology risk refers to operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and flawed management in the course of applying information technology.

CBRC values the information technology risk management in banking industry and requires financial leasing companies to establish an effective mechanism that can identify, measure, monitor, and control the information technology risks of the Company; ensure secure, continuous and stable operation; promote business innovations; enhance capabilities in utilizing information technology; improve core competitiveness and sustainability; and constantly strengthen the risk-resistant capability.

In 2016, the Group comprehensively upgraded the information security level in the following aspects: strengthening management through system establishment; raising employees' awareness of information security through a series of trainings; enhancing the information security protection level through cloud network surveillance, information security inspection of physical environment in key office areas, network reformation, webpage anti-tampering system, border protection reinforcement, internet access management system, key card printer access system, paperless meeting system and other technologies and tools. In addition, the Group further pushed forward the establishment of disaster recovery system to provide guarantee for ongoing operation and realized off-site backup for production data while conducting disaster recovery drill for key application systems and building the data backup platform to improve backup efficiency.

5.4.2 Reputational Risk

Reputational risk refers to the potential or existing risk of negative impact or damage to the Company's overall image, reputation and brand value, arising when aspects of the Company's operational, managerial and other behaviours or external incidents are noticed or reported by the media.

In 2016, the Group enhanced its reputational risk management and focused on the reputational risk prevention and control as well as brand building. It issued the Measures for the Management of Reputational Risks (《聲譽風險管理辦法》) to further enhance the foundation of reputational risk management. Through regular self-inspection and investigation of reputational risk and timely handling of reputational incidents of the Company, the capability of responding to the public sentiment and guiding public opinion was effectively improved. In addition, the Group facilitated the brand building with great efforts through authoritative newspapers, magazines and video advertisements, and improved the operational quality of the Group's new media channels with expansion of the new media channels by adapting to the features of new media, while strengthening positive advertising through accumulating positive energy and guiding public opinions in an active manner. The reputational risk management of the Group was improved stably for the year, effectively safeguarding the sound corporate image and reputation.

6. Capital Management

The Group's major objectives of capital management activities are: to comply with the capital requirements set by the regulatory authorities of the banking industry where the Group operates its businesses, 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. In accordance with relevant regulations promulgated by the CBRC, capital adequacy, leverage ratio and the utilization of regulatory capital are closely monitored by the management of the Group.

In 2016, the Group managed its capital through different means, such as increasing the capital of the Group through financing of listing and replenishing tier-two capital by increasing the proportion of allowance for asset impairment losses. The Company was listed on the main board of the Hong Kong Stock Exchange on July 11, 2016. Net proceeds raised from Global Offering amounted to HK$6,125.3 million (including over-allotment option, net of underwriting commissions and relevant expenses), which were fully utilized for strengthening the capital base of the Group. Moreover, the Group consistently enhanced the fundamental capabilities construction on capital management, promoted the capital conduction and rationing mechanism and proactively carried forward the transformation of intensive capital operation. The Group pushed forward the optimization of its business structure, reduced inefficient capital occupation and constantly improved capital utilization efficiency by strengthening analysis on capital occupation and conducting analysis of project on risk-weighted assets basis. As a result, effects of capital in guiding and restraining business development were further improved.

On June 7, 2012, the CBRC issued the Capital Administrative Measures, which came into effect on January 1, 2013. 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 the Administrative Measures for the Capital of Commercial Banks (Provisional) (《關於實施〈商業銀行資本管理辦法(試行)〉過渡期安排相關事項的通知》) on November 30, 2012, which stipulates the requirement on annual capital adequacy ratio during the transitional period. As of December 31, 2016, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 13.42%, 13.42% and 14.03%, respectively, which were all above the regulatory requirements of the CBRC.

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

(RMB in millions, except percentages)	**Regulatory requirement**	**As of December 31, 2016**	2015
Net capital:			
Net core tier-one capital		**22,290.9**	14,981.0
Net tier-one capital		**22,290.9**	14,981.0
Net capital		**23,312.9**	16,064.5
Capital adequacy ratio:			
Core tier-one capital adequacy ratio	≥6.7% [1]	**13.42%**	9.54%
Tier-one capital adequacy ratio	≥7.7% [1]	**13.42%**	9.54%
Capital adequacy ratio	≥9.7% [1]	**14.03%**	10.23%

(1) The indicating requirement to be fulfilled before the end of 2016.

7. Capital Expenditure

The capital expenditures of the Group principally comprise expenditures for the purchase of property, equipment and aircraft leasing assets and construction of office building, etc. In 2016, the capital expenditures of the Group amounted to RMB9,182.1 million, which were mainly used for the purchase of aircraft. The Group financed the capital expenditures through cash from operating activities, bank borrowings and net proceeds from the Global Offering.

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

(RMB in millions)	**For the year ended December 31, 2016**	2015
Capital expenditures	**9,182.1**	6,703.2

8. Pledge of Assets

As of December 31, 2016, properties and equipment for operating lease (net), properties and equipment for finance lease (net), properties and equipment for pre-paid operating lease (net) of the Group, amounting to RMB26,087.0 million RMB5,958.3 million and RMB471.7 million respectively, were pledged to banks to acquire bank loans. In addition, finance leases receivable (at original value) and bank deposits (net) amounting to RMB11,034.7 million and RMB160.6 million respectively, were pledged to banks to acquire bank loans (include financial assets sold under repurchase agreements). The total collateral assets as aforesaid accounted for 25.1% of total assets in aggregate.

9. Human Resources

The Group proactively implemented the strategy of "reviving the Company by talents" and valued talents as the precious resources to achieve tremendous operating results by the top notch talents. As of December 31, 2016, the Group had 230 employees in total, 185 of which were domestic employees, 45 were overseas employees; 110 were in the business facilitation segment which accounted for 48% of the total, 79 were in the business support segment which accounted for 34% of the total, and 41 were in the business assurance segment which accounted for 18% of the total. The Group has a team of high-quality talents with high academic degrees. As of December 31, 2016, approximately 98% of the Group's employees had bachelor's degrees or above, while approximately 53% of employees had master's degrees or above.

In 2016, with the strong support of the Shareholders, the Group carried out a management reformation on human resources, focusing on post and ranking system, performance appraisal system, incentive and restriction system and talent development and training platform to press forward a series of reform and innovation. While building a more competitive remuneration and benefit system, the Group further strengthened performance-oriented requirements, closely connected the business objectives of the Group with the performance of employees, remuneration levels, as well as career development to promote the realization of effective unity of the values of Shareholders, the Company and the staff. In addition, the Group focused on continuous improvement of the professional level of talented workforce, through optimizing the training system and improving various businesses and management training, which effectively covered staff at all lines and levels.

In 2017, the Group will continue to deepen the reform of human resources management system. According to the Company's strategy and market changes, the Group will carry out continuous improvement on human resources management to meet the needs of professional and international business development, optimize business process and internal management system, and improve the establishment of professional talented workforce and performance-oriented remuneration incentive mechanism so as to provide assurance of talents for the long-term development of the Company.

10. Industrial Regulation

The Group integrates compliance culture into daily operation of the Company and daily conducts of employees. It has established an impeccable compliance management system for assuring the proactive compliance by leveraging on the risk management system and internal control procedures to monitor the operation and compliance. The Group had no material non-compliance incident in 2016, and each main regulatory indicator of the Group met the requirements during the year.

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

	Regulatory requirement	**As of December 31, 2016**
Capital adequacy ratio	Above 9.7%	14.03%
Tier-one capital adequacy ratio	Above 7.7%	13.42%
Core tier-one capital adequacy ratio	Above 6.7%	13.42%
Degree of concentration of single client financing	Not more than 30%	12.48%
Degree of concentration of single group client financing	Not more than 50%	23.46%
Ratio of a single related client (1)	Not more than 30%	1.77%
Ratio of all related parties (2)	Not more than 50%	3.45%
Ratio of a single shareholder and its related parties (3)	Not more than 100%	49.56%
Ratio of interbank lending (4)	Not more than 100%	17.94%
Allowance to non-performing finance lease related assets	Above 150%	164.28%
Allowance to total finance lease related assets (5)	Above 2.5%	2.68%
Investment in fixed-income securities (6)	Not more than 20%	10.25%

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

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

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

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

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

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

Financial leasing is a financial instrument closely linked up with the real economy and has a significant effect on promotion of industrial innovation and upgrade, expansion of small and medium enterprises' financing channels, facilitation of social investment and adjustment to economy structure. In recent years, with the enthusiastic support and motivation of the government authorities, the industrial regulation has been constantly improved for the financial leasing industry to seize new development opportunities. CBRC indicated that it will direct the financial leasing companies to earnestly implement the idea of innovative, coordinated, green, open and shared development, and to safeguard the bottom line of no occurrence of systematic and regional financial risks, promoting the stable and healthy development of the industry. Furthermore, it will further guide the financial leasing companies to take advantage of their unique function and to facilitate the supply-side structural reform with constant improvement of the quality and efficiency of services for the real economy. The Group also proactively responded to the call to strictly defend the bottom line of compliance, prudently conduct business and pay attention to the risk management and control, so as to make a proper contribution to the sound development of the industry.

11. Prospects

In 2017, the global economic development will come across a complicated and uncertain international environment, yet it will generally go along the trend of recovery. In spite of certain conflicts and problems in the economy of China, the economic growth will show strong potential and its features of strong resilience, great potential and ample room for maneuver will remain unchanged, thus being able to maintain a relatively high growth rate. It is still a year full of opportunities and challenges for the leasing industry. On one hand, the favorable policies will propel the industrial development. On the other hand, the uncertainties in the economic and financial environments and the increasing competition in the industry have also imposed higher requirements on leasing companies in terms of business development model, risk prevention and control and other aspects.

Countering with the domestic and overseas economic environments and industrial conditions as aforesaid, the Group will continue to consolidate the development foundation, optimize the business layout, enhance the risk management and control, and improve the management efficiency; while taking the Company's listing as an opportunity to accelerate the establishment of the market-oriented operation mechanism and improve the corporate governance. Besides, adapting to the requirements of the new policies under the new situations, the Group will strengthen the professional abilities, facilitate the innovation of varieties and models of business and enhance the vitality and motivation of development, so as to enhance the core competitiveness of the Company, push forward the long-term and sustained development of the Group and create greater values for all Shareholders.

Directors, Supervisors and Senior Management

1. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1.1 DIRECTORS

1.1.1 Executive Directors

Mr. Wang Xuedong (王學東), aged 54, joined the Company in August 2014. He is currently the chairman of the Board and an executive Director. Mr. Wang Xuedong successively held positions in the former State Planning Commission (currently known as National Development and Reform Commission) and the National Transportation Investment Corporation (國家交通投資公司) from August 1983 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 since October 2014.

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. Mr. Wang also won the "National May 1st Labor Medal (全國五一勞動獎章) in 2011, and was a representative of the 12th National People's Congress.

Mr. Fan Xun (范珣), aged 50, 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 the second division, the domestic debt management division and the market research division under the treasury bureau. He also served as the head of the market development division, 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 since May, June and July 2015, respectively, and as a director of the specialized aviation subsidiary in Ireland since January 2017.

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.

Mr. Huang Min (黃敏), aged 34, joined the Company in March 2015. He is currently an executive Director, a vice president and the secretary to 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 Chang Jiang 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 to 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 since April and June 2015, respectively, and has served as the secretary to the Board since January 2016.

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. He graduated from Tsinghua University School of Economics and Management in Beijing, the PRC, and obtained a master's degree in business administration in June 2016.

1.1.2 Non-Executive Directors

Mr. Geng Tiejun (耿鐵軍), aged 57, joined the Company in April 2008. He is currently a non-executive Director. 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 from April 2008 to March 2017, vice president of the Company from April 2008 to November 2016 and the chairman of the labor union of the Company from December 2013 to November 2016. He has served as the senior customer service manager in Beijing branch and Canadian team leader of China Development Bank since November 2016. He has served as a non-executive Director since March 2017.

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 graduated from a class for postgraduates under the theory department in the Party School of the Central Committee in Beijing, the PRC in July 1987, majoring in economic management, and obtained a master's degree, 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 (currently known as the National Development and Reform Commission) of China in October 1994.

Ms. Liu Hui (劉暉), aged 47, joined the Company in September 2015. She is currently a non-executive Director, 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 (巴基斯坦－中國投資公司) since December 2012, a non-executive director of China-Africa Development Fund Co., Ltd. (中非發展基金有限公司) since July 2016, a non-executive director of China Development Bank Securities Co., Ltd. (國開証券有限責任公司) since February 2017 and a non-executive Director since September 2015.

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.

Mr. Li Yingbao (李英寶), aged 54, joined the Company in September 2015. He is currently a non-executive Director, 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 since September 2015.

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.

1.1.3 Independent Non-Executive Directors

Mr. Zheng Xueding (鄭學定), aged 54, joined the Company in January 2016. He is currently an independent non-executive Director, 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) since January 2014. 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. (深圳市銀之傑科技股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 300085) since April 2014, and an independent director of Qinhuangdao Tianye Tolian Heavy Industry Co., Ltd. (秦皇島天業通聯重工股份有限公司, a company 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 since January 2016.

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.

Mr. Xu Jin (徐進), aged 59, joined the Company in January 2016. He is currently an independent non-executive Director, 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 (長春稅務學院, currently known as the Institute of Taxation of Jilin University of Finance and Economics (吉林財經大學稅務學院)) 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. (神舟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 since January 2016.

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 professor in December 2004 and was appointed as professor by Shenzhen University at the same time. He obtained the qualification of finance professor issued by the Personnel Department of Guangdong Province in March 2005.

Mr. Zhang Xianchu (張宪初), aged 63, joined the Company in January 2016. He is currently an independent non-executive Director, 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 (中央研究院) in Taiwan from December 2008 to March 2009. Mr. Zhang Xianchu has been an independent non-executive Director since January 2016.

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.

1.2 SUPERVISORS

Mr. Jiang Daozhen (蔣道振), aged 50, joined the Company in March 2015. He is currently the chairman of the Board of Supervisors. Mr. Jiang Daozhen held several positions in CDB from April 1995 to March 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 international business 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 since June 2015.

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.

Mr. Lei Yanzheng (雷閻正), aged 52, joined the Company in December 2013. He is currently a Supervisor. Mr. Lei Yanzheng has been the secretary of 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 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 since December 2013.

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.

Mr. Sun Zhikun (孫志坤), aged 39, joined the Company in June 2015. He is currently a Supervisor. 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 Futures Ltd. (海航期貨股份有限公司) (formerly known as HNA Topwin Futures Ltd. (海航東銀期貨有限公司)/HNA Topwin Futures Co., Ltd.(海航東銀期貨股份有限公司)) since February 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 November 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. He served as the general manager of the human resources department, the director of the office and the director and 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, November 2015 to December 2016 and November 2016 to present, respectively. He has been a Supervisor since June 2015.

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 management 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.

Ms. Huang Xuemei (黃雪梅), aged 43, 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 since May 2015, and a director in other 13 domestic SPCs of the Company since October 2015.

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).

Mr. Zhuang Ganlang (莊贛浪), aged 44, joined the Company in July 2001. He is currently an employee representative Supervisor. He has been a senior manager of Business Department II 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 of the Company. Mr. Zhuang Ganlang has been a Supervisor since September 2009.

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.

1.3. 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. Ai Yang (艾陽), aged 46, 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.

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.

Mr. Li Jungang (李駿罡), aged 51, 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.

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. Gu Zhonghui (顧仲輝), aged 43, joined the Company in August 2016. He currently serves as a vice president of the Company. Mr. Gu Zhonghui held various positions successively in CDB from July 1997 to July 2016, including a cadre of Shandong division under East China credit bureau, a cadre of Wuhan Branch, a clerk at deputy section level of the loan management bureau, a clerk at section level of the treasury bureau, the deputy head, the head of the monetary market division of the capital trading department under the treasury bureau, head of the trading division of the capital trading department under the treasury bureau and the deputy general manager of the capital trading department of the treasury bureau.

Mr. Gu Zhonghui graduated from the Central University of Finance and Economics and obtained a bachelor's degree in June 1997. He graduated from Tsinghua University and obtained a master's degree in business administration in June 2004.

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 45, 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.

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.

2. Changes of Directors, Supervisors and Senior Management and their Information

2.1 Directors

On March 29, 2017, due to work adjustment, Mr. Geng Tiejun, an executive Director, was re-designated as a non-executive Director.

During the Reporting Period, save as disclosed above, there was no change of the Directors and their information.

2.2 Supervisors

During the Reporting Period, save as disclosed above, there was no change of the Supervisors and their information.

2.3 Senior Management of the Company

The Board approved the resignation of Mr. Xu Xiaowu as the vice president of the Company on August 26, 2016 and appointed Mr. Gu Zhonghui as the vice president of the Company. Mr. Gu Zhonghui's qualifications for serving as the vice president of the Company has been approved by the Shenzhen CBRC on October 17, 2016.

The Board approved the resignations of Mr. Geng Tiejun and Mr. Fang Yunqun as the vice presidents of the Company on November 23, 2016.

Save as disclosed above, during the Reporting Period, there was no change of senior management of the Company or their information.

3. Information Regarding Annual Remuneration of Directors, Supervisors and Senior Management

Remuneration of Directors and senior management is proposed by the Remuneration Committee according to their academic qualifications, working experience, work performance, performance of duties and appraisals. The remuneration of Directors is subject to approval and confirmation in the general meeting, while the remuneration of the senior management is subject to approval and confirmation by the Board. The remuneration of Supervisors is subject to approval and confirmation in the general meeting.

Details regarding the remuneration of the Directors and Supervisors of the Company are set out in Note 44 to the financial statements.

The remuneration of the senior management of the Company falls within the following bands:

Remuneration bands	**No. of senior management**
– RMB1,000,000 or below	1
– RMB1,000,001 to RMB1,500,000	6

1 Overview

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2016.

Corporate Governance Practice

The Group has committed to maintain high standards of corporate governance in order to safeguard the interests of Shareholders and enhance corporate value and accountability of the Group. The Company has adopted the Corporate Governance Code as its own code of corporate governance. During the Reporting Period, the Company has complied with all code provisions set out in the Corporate Governance Code. The Company will continue to review and monitor the Company's corporate governance practice to ensure the compliance with the Corporate Governance Code.

2 Shareholders' General Meetings

2.1 Duties of Shareholders' General Meetings

Shareholders' general meeting is the organ of the highest authority of the Company comprising all Shareholders. The Shareholders' general meeting is responsible for deciding on the operational policies, strategic development plans and investment plans of the Company; electing and replacing Directors and deciding on matters concerning their remuneration; electing and replacing Supervisors appointed from the Shareholder representatives, and deciding on matters concerning their remuneration; approving work report of the Board; considering and approving reports of the Board and the Board of Supervisors; considering and approving the Company's annual financial budget, final account proposals, profit distribution proposals, loss recovery proposals and share incentive plans; adopting resolutions concerning the increase or reduction of registered capital, merger, division, dissolution, liquidation or change of corporate form, annual plans for issuance of corporate bonds, the engagement, dismissal or non-reappointment of accounting firms by the Company and amendment of the Articles of Association; examining the material equity investment, bond investment, asset acquisition, asset disposal, write off of assets and external guarantee that shall be approved by the Shareholders' general meeting as stipulated by laws, regulations and relevant regulations of the securities regulatory authority of the locality where the Shares are listed; determining external donation of RMB8 million or more; considering and approving proposals raised by the Shareholders who individually or jointly hold more than five percent (including 5%) of the voting Shares.

2.2 Details of Shareholders' General Meetings

During the Reporting Period, the Company did not hold Shareholders' general meetings.

3 Board

3.1 Duties of the Board

The Board is the decision-making organ of the Company and is responsible to the Shareholders' general meeting. The Board is responsible for convening Shareholders' general meetings and reporting on its work to the Shareholders' general meetings, executing the resolutions passed by Shareholders' general meetings, formulating the strategic development plans of the Company, deciding on the operational plans, investment proposals and annual specific operational targets of the Company, formulating the Company's annual financial budget, final account proposals, profit distribution proposals, loss recovery plans, basic management system, working system of the special committees of the Board, share incentive plans, formulating proposals for increase or decrease of the registered capital of the Company as well as formulating and approving bond issuance plans under the annual bond issuance plans approved at the Shareholders' general meeting, including asset securitization plan of the Company as the initiating institution, proposing plans for the major acquisition, repurchase of Shares, merger, division, dissolution and change of the corporate form, amendments to the Articles of Association, rules of procedure of the Shareholders' general meeting and the rules of procedure of the Board, electing the chairman and vice chairman of the Board, appointing or dismissing the president of the Company, the secretary to the Board and the chairman of the special committees of the Board, appointing or dismissing the vice president, person-in-charge of finance and other senior management members and deciding on the matters of their remuneration, reward and punishment, determining the structure of internal management departments of the Company and the establishment or revocation of the other branches, determining the establishment of the special committees of the Company and electing their members, determining the risk management system which includes risk assessment, financial control, internal audit and legal risk control and monitoring the system, determining the positions, remuneration plan and performance appraisal plan of the senior management of the Company, managing the matters in relation to the information disclosure of the Company, proposing the appointment of or change in accounting firm to the Shareholders' general meeting, considering and approving external donation amounting from RMB3 million to RMB8 million per donation, major financial accounting policies, accounting estimates changes and major matters of operational management, considering 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 Shareholders' general meeting as stipulated by the Articles of Association, considering material related party transactions which shall be approved by the Board as stipulated by the laws, regulations and relevant regulations of the securities regulatory authority of the locality where the Shares are listed.

The Board confirms that corporate governance shall be the joint responsibility among Directors and the corporate governance functions include:

(a) to formulate and review the Company's policies and practice in the aspect of compliance with laws and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees, Supervisors and Directors;

(d) to formulate and review the Company's policies and practice in corporate governance, and make recommendations and report relevant matters to the Board;

(e) to review the Company's compliance with the Corporate Governance Code and the disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the whistleblowing policy of the Company.

3.2 Composition of the Board

As of the Latest Practicable Date, the Board consists of 9 Directors, including 3 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors, details of which are as follows:

Executive Directors:
Mr. Wang Xuedong
Mr. Fan Xun
Mr. Huang Min

Non-executive Directors:
Mr. Geng Tiejun
Ms. Liu Hui
Mr. Li Yingbao

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

Biographies of Directors are set out in the section of "Directors, Supervisors and Senior Management" in this annual report.

Save as disclosed in the biographies of Directors set out in the section "Directors, Supervisors and Senior Management" in this annual report, none of the Directors had any personal relationships (including financial, business, family or other material/relevant relationships) with any other Directors, Supervisors or chief executives.

3.3 Board Meetings

The Company holds Board meetings regularly, and convenes at least one Board meeting in every quarter. Notice of at least 14 days will be given to all Directors for the convening of regular Board meetings to let all Directors have opportunities to attend regular Board meetings and discuss items on the agenda.

During the Reporting Period, the Board held 9 Board meetings, the attendance of Directors is set out in the table below:

Directors	No. of meetings attended/No. of meetings eligible to be attended
Mr. Wang Xuedong	9/9
Mr. Fan Xun	9/9
Mr. Geng Tiejun	6/9 (2 other meetings were attended by proxy)
Ms. Liu Hui	8/9
Mr. Li Yingbao	8/9
Mr. Huang Min	9/9
Mr. Zheng Xueding	9/9
Mr. Xu Jin	9/9
Mr. Zhang Xianchu	9/9

3.4 Chairman of the Board and President

Pursuant to the code provision A.2.1 of the Corporate Governance Code, the positions of the chairman and the president shall be separate and shall be held by different individuals.

The positions of chairman and president of the Company are currently held by Mr. Wang Xuedong and Mr. Fan Xun, respectively, and the two different positions are clearly defined by their respective functions. The chairman is responsible for providing strategic recommendations and advice in respect of the Group's development, while the president is responsible for the day-to-day operations of the Group.

3.5 Duties of the Board and the Management

The Board retains its decision-making power over all major matters of the Company, including the approval and supervision of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors may seek for independent professional advice in performing their duties at the Company's expenses. Directors are also encouraged to consult senior management of the Company independently.

The responsibility of day-to-day management, administration and operation of the Group is delegated to the senior management. The Board regularly reviews the delegated duties and responsibilities. The senior management shall obtain approval from the Board before entering into any material transactions.

3.6 Independent Non-executive Directors

During the Reporting Period, the Board has been in compliance with the Hong Kong Listing Rules regarding the stipulated requirements of appointing at least three independent non-executive Directors while the appointed independent non-executive Directors shall account for at least one-third of the total members of the Board, among which at least one of the appointees has relevant professional qualification or talent in accounting or relevant financial management. The qualifications of the three independent non-executive Directors are in full compliance with the requirements set out in Rules 3.10(1) and (2) of the Hong Kong Listing Rules.

The Company has received the confirmation of the independence pursuant to Rule 3.13 of the Hong Kong Listing Rules from all independent non-executive Directors. As at the Latest Practicable Date, the Company considered that all the independent non-executive Directors are independent individuals pursuant to Rule 3.13 of the Hong Kong Listing Rules.

3.7 Non-executive Directors

As at the Latest Practicable Date, the non-executive Directors were Mr. Geng Tiejun, Ms. Liu Hui and Mr. Li Yingbao. The term of office commenced from the date of their respective appointments up to the expiry date of the first session of the Board.

3.8 Directors' Responsibility for the Financial Statements

The Board has acknowledged its responsibility for preparing the financial statements of the Company for the year ended December 31, 2016.

The Board is responsible for presenting a clear and understandable assessment of the annual and interim reports, inside information and other disclosures as required under the Hong Kong Listing Rules and other regulatory requirements. The management has provided such explanation and material to the Board as necessary to enable the Board to make an assessment of the financial information and status of the Company and for its approval.

The Company does not encounter any material uncertain events or situations that may incur significant doubt on the Company's ability to continue business operation.

3.9 Training for Directors

All newly-appointed Directors are provided with necessary entry training and information to ensure their certain level of understanding of the operation and business of the Company and their responsibilities under relevant regulations, laws, rules and ordinance. The Company also arranges seminars for Directors on a regular basis to provide them with updated information regarding the latest development and changes of the Hong Kong Listing Rules and other relevant laws and regulatory requirements from time to time. Directors also receive updated information regarding the performance, status and outlook of the Company for the Board and all Directors of the Board to perform their duties. All of the existing Directors have gone through the training sessions about the responsibilities of the Directors in 2016.

3.10 Model Code for Securities Transactions by Directors and Supervisors

The Company has formulated the Code of Dealing in Securities of the Company by Directors, Supervisors and Senior Management Members (《董事、監事和高級管理人員買賣本公司證券守則》) as the code of conduct of the securities transactions carried out by our Directors, Supervisors and senior management. The terms of which are not less favorable than those of the relevant laws, regulations and the Articles of Association. After specifically inquiring all Directors and Supervisors, all Directors and Supervisors have confirmed that they have been complying with the Model Code during the Reporting Period.

4. Special Committees under the Board

4.1 Risk Management and Internal Control Committee

Risk Management and Internal Control Committee consists of seven members including three executive Directors Mr. Wang Xuedong (chairman), Mr. Fan Xun, and Mr. Huang Min, three non-executive Directors Mr. Geng Tiejun, Ms. Liu Hui and Mr. Li Yingbao and one independent non-executive Director Mr. Zheng Xueding.

The primary duties of the Risk Management and Internal Control Committee 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 recommendations on the optimization of risk management and internal control of the Company; and

(4) other matters required by the laws, regulations, regulatory documents, and rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

The Company should ensure to check the validity of risk management and internal control systems at least once a year, while such checking should specifically include the following matters: the changes in the nature and critical level of material risks since last year and the Company's ability to respond to changes in its business and the external environment; our management continuously monitors the scope and quality of work for risk management and internal control systems, internal audit function and performance of other guarantee providers; report to the Board on the level of specificity and frequency of the monitoring result in order to assist the Board to appraise the effectiveness of monitoring and risk management of the Company, and the material monitoring faults occurred and material monitoring weakness discovered during the period, as well as the critical level of the unforeseeable consequences or emergency situation arising therefrom, while such consequences or situation have, would have or may have material impacts on the financial performance of status of the Company.

During the Reporting Period, one meeting of Risk Management and Internal Control Committee was held by Risk Management and Internal Control Committee for discussing and considering the follow content:

- to conduct analysis and evaluation for the overall risk management situation, including credit risk, liquidity risk, market risk, management of compiled internal control and other risks.

- to familiarise the background, plan, content, identification of differences and rectification situation of the internal control system of the Company, and to propose recommendation in relation to the interfacing between internal control and risk management.

The attendance of Risk Management and Internal Control Committee members is set out as the table below:

Directors	**No. of meetings attended/No. of meetings eligible to be attended**
Mr. Wang Xuedong *(chairman)*	1/1
Mr. Fan Xun	1/1
Mr. Geng Tiejun	1/1
Ms. Liu Hui	1/1
Mr. Li Yingbao	1/1
Mr. Huang Min	1/1
Mr. Zheng Xueding	1/1

4.2 Related Party Transaction Control Committee

Related Party Transaction Control Committee consists of five members, including three independent non-executive Directors Mr. Xu Jin (chairman), Mr. Zheng Xueding and Mr. Zhang Xianchu and one non-executive Director Mr. Geng Tiejun and one executive Director Mr. Huang Min.

The primary duties of the Related Party Transaction Control Committee 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; and

(4) other matters required by the laws, regulations, regulatory documents, and rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

During the Reporting Period, eight meetings of Related Party Transaction Control Committee were held by Related Party Transaction Control Committee for considering the daily related party transactions of the Company.

The attendance of Related Party Transaction Control Committee members is set out as the table below:

Directors	**No. of meetings attended/No. of meetings eligible to be attended**
Mr. Xu Jin *(chairman)*	8/8
Mr. Geng Tiejun	5/8 (2 other meetings were attended by proxy)
Mr. Huang Min	8/8
Mr. Zheng Xueding	8/8
Mr. Zhang Xianchu	8/8

4.3 Audit Committee

Audit Committee consists of five members including three independent non-executive Directors Mr. Zheng Xueding (chairman), Mr. Xu Jin and Mr. Zhang Xianchu and two non-executive Directors Ms. Liu Hui and Mr. Li Yingbao.

The primary duties of the Audit Committee 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 ensure adequate resources for the operation of internal auditing with appropriate position; supervise and evaluate the internal auditing of the Company; consider and approve the mid- and long-term auditing plan, annual work plan and internal auditing system setting plan of the Company, 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; and

(8) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

Audit Committee reviews the annual report and interim report of the Company within the time limit required by the laws, administrative regulations, regulatory documents, expresses opinions regarding the authenticity, accuracy and completeness, and reports the opinions considered to the Board; timely urges the auditing of annual financial report; timely examines and reports to the Board the audit report issued by external auditors to the senior management of the Company and any significant inquiry, any significant or unusual matters raised by the external auditors to the senior management or raised by the senior management on accounting records, financial accounts or internal control system, and procure the Board to make timely responses to the external auditors.

The Board considers and decides the content of the internal audit plan including audit strategies, audit scope and procedures, establishment of internal audit team, and also monitors the implementation of the aforesaid content. Audit Committee supervises and evaluates the internal auditing of the Company; ensures the adequate resources for the operation of internal auditing with appropriate position; and facilitates communications and monitors the relationship between the internal audit department and the external accounting firm. Internal auditing department of the Company is accountable and reporting duties to the Board, receives guidance from the Board of Supervisors, and receives the supervision and evaluation from Audit Committee.

The written terms of reference of the Audit Committee can be viewed on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, one meeting of Audit Committee was held by Audit Committee for discussing and considering the following matters:

- to review the interim results of the Company and its subsidiaries as of June 30, 2016;

- to review the financial reporting system, compliance procedures, internal control (including resources, qualifications, training courses of the employees in accounting and financial reporting department of the Company and the sufficiency of budget), risk management system and procedures and reappointment of external auditors. The Board did not deviate any recommendations made by the Audit Committee on the matter of selection, appointment, retirement or removal of the external auditor.

The attendance of each Audit Committee member is set out as the table below:

Directors	**No. of meetings attended/No. of meetings eligible to be attended**
Mr. Zheng Xueding *(chairman)*	1/1
Ms. Liu Hui	1/1
Mr. Li Yingbao	1/1
Mr. Xu Jin	1/1
Mr. Zhang Xianchu	1/1

4.4 Remuneration Committee

Remuneration Committee consists of five members including three independent non-executive Directors Mr. Zhang Xianchu (chairman), Mr. Zheng Xueding and Mr. Xu Jin, one executive Director Mr. Fan Xun and one non-executive Director Mr. Li Yingbao.

The primary duties of the Remuneration Committee are as follows:

(1) to organize and formulate the remuneration plans 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; and

(2) other duties as provided by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Articles of Association, the Rules of Procedure of the Board meetings and other matters as authorized by the Board.

The written terms of reference of the Remuneration Committee can be viewed on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, one meeting of Remuneration Committee was held by Remuneration Committee to deeply understand, study and analyze of the current remuneration status of the Company, and propose the initial concept for optimization of the remuneration incentive system in the future.

Remuneration Committee analyzed and formulated the remuneration policies (including non-pecuniary interests, pension rights and compensation payments (including any compensation payable for the loss or termination of office or appointment)), and remuneration plan for Directors and senior management members, conducted review by integrating the Company's directions and goals confirmed by the Board and made recommendations to the Board. In June 2016, the Board approved the Administrative Measures for Remuneration and Appraisal on Performance of Directors, Supervisors and Senior Management Members of China Development Bank Financial Leasing Co., Ltd. (Trial) (《國銀金融租賃股份有限公司董事、監事和高級管理人員薪酬及績效考核管理辦法（試行）》).

The attendance of Remuneration Committee members is set out as the table below:

Directors	**No. of meetings attended/No. of meetings eligible to be attended**
Mr. Zhang Xianchu *(chairman)*	1/1
Mr. Zheng Xueding	1/1
Mr. Xu Jin	1/1
Mr. Fan Xun	1/1
Mr. Li Yingbao	1/1

4.5 Nomination Committee

Nomination Committee consists of five members including one executive Director Mr. Wang Xuedong (chairman), three independent non-executive Directors Mr. Zheng Xueding, Mr. Xu Jin, and Mr. Zhang Xianchu and one non-executive Director Ms. Liu Hui.

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;

(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 special committees of the Board;

(5) to examine the structure of the Board and the formation of the members, and make recommendations to the Board; and

(6) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Articles of Association, the Rules of Procedure of the Board and as authorized by the Board.

Nomination Committee evaluates the candidates and people in position in accordance with their integrity, experience, skills and time spent and effort in executing duties. The recommendation of Nomination Committee will be passed to the Board for making decision.

The written terms of reference of the Nomination Committee can be viewed on the websites of the Hong Kong Stock Exchange and the Company.

Board Diversity Policy

The Company agreed the importance of the diversity of members of the Board to the effectiveness of corporate governance and the Board. In order to enhance effective operation of the Board and maintain high standard of corporate governance, Nomination Committee has formulated diversity policies of the Board to ensure the appropriate balance in the aspects of diversity including skills, experience and perspectives of the members of the Board. Details are set out below:

The nomination and appointment of members of the Board will continue to follow the principle of meritocracy based on the demand of daily business and consideration of benefits due to diversity of Board members. The principal responsibilities of Nomination Committee are to seek the people qualified for being Directors and give sufficient consideration on the policy of Board members diversity throughout the selection process.

Nomination Committee will formulate quantifiable targets for the selection of Directors. The selection of Director candidates will be based on a series of diversified aspects and references made to the business model and specific demand of the Company (including, but not limited to, sex, age, race, language, cultural background, education background, industrial experience and professional experience).

Nomination Committee is responsible for reviewing the diversity policies of the Board to ensure the implementation of such policies, and responsible for the expansion and review of the quantifiable target and supervising the implementation progress of the quantifiable target. To ensure sustainable effectiveness of the Board, Nomination Committee reviews the policy and quantifiable target at least once a year.

Nomination Policies of Directors and Standard for Selection and Recommendations

According to the Articles of Association, the methods and procedures for nomination of Directors are:

(i) Nomination Committee and Shareholders individually or jointly holding more than 3% in aggregate of the number of the Company's issued shares with voting rights could propose Director candidates to the Board;

(ii) Nomination Committee carries out preliminary reviews of the qualifications and conditions of Director candidates and submits the qualified candidates to the Board for consideration. Upon consideration and approval of the Board, the Director candidates will be proposed in the Shareholders' general meeting in writing;

(iii) The Director candidates should give written undertaking prior to the convening of Shareholders' general meeting to agree to accept the nomination, undertake the truthfulness and completeness of the public disclosure and guarantee to perform the duties of Directors after being elected;

(iv) In order to guarantee the sufficient understanding of the Shareholders regarding the candidates during voting, the disclosure of detailed information of Director candidates should be made to the Shareholders by the Board in accordance with the requirements of laws, regulations and Articles of Association prior to the convening of the Shareholders' general meeting;

(v) The Director candidates will be voted one by one in the Shareholders' general meeting; and

(vi) If there is causal vacancy of Director needed to be filled, it should be proposed and submitted to the Board for consideration by Nomination Committee under the Board or Shareholders fulfilling the nomination conditions, and the election or replacement will be made in the Shareholders' general meeting.

During the Reporting Period, one meeting of Nomination Committee was held by Nomination Committee for preliminary review regarding the qualification, experience, professional skills and knowledge of appointing Mr. Gu Zhonghui as the vice president of the Company.

The attendance of each Nomination Committee member is set out as the table below:

Directors	No. of meetings attended/No. of meetings eligible to be attended
Mr. Wang Xuedong *(chairman)*	1/1
Mr. Zheng Xueding	1/1
Mr. Xu Jin	1/1
Mr. Zhang Xianchu	1/1
Ms. Liu Hui	1/1

5. Risk Management and Internal Control

The Board acknowledges its responsibilities to maintain adequate risk management and internal control systems to safeguard the Shareholders' investment and the Company's assets, and review the effectiveness of the systems annually. The Board is also aware of the fact that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The internal control team of the Group plays an important role in monitoring the internal governance of the Company. The primary duties of the internal control team are to regulate and review the Company's financial position and internal control matters, and to conduct comprehensive review regularly on all the branches and subsidiaries of the Company.

The Board has reviewed the risk management and internal control systems of the Group, and considers that the risk management and internal control systems are effective and adequate.

For the procedures used to identify, evaluate and manage significant risks, the Company primarily adopts the following measures:

(1) Formulating warnings and limit indicator system of various risks according to risk appetite, continuously performing control on risk warnings and limit indicators and reporting the use of risk limits to the Board and senior management. Formulating corresponding remedial measures and submitting the measures to the Risk Management and Internal Control Committee under the senior management for consideration when the risk limit nearly reaches the supervision index limit, and adopting necessary measures for risk diversification.

(2) Commencing stress tests of comprehensive risks under integrated situation on a regular basis, commencing special stress tests on an irregular basis, assessing the impact of major risk events, formulating corresponding risk emergency plan, if necessary, and applying stress test results to the risk management and decision-making of operations and management of the Company.

(3) Identifying and assessing various kinds of risks regularly, incorporating the assessment situation and management recommendations into the Report on Comprehensive Risk Management, and submitting it to senior management and the Board for consideration.

The primary characteristics of the risk management and internal control systems of the Group are as follows:

(1) Full coverage of risk management and compliance requirements. Risk management and internal control systems cover various business lines in Renminbi or foreign currencies, inside and outside consolidated statement of financial position, domestic and overseas business, cover all branches, departments, positions and staff, cover all types of risks and mutual impacts among different risks, penetrate the whole management process of decision-making, implementation and supervision, while the Basic Rules for Corporate Internal Control (《企業內部控制基本規範》) and Corporate Internal Control Supplementary Guide (《企業內部控制配套指引》) and the Hong Kong Listing Rules and other domestic and overseas regulatory requirements in relation to internal control and risk management are all covered by the risk management and internal control systems of the Company;

(2) Relative independence of risk management and internal control. The Company has established independent comprehensive risk management organizational structure and internal control system, conferred adequate authorities, human resources and other allocation of resources to risk management line, established scientific and reasonable reporting channel, and formulated mechanism of check-and-balance among business lines;

(3) Commencement of internal control management with the principle of risk-oriented. On the basis of fulfilling the internal control requirements of the Hong Kong Listing Rules, the Company adopted risk assessment approach, focused on the high-risk areas and management hotspots, screened significant business processes and key control sections, optimized relevant risk management requirements, and implemented them in relevant business management. With comprehensive risk management and all-stage internal control systems, the Company reasonably ensured the consistence between business risk appetite and the strategies of the Company and that the coordination of risk management was conducted in an orderly manner, effectively identified risks to avoid unnecessary losses suffered by the Company, reasonably ensured the accuracy of risk assessment approach and on-time delivery of risk reports, reasonably ensured effective operation of internal control mechanism and timely identified significant risks.

During the Reporting Period, the Company carried out internal control assessment work, conducted a thorough review of the internal control system of the Company by focusing on various internal control requirements of the Hong Kong Stock Exchange for listed companies. It completed control point review, effectiveness testing, deficiencies rectification and re-testing, and adopted effective measures to rectify the issues identified. In addition, the Company continued to optimize its governance structure, further regulated its authorization system, optimized related party transaction management and comprehensive risk management, further promoted the effective implementation of internal control to continuously strengthen the execution of internal control, thereby effectively controlling major risks of the Company and continuously enhancing management level.

During the Reporting Period, in accordance with the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) and related guidelines and relevant requirements of the Hong Kong Listing Rules, in light of the actual situations of the internal control system of the Company, the Company carried out internal control assessment for the year 2016, and reviewed the risk management and internal control systems of the Company, including corporate governance control, financial control, operational control and compliance control. The Board and the management have confirmed that these risk management and control systems are sufficient and effective. The Company will continue to focus on the rectification of weaknesses in the internal control and the comprehensive effects of changes in internal and external environment, focus on the identification, assessment and prevention of existing and new risks, assess the soundness, reasonableness and effectiveness of the internal control system, and optimize the internal control system so that its internal control level and risk prevention abilities can adapt to the development of the Group to ensure the fulfillment of its strategic objectives.

The Company is aware of its obligations under the Securities and Futures Ordinance and the Hong Kong Listing Rules and the overriding principle that inside information shall be announced immediately after such information comes to the knowledge of the Company and/or it is the subject of a decision unless such inside information falls within the "Safe Harbours" set out in the Securities and Futures Ordinance. Meanwhile, the Company has formulated the Administrative Measures on Information Management and Information Disclosure (《信息管理和信息披露管理辦法》) to clarify the allocation of information management duties and the procedures of information dissemination. The Company carried out real-time monitoring on inside information potentially involved, organized intermediary organization to judge whether the information was inside information and practicable. If the disclosure standard was fulfilled, the Company would make disclosure as soon as practicable. Prior to the disclosure, the Company strictly controlled the scope of information, monitored share price fluctuation until completion of inside information disclosure. If the disclosure standard was not fulfilled, the Company would also keep the information strictly confidential.

6. Joint Company Secretaries

Mr. Huang Min is our joint company secretary and is responsible for making recommendations to the Board for the corporate governance affairs and ensuring the Company to follow the policies and procedures of the Board, applicable laws, rules and regulations.

For the purpose of maintaining good corporate governance and ensuring the Company is in compliance with the Hong Kong Listing Rules and applicable Hong Kong laws, the Company also appoints Ms. Wong Sau Ping of TMF Hong Kong Limited (the company secretarial services supplier, a fellow subsidiary of KCS Hong Kong Limited) as another joint company secretary to provide assistance to Mr. Huang Min to perform the duties of the company secretary. The main contact person at the Company is Mr. Huang Min.

During the Reporting Period, Mr. Huang Min and Ms. Wong Sau Ping had undertaken relevant professional trainings of not less than 15 hours which is in compliance with Rule 3.29 of the Hong Kong Listing Rules.

7. Auditor and the Remuneration

Since July 2016, in accordance with the relevant rules of rotation of auditors in the Notice on Issuing Administrative Measures on Tendering Procedures for the Election and Appointment of Accounting Firms by Financial Enterprises (Provisional) (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）) issued by the Ministry of Finance, the Company has replaced the auditor Deloitte Touche Tohmatsu with PricewaterhouseCoopers to be the auditor of the Group.

The declaration of the auditors of the Company regarding their responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on page 117 of this report.

For the year ended December 31, 2016, the remuneration of the auditors for the provision of auditing and non-auditing services are set out below:

Service Category	Amount (RMB)
Auditing service	7,171,272
Non-auditing service regarding taxation consultation	0
Total	**7,171,272**

8. Rights of Shareholders

8.1 Procedure of Convening Extraordinary Shareholders' General Meeting

According to our Articles of Association, the procedures of convening extraordinary general meeting or class meeting requested by Shareholders should be handled as follows:

(1) Shareholders who individually and/or jointly holding more than 10% of the Shares with voting rights have the rights to propose to the Board in writing for convening the extraordinary general meeting. Two or more Shareholders in aggregate holding more than 10% (10% inclusive) with voting rights in the proposed meeting, they can sign one or several copies of identical written request for proposing to the Board to convene extraordinary general meeting or class meeting and state the agenda of the meeting. The Board should convene the extraordinary general meeting or class meeting as soon as possible right after received the aforesaid written request. The numbers of Shares held by the Shareholders shall be counted on the date of request in writing.

(2) If the Board does not issue the notice for convening meeting within 30 days after receiving the aforesaid written request, the Shareholders who made the request can convene the meeting by themselves within four months after the Board has received the request. The procedure of convening meeting should be the same as convening meeting by the Board as possible.

Where the Shareholders call and convene the meeting on their own accord because the Board fails to convene the meeting in accordance with the aforesaid requirements, expenses reasonably incurred by the Shareholders shall be borne by the Company and deducted from payments due from the Company to the Director in default.

Except for those matters in relation to commercial secrets of the Company which cannot be made public at the Shareholders' general meeting, the Board and the Board of Supervisors shall respond to and address the enquiries and recommendations of the Shareholders.

8.2 Procedures of making inquiries to the Board by Shareholders

Shareholders may make inquiries to the headquarter of the Company through e-mail or phone call if they wish to make inquiries to the Board in relation to information of the Company. Contact number is 0755–23980999 and the e-mail address is ir@cdb-leasing.com.

8.3 Procedures of proposing proposals at Shareholders' general meetings

In accordance with the Articles of Association, when the Company convenes a general meeting, Shareholders holding 3% (3% inclusive) or more of the total voting Shares of the Company shall be entitled to propose temporary proposals in writing to the Company. The Company shall include the matters in the temporary proposals in the agenda for the meeting which fall within the scope of duties of the general meeting. Temporary proposals proposed by Shareholders shall meet the following requirements:

(1) the content shall fall within the business scope of the Company and the functions and powers of the general meeting without violating any laws or regulations;

(2) containing definite subjects for discussion and specific matters to be resolved; and

(3) shall be delivered to or served on the Board in writing 10 days prior to the date of the Shareholders' general meeting.

For the matters in relation to the nomination of candidates for Director by Shareholders, please refer to relevant procedures on the website of the Company.

9. Investor Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and letting investors understand the business, performance and strategies of the Group. The Company prudently safeguards the right of all Shareholders, particularly minority investors, through adopting measures including strengthening information disclosure management, investor relation management and optimizing the operating system of general meeting to enhance communication and interaction with Shareholders.

To promote effective communication, the Company adopts the communication policies of Shareholders, aiming at establishing mutual relationship and communication between the Company and Shareholders. The Company also sets up a website (http://www.cdb-leasing.com) to publish the latest information in relation to its business operation and development, financial data, corporate governance practice and other information for public access.

10. Amendment of the Articles of Association

Since the Listing Date to December 31, 2016, the Articles of Association was amended due to the Company's partial exercise of over-allotment option pursuant to the initial public offering. An updated version of the Articles of Association is available on both the websites of the Hong Kong Stock Exchange and the Company.

Report of the Board of Directors

The Board is pleased to present its report of the Group for the year ended December 31, 2016.

Directors and Supervisors

Executive Directors:

Mr. Wang Xuedong (王學東先生) *(Chairman of the Board)*
Mr. Fan Xun (范珣先生)
Mr. Huang Min (黃敏先生)

Non-executive Directors:

Mr. Geng Tiejun (耿鐵軍先生)
Ms. Liu Hui (劉暉女士)
Mr. Li Yingbao (李英寶先生)

Independent Non-executive Directors:

Mr. Zheng Xueding (鄭學定先生)
Mr. Xu Jin (徐進先生)
Mr. Zhang Xianchu (張宪初先生)

Supervisors:

Mr. Jiang Daozhen (蔣道振先生)*(Chairman of the Board of Supervisors)*
Mr. Lei Yanzheng (雷閻正先生)
Mr. Sun Zhikun (孫志坤先生)
Ms. Huang Xuemei (黃雪梅女士)
Mr. Zhuang Ganlang (莊贛浪先生)

Details of the biographies of Directors and Supervisors of the Company are set out in page 62 to 72 of this annual report.

1. Business Review

1.1 Principal Business

The principal business of the Company includes providing comprehensive leasing services to customers in industries including aviation, infrastructure, shipping, commercial vehicle and construction machinery.

1.2 Business Review and Analysis of Key Indicators of Financial Performance

For business review and analysis of key indicators of financial performance of the Group for the year ended December 31, 2016, please refer to the sections of "Financial Highlights" and "Management Discussion and Analysis" in this annual report.

1.3 Environmental, Social and Governance Performance

As a listed company of the Hong Kong Stock Exchange, the Group attaches great importance to the performance of environmental, social and governance responsibilities, pursues long-term sustainable development, and strives to create a world brand in the Chinese lease industry.

(1) Actively performing environmental, social and governance responsibilities

While striving to achieve improvement in business, the Group also actively undertakes environmental, social and governance responsibilities. As such, the Group has formulated a series of environmental, social and governance policies, and adopted respective measures for implementation. In the environmental aspect, the Group focuses on the progress of integrating the concept of environmental protection into project development and corporate operation, actively develops financial leasing business in clean energy exploitation and application, and advocates green office, energy conservation and environmental protection. In the social aspect, the Group also pays much attention to assurance of business quality, prevention of corruption, protection of intellectual property rights, maintenance of customers' interests, supporting social and public welfare industry, and optimization of employees' protection system. Meanwhile, the Group also supports the development of inclusive finance, poverty alleviation through development, infrastructure construction, transformation and upgrade of manufacturing industry and other relevant business.

In 2016, the Group was awarded the highest credit in the first "Corporate Social Responsibility Evaluation in Shenzhen" and the "2015 Best Green Financial Award in Banking Industry in Shenzhen" issued by Shenzhen Banking Association.

(2) Proactively disclosing environmental, social and governance information

On the basis of active performance of responsibility, the Group also actively carries out disclosure of environmental, social and governance information. Pursuant to the requirements of ESG Reporting Guidelines from the Hong Kong Stock Exchange, the Group is about to issue the first environmental, social and governance report, disclosing the environmental, social and governance information for the year 2016. During the preparation process of the environmental, social and governance report, the Group adhered to consistently attaching great importance to the expectations of stakeholders, and carried out communication with important stakeholders such as government regulatory authorities, investors, business partners, customers, staff, suppliers and industry associations specifically on environmental, social and governance issues of the Group by means of questionnaires and interviews. The results thereof will be the strong evidence of the first environmental, social and governance report disclosed by the Group. For more information regarding environment, society and governance of the Group for the year 2016, please refer to the first environmental, social and governance report about to be issued by the Group. Upon issuance of the report, the report can be accessed or downloaded through the Company official website.

1.4 Compliance with Relevant Laws and Regulations

The Group is able to comply with relevant requirements of laws, regulations, rules and provisions of the Companies Ordinance, the Hong Kong Listing Rules, the SFO, the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Basic Norms of Enterprise Internal Control (《企業內部控制基本規範》) etc., including information disclosure, corporate governance and standard industry operation, etc. The Group is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 73 to 89 of this annual report.

The Company was not involved in any material litigation or arbitration for the year ended December 31, 2016. So far as the Directors are aware, there is no material litigation or claim pending or threatened against the Company.

1.5 Major Risks and Uncertainties

For major risks and uncertainties of the Group for the year ended December 31, 2016, please refer to the section "Management Discussion and Analysis" in this annual report.

1.6 Future Development of the Group

For future development of the Group for the year ended December 31, 2016, please refer to the section "Management Discussion and Analysis" in this annual report.

1.7 Subsequent Event

There was no any significant subsequent event occurred from January 1, 2017 to the Latest Practicable Date.

2. Issuance of Shares

Details of changes in share capital of the Company are set out in note 32 to the consolidated financial statements.

2.1 Initial Public Offering

The Company was listed on the main board of the Hong Kong Stock Exchange on July 11, 2016. Net proceeds from listing (after deducting underwriting commissions and relevant expenses) amounted to approximately RMB5,286 million (including over-allotment). Such proceeds are proposed to be used in accordance with the methods set out in the Prospectus.

2.2 Partial Exercise of Over-Allotment Option

The joint global coordinators of the Company, on behalf of the international underwriters, partially exercised the over-allotment option referred to in the Prospectus on July 29, 2016 for 42,380,000 H Shares, representing approximately 1.37% of the offer Shares initially available for subscription under the Global Offering. The aforementioned 42,380,000 H Shares were issued and allotted by the Company at the issue price of HK$2.00 per H Shares (excluding brokerage of 1.0%, Securities and Future Commission transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005%), which was the offer price per offer Share under the Global Offering. Details of the partial exercise of over-allotment option were disclosed in the announcement of the Company dated July 31, 2016.

2.3 Stabilizing Action

The stabilization period in connection with the Global Offering ended on July 29, 2016. For details, please refer to the announcement of the Company dated July 31, 2016.

2.4 Public Shareholding

Based on the information publicly available to the Company and to the best of Directors' knowledge, during the Reporting Period, the Company maintained sufficient public shareholding as approved by the Hong Kong Stock Exchange and required under the Hong Kong Listing Rules.

3. Debentures Issued

On January 14, 2016, the Company's shareholders approved and authorized the Company to issue foreign currency-denominated or Renminbi-denominated debt securities with a maximum principal amount of RMB23.0 billion within one year. In February 2016, the Shenzhen CBRC approved our proposal to issue financial institution bonds in China with a maximum principal amount of RMB10.0 billion.

In September 2016, the Company was approved to issue financial institution bonds in interbank markets in the PRC with a maximum principal amount of RMB10.0 billion. On October 26, 2016, the Company publicly issued the 2016 first tranche of financial institution bonds with a issuance scale of RMB3.0 billion in the National Inter-Bank Bond Market. Nominal value of the bonds was RMB100, and the nominal value of the issue price was RMB100. The bond type was fixed-rate interest-bearing bond with a term of three years, carrying a fixed coupon rate of 3.00% with no security. China Chengxin International Credit Rating Company Limited (中誠信國際信用評級有限責任公司), an independent credit rating agency, issued an AAA corporate credit rating to the issuer of the bonds, while the credit rating of the bonds was AAA. Proceeds from the issuance of bonds will be mainly used for optimizing the liability structure of the Company and supporting development of leasing business of the Company. The bonds will be traded in the National Inter-Bank Bond Market in accordance with relevant regulatory requirements. For details, please refer to the Prospectus and the announcement of the Company dated October 28, 2016 on the website of the Hong Kong Stock Exchange.

4. Profit Distributions

4.1 Final Dividend

The Board recommended to distribute a final dividend of RMB0.556 per 10 Shares (inclusive of tax) for the year ended December 31, 2016. The net profit of the Group for the year 2016 amounted to RMB1,561,338,670.95, and the total amount of profit distribution amounted to RMB702,916,328, which accounted for 45% of the net profit of the Group for the year 2016. In principle, payments will be made by holders of Domestic Shares in Renminbi and holders of H Shares in Hong Kong dollars. The exchange rate of HK$ will be the average closing price of RMB against HK$ announced by the PBOC for the five working days prior to the date of profit distribution. The proposed final dividend for the year is subject to the approval of the Shareholders at the annual general meeting (the "**Annual General Meeting**") on May 31, 2017 and are currently expected to paid on July 10, 2017 to the Shareholders whose names appear on the register of members of the Company on June 11, 2017.

4.2 Taxation

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), Notice on the Issues Concerning the Collection and Administration of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《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征管問題的通知》(國稅函[2011]348號)) and Announcement of the State Administration of Taxation on Promulgation of the "Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties" (Announcement No. 60 [2015] of the State Administration of Taxation) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告2015年第60號)) and relevant laws, regulations and regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the Individual H Shares holders in respect of the 2016 H Shares final dividend to be distributed to them. Overseas resident individual shareholders of stocks issued by domestic non-foreign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or to the tax arrangements between mainland China and Hong Kong and Macau. Accordingly, 10% of the dividends to be distributed to the individual H Shares holders are generally withheld as individual income tax unless otherwise specified by the relevant tax laws, regulations and agreements.

For H Shares holders who are non-resident enterprises, in accordance with the provisions of the Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Shares holders who are Overseas Non-resident Enterprises (Guoshuihan [2008] No. 897) published by the State Administration of Taxation of PRC (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》(國稅函[2008]897 號)), the enterprise income tax shall be withheld at a uniform rate of 10% by the Company. Non-resident enterprise shareholders may apply for tax refund for the difference in accordance with relevant requirements including tax agreements (arrangements).

For investors of the Shenzhen Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange (the "**Southbound Trading**"), the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the H Shares holders for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depositary and clearing system.

The cash dividends for the investors of H Shares of Southbound Trading will be paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) promulgated by Ministry of Finance, State Administration of Taxation and CSRC on 5 November 2016:

1. For dividends received by domestic investors from investing in H Shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the company of such H Shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors of the Company. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Corporation Limited for tax credit relating to the withholding tax already paid abroad.

2. For dividends received by domestic enterprise investors from investing in H Shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, such amount shall be reckoned in their gross revenue and subject to corporate income tax pursuant to laws. In particular, for the dividends obtained by mainland resident enterprises from holding relevant H Shares for consecutive 12 months, the corporate income taxes shall be exempted pursuant to laws. The company of such H Shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves. When declaring and paying enterprise income tax themselves, mainland corporate investors may apply for tax credit pursuant to laws in respect of dividend income tax which has been withheld and paid by non-H stock companies listed on the Hong Kong Stock Exchange.

If H Share holders have any queries on the above arrangements, they should seek advice from their tax advisors on the tax impact in the PRC, Hong Kong and other country(ies) or region(s) in relation to the holding and disposing of H Shares.

5. Connected Transactions

5.1 Non-Exempt Continuing Connected Transactions

The Group completed several non-exempt continuing connected transactions during the Reporting Period. The following table sets forth details of such continuing connected transactions:

No.	Non-exempt continuing connected transactions	Connected Person(s)	Annual cap for the year 2016 *(RMB in thousands)*
(1)	**Business Collaboration and Service Framework Agreement**		
	Service fees to be paid by the Group to CDB and/or its associates	CDB and/or its associates	**60,000**
	Service fees to be paid by CDB and/or its associates to the Group		**5,000**
(2)	**Bond Underwriting Service Framework Agreement**		
	Commissions to be paid by the Group to CDB and/or its associates	CDB and/or its associates	**34,000**
(3)	**Operating Lease Framework Agreement**		
	Lease income to be paid by CDB and/or its associates to the Group	CDB and/or its associates	**20,000**
(4)	**Lease Service Framework Agreement**		
	Aggregate lease principal to be paid by CDB New Energy to the Company under the specific agreements concerned	CDB New Energy	**900,000**
	Comprehensive interests to be paid by CDB New Energy to the Company under the specific agreements concerned		**100,000**
(5)	**Financing Service Framework Agreement**		
	Maximum daily balance of financing to be provided by CDB to the Group with collaterals	CDB	**20,000,000**
	Interests to be paid by the Group to CDB		**576,000**
(6)	**Deposit Service Framework Agreement**		
	Maximum daily balance of deposits to be placed by the Group with CDB	CDB	**3,000,000**
	Interest to be paid by CDB to the Group		**21,000**
(7)	**Debt Financing Instruments Investment Framework Agreement**		
	Amount of debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group	CDB and/or its associates	**500,000**
	Bond interests to be paid by CDB and/or its associates to the Group		**19,000**

Notes:

1. With respect to the non-exempt continuing connected transactions Nos.1 to 3 mentioned above, the Company obtained approval on such continuing connected transactions and their respective annual transaction amount caps for 2016, 2017 and 2018, and was exempt from compliance with the announcement requirements within the annual transaction cap upon listing.

2. With respect to the non-exempt continuing connected transaction No. 4 mentioned above, the Company published an announcement on the websites of the Hong Kong Stock Exchange and the Company on November 17, 2016 to apply for annual transaction amount caps with respect to such continuing connected transactions for 2016, 2017, 2018, and was exempt from compliance with the announcement requirements within the annual transaction cap.

3. With respect to the non-exempt continuing connected transaction Nos. 5 to 7 mentioned above, the Company obtained approval on such continuing connected transactions and their respective annual transaction amount caps for 2016, 2017 and 2018, and was exempt from compliance with the requirements of announcement and independent Shareholders' approval within the annual transaction cap upon listing.

(1) Business Collaboration and Service Framework Agreement

Parties to the agreement

The Group and CDB

Principal terms

The Group entered into a Business Collaboration and Service Framework Agreement with CDB on June 13, 2016, pursuant to which the 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 July 11, 2016 to December 31, 2018, subject to renewal upon the mutual consent of both parties.

Hong Kong Listing Rules Implications

Given that CDB is the Controlling Shareholder of the Company, CDB and its associates constitute Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Business Collaboration and Service Framework Agreement entered into by the Group and CDB and/or its associates constitutes continuing connected transactions of the Company under the Hong Kong Listing Rules.

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 Hong Kong Listing Rules is expected to be more than 0.1%, but less than 5% on an annual basis, such transactions are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but are exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

The Company obtained approval on such continuing connected transactions and their annual transaction amount caps for 2016, 2017 and 2018 and was exempt from compliance with the announcement requirements within the annual transaction cap upon listing.

Brief description of the transactions and their purposes

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 three years ended December 31, 2013, 2014 and 2015, 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.

For details of the above transactions, please refer to the Prospectus.

(2) Bond Underwriting Service Framework Agreement

Parties to the agreement

The Group and CDB

Principal terms

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.

The period of the Bond Underwriting Service Framework Agreement is a fixed term effective from July 11, 2016 to December 31, 2018, subject to renewal upon the mutual consent of both parties.

Hong Kong Listing Rules Implications

Given that CDB is the Controlling Shareholder of the Company, CDB and its associates constitute Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Bond Underwriting Service Framework Agreement entered into by the Group and CDB and/or its associates constitutes the continuing connected transactions of the Company under the Hong Kong Listing Rules.

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 Hong Kong Listing Rules is expected to be more than 0.1%, but less than 5% on an annual basis, such transactions will be subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but will be exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

The Company obtained approval on such continuing connected transactions and their annual transaction amount caps for 2016, 2017 and 2018 and was exempt from compliance with the announcement requirements within the annual transaction cap upon listing.

Brief description of the transactions and their purposes

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. 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.

For details of the above transactions, please refer to the Prospectus.

(3) Operating Lease Framework Agreement

Parties to the agreement

The Group and CDB

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 July 11, 2016 to December 31, 2018, subject to renewal upon mutual consent of both parties.

Hong Kong Listing Rules Implications

Given that CDB is the Controlling Shareholder of the Company, CDB and its associates constitute Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Operating Lease Framework Agreement entered into by the Group and CDB and/or its associates constitutes the continuing connected transactions of the Company under the Hong Kong Listing Rules.

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 Hong Kong Listing Rules is expected to be more than 0.1%, but less than 5% on an annual basis, such transactions will be subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but will be exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

The Company obtained approval on such continuing connected transactions and its annual transaction amount caps for 2016, 2017 and 2018 and was exempt from compliance with the announcement requirements within the annual transaction cap upon listing.

Brief description of the transactions and their purposes

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.

For details of the above transactions, please refer to the Prospectus.

(4) Lease Service Framework Agreement

Parties to the agreement

(1) CDB New Energy, as lessee (the "**Lessee**")

(2) The Company, as lessor (the "**Lessor**")

Principal terms

Agreement period

Lease Service Framework Agreement became effective on November 17, 2016 (after trading hours) and will remain effective until December 31, 2018.

Lease term

The Company and CDB New Energy will enter into the specific agreements concerned in respect of every lease service. The lease term of each lease service under the special agreements concerned will be determined pursuant to the useful life of relevant power plant equipment (as defined below), financing demands of lessee and financial status of lessor, but the lease term will not exceed the useful life of power plant equipment.

Lease target

The power plant equipment of CDB New Energy and/or its subsidiaries, including but not limited to photovoltaic on-grid power plant equipment and other new energy power generation facilities (the "**Power Plant Equipment**").

Lease approach

CDB New Energy, aiming at financing, pays lease and interests to the Company in accordance with the terms, conditions and interest rate pre-determined in the Specific Agreement Concerned entered into from time to time by way of including but not limited to sale-and-leaseback and direct lease.

Guarantee

Pursuant to the Lease Service Framework Agreement, CDB New Power or its subsidiaries shall use its assets, equity interests, accounts receivable and credit security as credit enhancement measures. In addition, the Company will, pursuant to the specific agreement concerned, charge CDB New Energy with an amount of no less than the highest instalment of lease payment as the security deposit of the project on a one-off basis. The security deposit shall be repaid in full to CDB New Energy upon expiry of the specific agreement concerned.

Arrangements for leased properties

In respect of sale-and-leaseback services, upon expiry of the lease term, CDB New Energy is entitled to purchase back the power plant equipment pursuant to the specific agreement concerned after completing the entire lease payment and interests under the sale-and-leaseback agreement.

Hong Kong Listing Rules Implications

Given that CDB is the Controlling Shareholder of the Company, and holds an approximately 30.46% of equity interest in CDB New Energy through its wholly-owned subsidiary CDB Capital (國開金融). Accordingly, CDB New Energy and its associates constitute Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Lease Service Framework Agreement entered into by the Group and CDB New Energy constitutes continuing connected transactions of the Company under the Hong Kong Listing Rules.

In respect of the transactions under the Lease 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 Hong Kong Listing Rules is expected to be more than 0.1%, but less than 5% on an annual basis, such transactions will be subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but will be exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

Brief description of the transactions and their purpose

The lease service (including but not limited to sale-and-leaseback and direct lease services) is the core business of the Company. The provision of lease service by the Company to CDB New Energy is able to satisfy the business needs of both parties. On one hand, as our quality customers, CDB has a strong capital background and solid financial strength. Providing lease services to CDB New Energy and/or its associates, as Connected Persons of the Company, will help us obtain stable and low-risk income; and on the other hand, the lease services provided by the Company are able to meet the respective business demand of the Company and CDB New Energy.

For details of the above transactions, please refer to the announcement published by the Company on the websites of the Hong Kong Stock Exchange and the Company on November 17, 2016.

(5) Financing Service Framework Agreement

Parties to the agreement

The Group and CDB

Primary 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 needs for our daily business operations.

The period of the Financing Service Framework Agreement is a fixed term effective from July 11, 2016 to December 31, 2018, subject to renewal upon mutual consent of both parties.

Hong Kong Listing Rules implications

Given that CDB is the Controlling Shareholder of the Company, CDB and its associates constitute Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Financing Service Framework Agreement entered into by the Group and CDB and/or its associates constitutes the continuing connected transaction of the Company under the Hong Kong Listing Rules.

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 Hong Kong Listing Rules is more than 5% on an annual basis, such transactions will be subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, and the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

The Company obtained approval on such continuing connected transactions and their annual transaction amount caps for 2016, 2017 and 2018 and was exempt from compliance with the requirements of announcement and independent Shareholders' approval within the annual transaction cap upon listing.

Brief description of the transactions and their purposes

CDB has been providing financing facilities to the Group during the Reporting 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 China 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.

For details of the above transactions, please refer to the Prospectus.

(6) Deposit Service Framework Agreement

Parties to the agreement

The Group and CDB

Primary 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.

The period of the Deposit Service Framework Agreement is a fixed term effective from July 11, 2016 to December 31, 2018, subject to renewal upon the mutual consent of both parties.

Hong Kong Listing Rules implications

Given that CDB is the Controlling Shareholder of the Company, CDB and its associates constitute Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Deposit Service Framework Agreement entered into by the Group and CDB and/or its associates constitutes the continuing connected transactions of the Company under the Hong Kong Listing Rules.

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 Hong Kong Listing Rules is more than 5% on an annual basis, such transactions will be subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

The Company obtained approval on such continuing connected transactions and their annual transaction amount caps for 2016, 2017 and 2018 and was exempt from compliance with the requirements of announcement and independent Shareholders' approval within the annual transaction cap upon listing.

Brief description of the transactions and their purposes

For the three years ended December 31, 2013, 2014 and 2015, CDB has been providing deposit service to the Group thus it has developed a deep understanding of our capital needs and business model. CDB's deposit service is able to satisfy our liquidity fund management needs. In addition, CDB has been providing financing service to the Group during the Reporting Period as detailed under "(5) Financing Service Framework Agreement" above, and such financing funds provided by CDB to the Group are also temporarily deposited in our accounts maintained at CDB.

For details of the above transactions, please refer to the Prospectus.

(7) Debt Financing Instruments Investment Framework Agreement

Parties to the agreement

The Group and CDB

Primary terms

We entered into a Debt Financing Instruments Investment Framework Agreement with CDB on June 13, 2016, pursuant to which, we invest in debt financing instruments issued by CDB and/or its associates. In turn, CDB and/or its associates pay bond interests to the Group.

The period of the Debt Financing Instruments Investment Framework Agreement is a fixed term effective from July 11, 2016 to December 31, 2018, subject to renewal upon mutual consent of both parties.

Hong Kong Listing Rules implications

Given that CDB is the Controlling Shareholder of the Company, CDB and its associates constitute Connected Persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Debt Financing Instruments Investment Framework Agreement entered into by the Group and CDB and/or its associates constitutes the continuing connected transactions of the Company under the Hong Kong Listing Rules.

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 Hong Kong Listing Rules is more than 5% on an annual basis, such transactions will be subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

The Company obtained approval on such continuing connected transactions and their annual transaction amount caps for 2016, 2017 and 2018 and was exempt from compliance with the requirements of the relevant announcement within the annual transaction cap upon listing.

Brief description of the transactions and their purposes

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 (《金融租賃公司管理辦法》) 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 issued by CDB and/or its associates will be our 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.

For details of the above transactions, please refer to the Prospectus.

5.2 Confirmation from Independent Non-Executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions:

1. were entered into during our ordinary course of business of the Company;

2. were conducted on normal commercial terms or better terms; and

3. were conducted in accordance with relevant terms of the transaction agreements, and the transactions terms are fair and reasonable and in the interests of the Shareholders as a whole.

5.3 Confirmation from the Auditors

Pursuant to Rule 14A.56 of the Hong Kong Listing Rules, the Board engaged PricewaterhouseCoopers Certified Public Accountants as the international auditor of the Company to conduct a limited assurance engagement on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Directors confirmed that the auditor has reported the results of their procedures to the Board stating that:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

c. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to the auditor's attention that causes the auditor to believe that such continuing connected transactions have exceeded the applied maximum aggregate annual caps for the year 2016.

Related party transactions as described in note 46 of the consolidated financial statements constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules, and comply with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules.

Save as disclosed in this annual report, during the Reporting Period, none of the connected transactions or continuing connected transactions of the Company shall be disclosed pursuant to the provisions in respect of connected transaction disclosure under Chapter 14A of the Hong Kong Listing Rules.

6. Major Customers and Suppliers

6.1 Major Customers

For the year ended December 31, 2016, the transaction volume of the five largest customers of the Group accounted for 22.52% (2015: 19.98%) of the Group's total revenue and the transaction volume of the Group's single largest customer accounted for 10.20% (2015: 9.86%) of the total revenue of the Group.

During the Reporting Period, none of the Directors, any of their respective close associates or any Shareholders (holding more than 5% of the number of issued Shares to the knowledge of Directors) had an interest in the top five customers of the Group.

6.2 Major Suppliers

The Group has no major suppliers due to the nature of our business. During the Reporting Period, we purchased aircraft primarily from the aircraft manufacturers Airbus and Boeing.

6.3 Relations with Customers

The Company is always concerned about the needs of customers and understands clearly the importance of maintaining good customer relationship. The Company insists on providing quality services to domestic and overseas customers with professional attitude to enhance customers' trust to the Company, helping the Company enhance its market position and create more and sustainable development opportunities. In view of this, the Company gradually establishes a set of standard customer service process. As of the Latest Practicable Date, there were no legal proceedings constituting material impact on the Company.

6.4 Relations with Employees

The Company recognizes the importance of staff to the Company and considers that better employee development strengthens competitiveness of the Company and promotes sustainable development of the Company. Therefore, the Company actively establishes a good employee training system, facilitates career development for employees and promotes work-life balance of employees so as to enhance employees' satisfaction in work. Moreover, the Company is currently striving to construct mid- and long-term incentive mechanism to encourage employees to put efforts on innovative development so as to create a good environment of result-sharing. As of the Latest Practicable Date, there were no any labour disputes of the Company affecting ordinary business operation.

In addition, the Company provides safe and healthy working environment to employees of the Company through regular checking and maintenance of office equipment, as well as cleaning carpets and air-conditioning systems regularly. As of the Latest Practicable Date, there were no any reports of material work injuries received by the Company.

7. Substantial Shareholders' Interest and Short Position in Shares and Underlying Shares

As at December 31, 2016, to the knowledge of the Directors of the Company, the following persons (not being Directors, Supervisors and the chief executive of the Company) had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Class of Shares	Capacity/Nature of interest	Number of Shares	Long position/ Short position	Approximate shareholding percentage in the relevant class of Shares (%)	Approximate percentage in the Company's total shareholdings (%)
Central Huijin Investment Ltd.	Domestic Shares	Interests of controlled corporation(1)	8,141,332,869	Long position	88.63	64.40
	H Shares	Interests of controlled corporation(5)	381,430,000	Long position	11.03	3.02
China Development Bank	Domestic Shares	Beneficial owner(1)	8,141,332,869	Long position	88.63	64.40
Shengtang Development (Yangpu) Co., Ltd.	Domestic Shares	Interests of controlled corporation(2)	795,625,000	Long position	8.66	6.29
Hainan Traffic Administration Holding Co., Ltd.	Domestic Shares	Interests of controlled corporation(2)	795,625,000	Long position	8.66	6.29
HNA Group Company Limited	Domestic Shares	Beneficial owner(2)	795,625,000	Long position	8.66	6.29
China Three Gorges Corporation	H Shares	Interests of controlled corporation(3)	1,306,500,000	Long position	37.80	10.33
Three Gorges Capital Holdings Co., Ltd.	H Shares	Beneficial owner(3)	1,306,500,000	Long position	37.80	10.33
Hengjian International Investment Holding (Hong Kong) Limited	H Shares	Beneficial owner(4)	523,310,000	Long position	15.14	4.14
Guangdong Hengjian Investment Holding Co., Ltd.	H Shares	Interests of controlled corporation(4)	523,310,000	Long position	15.14	4.14

Name	Class of Shares	Capacity/Nature of interest	Number of Shares	Long position/ Short position	Approximate shareholding percentage in the relevant class of Shares	Approximate percentage in the Company's total shareholdings
					(%)	(%)
China Reinsurance (Group) Corporation	H Shares	Beneficial owner(5)	381,430,000	Long position	11.03	3.02
National Council for Social Security Fund	H Shares	Beneficial owner	273,744,000	Long position	7.92	2.17
Mr. Zhang Wei	H Shares	Interests of controlled corporation(6)	271,250,000	Long position	7.85	2.15
Sinotak Limited	H Shares	Beneficial owner(6)	271,250,000	Long position	7.85	2.15
State-owned Assets Supervision and Administration Commission of the State Council	H Shares	Interests of controlled corporation(7)	193,984,000	Long position	5.61	1.53
China State Shipbuilding Corporation	H Shares	Interests of controlled corporation(7)	193,984,000	Long position	5.61	1.53
CSSC (Hong Kong) Shipping Company Limited	H Shares	Interests of controlled corporation(7)	193,984,000	Long position	5.61	1.53
Fortune Eris Holding Company Limited	H Shares	Beneficial owner(7)	193,984,000	Long position	5.61	1.53
Taiping Assets Management (HK) Company Limited	H Shares	Investment manager	193,750,000	Long position	5.61	1.53

Notes:

(1) Central Huijin Investment Ltd. holds 34.68% of the equity interests in China Development Bank. Hence, pursuant to the SFO, Central Huijin Investment Ltd. is deemed to be interested the 8,141,332,869 domestic Shares held by China Development Bank.

(2) Shengtang Development (Yangpu) Co., Ltd. holds 50% of the equity interests in Hainan Traffic Administration Holding Co., Ltd., which in turn holds 70% of the equity interests in HNA Group Company Limited. Hence, pursuant to the SFO, each of Shengtang Development(Yangpu) Co., Ltd. and Hainan Traffic Administration Holding Co., Ltd. is deemed to be interested in the 795,625,000 domestic Shares held by HNA Group Company Limited.

(3) Three Gorges Capital Holdings Co., Ltd. is a wholly-owned subsidiary directly held by China Three Gorges Corporation. Hence, pursuant to the SFO, China Three Gorges Corporation is deemed to be interested in the 1,306,500,000 H Shares held by Three Gorges Capital Holdings Co., Ltd.

(4) Hengjian International Investment Holding (Hong Kong) Limited is wholly-owned by Guangdong Hengjian Investment Holding Co., Ltd. Hence, pursuant to the SFO, Guangdong Hengjian Investment Holding Co., Ltd. is deemed to be interested in the 523,310,000 H Shares held by Hengjian International Investment Holding (Hong Kong) Limited.

(5) Central Huijin Investment Ltd. holds 71.56% of the equity interests in China Reinsurance (Group) Corporation. Hence, pursuant to the SFO, Central Huijin Investment Ltd. is deemed to be interested in the 381,430,000 H Shares held by China Reinsurance (Group) Corporation.

(6) Sinotak Limited is wholly-owned by Mr. Zhang Wei. Hence, pursuant to the SFO, Mr. Zhang Wei is deemed to be interested in the 271,250,000 H Shares held by Sinotak Limited.

(7) Fortune Eris Holding Company Limited is wholly-owned by CSSC (Hong Kong) Shipping Company Limited, which in turn is a wholly-owned subsidiary of China State Shipbuilding Corporation. China State Shipbuilding Corporation is wholly-owned by State-owned Assets Supervision and Administration Commission of the State Council. Hence, pursuant to the SFO, each of CSSC (Hong Kong) Shipping Company Limited, China State Shipbuilding Corporation and State-owned Assets Supervision and Administration Commission of the State Council is deemed to be interested in the 193,984,000 H Shares held by Fortune Eris Holding Company Limited.

According to Section 336 of the SFO, Shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the Shareholders in the Company change, it is not necessary for the Shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the Shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

Save as disclosed above, as at December 31, 2016, to the knowledge of the Directors, no other persons (not being Directors, Supervisors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO.

8. Interests and Short Positions of the Directors, Supervisors and Chief Executives in Shares, Underlying Shares and Debentures

As at December 31, 2016, none of the Directors, Supervisors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors, chief executives or their respective associates is deemed to have under such provisions of the SFO), or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

9. Directors' Right to Acquire Shares or Debentures

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or its subsidiaries a party to any arrangements to enable the Directors or the Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, the Supervisors, their spouses or children under the age of 18, had any rights to subscribe for Shares in, or debt securities of the Company or any other body corporate, or had exercised any such rights during the period.

10. Directors' Interests in Competing Business

Save as disclosed in this annual report, as at December 31, 2016, none of the Directors or their respective associates had interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

11. Controlling Shareholders’ Non-Competing Undertaking

During the Reporting Period, CDB, the Controlling Shareholder of the Company, has complied with the undertakings made in the Prospectus. For details of the undertakings concerned, please refer to the “Relationship with CDB” section of the Prospectus.

12. Service Contracts of Directors and Supervisors

Each of the Directors and Supervisors entered into a service contract with the Company on June 13, 2016.

During the Reporting Period, none of the Directors and Supervisors has entered into a service contract with the Company which cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

13. Indemnities of Directors and Supervisors

At no time during the Reporting Period, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors or Supervisors (whether made by the Company or otherwise) or an associated company (if made by the Company). The Company has arranged appropriate directors’, supervisors’ and officers’ liability insurance coverage for the Directors, Supervisors and officers of the Group.

14. Directors’ and Supervisors’ Interests in Material Contracts, Transactions or Agreements

During the Reporting Period, none of the Directors or Supervisors had material interests, either directly or indirectly in transactions, agreements or contracts to which the Company, any of its subsidiaries or fellow subsidiaries was a party, and of significance to the business of the Group.

15. Purchase, Redemption or Sale of Listed Securities

During the Reporting Period, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

16. Pre-Emptive Rights

There is no provision under the Articles of Association and the PRC laws regarding pre-emptive rights that requires the Company to offer new shares to its existing Shareholders on a pro rata basis.

17. Share Option Arrangements

As of the Latest Practicable Date, the Company did not have any share option incentive plan.

18. Administration Contract

During the Reporting Period, the Company did not enter into any contracts in respect of management and administration work in relation to its entire or any significant parts of business.

19. Distributable Reserves

As at December 31, 2016, the distributable reserves of the Group amounted to RMB4,479,624,348 (as at December 31, 2015: RMB3,424,907,824), and the distributable reserves of the Company was RMB872,598,995 (as at December 31, 2015: RMB26,649,826).

20. Houses, Equipment and Investment Properties

Details of changes in houses, equipment and investment properties of the Company and the Group for the year ended December 31, 2016 are set forth in Note 24 to the consolidated financial statements.

21. Retirement and Benefits

Details of the retirement and employees benefit scheme of the Company are set forth in Note 8 to the consolidated financial statements.

22. Donations

For the year ended December 31, 2016, the charity donations and other donations made by the Group amounted to RMB0.864 million in total.

23. Loan Agreements

During the period from the Listing Date to the Latest Practicable Date, the Company entered into loan agreements with specific banks, of which loans in a total amount of approximately RMB18,532 million include a condition requiring that CDB, the Controlling Shareholder of the Company, shall remain as the single largest Shareholder of the Company, and/or maintain, directly or indirectly, no less than 50% of the Shares of the Company. The term of such loan agreements ranges from two months to three years.

24. Audit of Annual Results

The accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended December 31, 2016 have been jointly reviewed by the Audit Committee of the Company together with the management and the external auditor of the Company.

PricewaterhouseCoopers was appointed as the auditor of the Company for the year ended December 31, 2016. PricewaterhouseCoopers has audited the annexed financial statements prepared in accordance with the IFRS.

By order of the Board of Directors
Wang Xuedong
Chairman
March 29, 2017

Report of the Board of Supervisors

During the Reporting Period, the Board of Supervisors and all members adhered to the principle of being faithful, diligent and prudent, focused on the major work of the Company, practically, efficiently and responsibly commenced the supervision of the Board of Supervisors, effectively monitored the performance of duties, financial activities, internal control, risk management and operating activities of the Company of the Board, senior management of the Company, and proposed independent opinions to the aforesaid matters, safeguarded the interests of Shareholders, the Company and employees, and at the same time tried to commence constructive supervision for facilitating sustainable and healthy development of the Company pursuant to the Company Law of the People's Republic of China (《中華人民共和國公司法》), Guidelines on Corporate Governance for Commercial Banks of China Banking Regulatory Commission (《中國銀監會商業銀行公司治理指引》), the Articles of Association of CDB Leasing (《國銀金融租賃股份有限公司章程》), Rule of Procedures of the Board of Supervisors of CDB Leasing (《國銀金融租賃股份有限公司監事會議事規則》) and other relevant laws and regulations.

The Board of Supervisors performs monitoring duties mainly by, including: convening meeting regularly; participating and seating for meetings regarding Shareholders' general meeting, meeting of the Board; comprehensively monitoring the operation status, risk management status, internal control status, the performance of duties of Directors, Supervisors and senior management by the aforesaid efforts, also proposing constructive and target-oriented recommendations in operation management and supervision.

1. Convening of Meetings of the Board of Supervisors

In 2016, the Board of Supervisors convened five meetings in total, including four ordinary meetings and one extraordinary meeting, in which 16 resolutions were considered and approved and 17 reported matters were heard.

(1) On March 21, 2016, the 2016 first extraordinary meeting of the first session of the Board of Supervisors was convened in which Administrative Measures for Evaluating the Performance of Directors (《董事履職評價管理辦法》) and Administrative Measures for Evaluating the Performance of Senior Management Members (《高級管理人員履職評價管理辦法》) were considered and approved.

(2) On April 27, 2016, the 2016 first ordinary meeting of the first session of the Board of Supervisors was convened in which the resolutions such as Final Accounts Reports for the Year 2015 (《2015年度財務決算報告》), Profit Distribution Proposal for the Year 2015 (《2015年度利潤分配方案》), Regulations for Dealings in Securities of the Company by Directors, Supervisors and Senior Management Members (《董事、監事和高級管理人員買賣本公司證券守則》), Assessment Report on Performance Appraisal of Directors for the Year 2015 (《2015年度董事履職評價報告》), Assessment Form of the Board of Supervisors on Performance Appraisal of Directors for the Year 2015 (《2015年度董事履職情況監事會評價表》), Report of the Board of Supervisors on Performance Appraisal of Senior Management Members for the Year 2015 (《2015年度高級管理人員履職評價報告》), Assessment Form on Performance Appraisal of Senior Management Members for the Year 2015 (《2015年度高級管理人員履職情況監事會評價表》), Report on Performance Appraisal of Supervisors for the Year 2015 (《2015年度監事履職評價報告》), Assessment Form of the Board of Supervisors on Performance Appraisal of Supervisors for the Year 2015 (《2015年度監事履職情況監事會評價表》) and Work Report of the Board of Supervisors for the Year 2015 (《2015年度監事會工作報告》) were considered and Work Report on Operation Management for the Year 2015 (《2015年度經營管理工作報告》), Explanations in Relation to the Procedures on Selection and Appointment of Independent Directors and Non-executive Directors of the Company (《關於公司獨立董事、非執行董事選聘程序說明》) and Report on Evaluation of Internal Control for the Year 2015 (《2015年內部控制評價情況報告》) were heard.

(3) On June 24, 2016, the 2016 second ordinary meeting of the first session of the Board of Supervisors was convened in which the resolutions such as Resolution on the Change in Accounting Firm for the Year 2016 (《關於變更2016年度會計師事務所的議案》), Administrative Measures (Provisional) for Remuneration and Performance of Directors, Supervisors and Senior Management Members (《董事、監事和高管人員薪酬及績效管理辦法（試行）》) were considered; Report on Operation Management for the First Quarter of 2016 (《2016年1季度經營管理情況報告》), Report on Financial Management for the First Quarter of 2016 (《2016年1季度財務管理情況報告》), Report on Risk Management for the First Quarter of 2016 (《2016年1季度風險管理情況報告》), Report on Compliance of Internal Control Management for the First Quarter of 2016 (《2016年1季度合規內控管理情況報告》), Report on Financial Budget for 2016 (《2016年度財務預算報告》), Financial Auditing Report and Proposal for Management of Auditing for the Year 2015 (《2015年度財務審計報告及審計管理建議書》) were heard.

(4) On September 23, 2016, the 2016 third ordinary meeting of the first session of the Board of Supervisors was convened in which the resolutions such as the Resolution on the 2016 Interim Report of the Company (《關於本公司2016年中期報告的議案》), Work Summary for the First Half of 2016 and Work Plan for the Second Half of 2016 of the Board of Supervisors (《監事會2016年上半年工作總結及下半年工作計劃》) and the Resolution on the Exemption for Notice Period of the Board of Supervisors (《關於豁免監事會通知期的議案》) were considered; Report on Operation Management for the First Half of 2016 (《2016年上半年經營管理情況匯報》), Report on Financial Status for the First Half of 2016 (《2016年上半年財務情況報告》), Report on Risk Analysis and Management for the Second Quarter of 2016 (《2016年2季度風險分析與管理報告》), Report on Management of the Compliance Risk and Internal Control for the Second Quarter of 2016 (《2016年2季度合規風險、內部控制管理情況報告》) were heard.

(5) On December 13, 2016, the 2016 fourth ordinary meeting of the first session of the Board of Supervisors was convened in which the resolutions such as Administrative Measures for Evaluating Performance of the Board and its Members (《董事會及其成員履職評價管理辦法》) and Administrative Measures for Evaluating Performance of Senior Management and its Members (《高級管理層及其成員履職評價管理辦法》) amended by the Board of Supervisors' office and Administrative Measures for Evaluating Performance of Supervisors (《監事履職評價管理辦法》) newly formulated by the Board of Supervisors' office were considered; Report on Risk Analysis and Management for the Third Quarter of 2016 (《2016年3季度風險分析與管理報告》), Report on Operation Management for the Third Quarter of 2016 (《2016年3季度經營管理情況匯報》), Report on Financial Status for the Third Quarter of 2016 (《2016年3季度財務情況報告》), Report on Management of the Compliance Risk and Internal Control for the Third Quarter of 2016 (《2016年3季度合規風險、內部控制管理情況報告》) were heard.

2. Conducting Performance Supervision and Evaluation

In the year of 2016, the Board of Supervisors further optimized Administrative Measures for Evaluating the Performance of the Board, senior management and its members and conducted supervision for the Board, senior management and its members through being present at the Board meeting and accessing the data.

The supervision and evaluation on the performance of six directors and seven senior management members of the Company in 2015 were conducted by the Board of Supervisors using the aforesaid criteria as the basis. Meanwhile, the Board of Supervisors also tried to conduct the evaluation on the performance of five Supervisors. Evaluation on performance includes evaluation dimensions such as self-evaluation, mutual-evaluation, evaluation by the Board and the Board of Supervisors. The evaluation results will be prudently studied and formed correspondingly and the evaluation on the performance will be reported to the general meeting and regulatory departments in accordance with the requirements.

3. Organising and Conducting Financial Supervision

The Board of Supervisors regularly listened to the financial work report and work plan including major financial indicators, asset liabilities, gain or loss status, profit, overdue lease payment, fees and implementation of budget. With respect to the annual reports and interim reports prepared by the Company, the Board of Supervisors communicated with the external auditors for several times, reminding them the key audit matters of the annual report, seriously considered the periodic report, proposed corresponding improvement comments and recommendations on delicacy management, capital usage, management account and operating efficiency of the Company.

4. Seriously Conducting Supervision of Internal Control

The Board of Supervisors regularly listened to the work report of compliance and internal control, understanding and following up the situation such as the supervision updates, compliance risks and internal control management, monitoring and assessing of our compliance exposures and rectifying deficiency in compliance, and proposing the comments and recommendations on the relevant reports. The Board of Supervisors recommended that the Company should continuously build up and optimize the internal control system, precisely complete the rectification on the discovered deficiency and disparity in internal control, and meanwhile, ensure the compliance with laws and regulations of operating activities of the Company newly commenced in recent years; the Company pays close attention to the changes of the supervisory policies for enhancing the management standard of internal control.

5. Continuously Reinforcing Supervision of Risk Management

The Board of Supervisors regularly listened to the work report of comprehensive risk analysis and management, including asset structure, risk indicators and analysis of profit indicators, analysis of credit risk, industry risk, market risk, liquidity risk, operational risk and other risks and further work arrangements for risk management. The Board of Supervisors recommended the Company to conduct better risk prediction and predetermination, have scheduled risk management, dispose of risks in compliance with laws and regulations, conduct comprehensive risk management, establish risk management information system, and strengthen the establishment of the talent team in risk management branches.

6. Appointment of Intermediaries for Provision of Professional Support to the Supervision of the Board of Supervisors

To strengthen the supervision, various aspects such as corporate governance, financial, risk and internal control are practically and efficiently supervised. According to the relevant regulatory system and relevant work plan of the Board of Supervisors, the Board of Supervisors, in strict compliance with bidding procedures, appointed professional financial advisors and legal advisors to provide professional support to the supervision of the Board of Supervisors.

7. Optimizing the Establishment for the Regulatory System of the Board of Supervisors

To accommodate the needs of joint-stock restructuring of the Company and listing in Hong Kong, the Board of Supervisors amended relevant system and measures such as Administrative Measures for Evaluating the Performance of Board and its Members (《董事會及其成員履職評價管理辦法》) and Administrative Measures for Evaluating the Performance of Senior Management and its Members (《高級管理層及其成員履職評價管理辦法》), and formulated Administrative Measures for Evaluating the Performance of Supervisors (《監事履職評價管理辦法》), and meanwhile, considered the relevant system and measures to further optimize the corporate governance system.

8. Conducting Relevant Training and Investigation and Research, Optimizing the Board of Supervisors and Boosting the Supervisory Ability of Supervisors

Systematic learning for Supervisors and the Board of Supervisors' office of laws, regulations as well as system and measures from the PRC to the internal part of the Company in relation to the Board of Supervisors were organized. By participating in practical trainings for the Board of Supervisors and financial and law seminars, participating in the professional training organized by the external training institutions, organizing Supervisors to conduct the investigation and research, making reference to the outstanding experience from competitors, and through learning, training and investigation and research, the performance supervision ability of the Board of Supervisors and its members has been continuously enhanced.

By order of the Board of Supervisors
Jiang Daozhen
Chairman of the Board of Supervisors
March 29, 2017

Independent Auditor's Report

To the Shareholders of China Development Bank Financial Leasing Co., Ltd.
(incorporated in People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Development Bank Financial Leasing Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 121 to 220, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is impairment of finance lease receivables and equipment held for operating lease businesses.

Key Audit Matter

Impairment of finance lease receivables and equipment held for operating lease business

Refer to notes 3, 19 and 24 to the consolidated financial statements.

As at 31 December 2016, the net carrying amounts of Group's finance lease receivables and equipment held for operating lease business were RMB88,464 million and RMB46,858 million, respectively, in which accumulated allowance for impairment losses of RMB2,396 million and RMB319 million were recorded.

Specific provision is made for finance lease receivables with objective evidence of impairment. The specific provision is measured as the difference between the finance lease receivables' carrying amount and the estimated future cash flows discounted at the original effective interest rate, by considering the lessee's or the guarantor's future payment ability and the estimated disposal value of the leased assets. Finance lease receivables for which no specific provision is made are grouped by credit risk characteristics and collectively assessed for impairment. Management uses models based on the similarity of credit risk. Key assumptions applied in the models include historical loss experience and loss emergence period.

Management identifies operating lease equipment with impairment indicators and measures the recoverable amount of these assets at the higher of:

➢ fair value based on the market pricing data, less costs of disposal, and

➢ the estimated value in use based on the present value of the expected future cash flows from the lease.

We focused on the impairment assessment of finance lease receivables and equipment held for operating lease businesses because management exercises significant judgements during impairment identification and assessment process. We evaluated and tested the relevant controls, including those over the timely identification of impairment indicators and the calculation of allowance for impairment losses.

How our audit addressed the Key Audit Matter

We performed independent credit reviews of finance lease receivables on a sample basis, considering the credit profiles of the related lessee, guarantors and the collateral, as well as external evidence and factors, to assess whether management's identification of impaired finance lease receivables was appropriate.

For finance lease receivables with specific provision, we examined, on a sample basis, the forecasts of future cash flows prepared by management, including assessment of the lessee or the guarantor's solvency by review of their financial statements; and comparison of the estimated disposal value of the leased assets against the market price of similar assets.

For finance lease receivables with collective assessment provision, we tested the mathematical accuracy of the calculation. We also assessed the appropriateness of impairment models by reference to the market practices and tested the accuracy and completeness of source data by tracing to the accounting records on a sample basis. In addition, we assessed the reasonableness of key inputs and assumptions applied, including historical loss experience and loss emergence period.

For equipment held for operating lease business, we assessed management's identification of impairment indicators. We validated the utilisation of equipment and assessed whether market price of equipment declines. For fair value less costs of disposal method, we compared the carrying amounts of equipment with the publicly available pricing data of the industry less the estimated costs of disposal. For value in use calculations, we tested the mathematical accuracy. We compared the rental used in forecasts of future cash flows against the rental set out in the lease contracts, and assessed the discount rates by considering the weighted average cost of capital of the Group.

Based on the procedures performed, we considered the methods and key assumptions adopted in the impairment assessment were supported by the evidence we gathered.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHOW SAI KEUNG.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2017

Consolidated Statements of Profit or Loss

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue			
Finance lease income	4	**5,363,827**	5,994,754
Operating lease income	4	**5,453,157**	4,646,164
Total revenue		**10,816,984**	10,640,918
Net investment (losses)/gains	5	**(52,359)**	77,209
Other income, gains or losses	6	**676,180**	263,162
Total revenue and other income		**11,440,805**	10,981,289
Depreciation and amortisation	7	**(2,476,525)**	(2,034,732)
Staff costs	8	**(229,034)**	(123,145)
Fee and commission expenses	9	**(55,900)**	(55,873)
Interest expense	10	**(4,400,071)**	(5,055,233)
Other operating expenses	11	**(385,771)**	(404,510)
Impairment losses	12	**(1,825,773)**	(2,008,170)
Total expenses		**(9,373,074)**	(9,681,663)
Profit before income tax		**2,067,731**	1,299,626
Income tax expense	13	**(506,392)**	(247,120)
Profit for the year attributable to owners of the Company		**1,561,339**	1,052,506
Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share)-Basic and diluted	14	**0.14**	0.11

The notes on pages 128 to 220 form an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Profit for the year		**1,561,339**	1,052,506
Other comprehensive income/(loss):			
Item that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets			
Change in value of available-for-sale financial assets		**(4,168)**	–
Income tax impact		**1,042**	–
The portion of effective cash flow hedging and net investment hedging gains and losses			
Net fair value changes during the year		**347,175**	(46,478)
Income tax impact		**(55,501)**	(4,284)
Subtotal		**288,548**	(50,762)
Currency translation differences		**172,588**	130,744
Total other comprehensive income for the year, net of tax		**461,136**	79,982
Total comprehensive income for the year attributable to owners of the Company		**2,022,475**	1,132,488

The notes on pages 128 to 220 form an integral part of these consolidated financial statements.

Consolidated Statements of Financial Position

	Note	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000
ASSETS			
Cash and bank balances	15	**9,336,415**	6,313,850
Placement to banks and other financial institutions		**1,100,000**	1,100,000
Financial assets at fair value through profit or loss	16	**2,133,717**	1,558,638
Derivative financial assets	17	**9,697**	1,991
Accounts receivable	18	**6,841,777**	13,827,135
Finance lease receivables	19	**88,464,050**	80,945,115
Prepayments	20	**7,911,502**	6,862,803
Available-for-sale financial assets	21	**274,588**	122,440
Assets held-for-sale	25	**993,968**	–
Investment properties	23	**356,588**	376,206
Property and equipment	24	**47,344,054**	42,248,688
Deferred tax assets	26	**591,046**	703,141
Other assets	27	**1,154,747**	1,635,085
Total assets		**166,512,149**	155,695,092
Liabilities			
Borrowings	28	**106,198,168**	102,494,469
Due to banks and other financial institutions		**4,000,000**	4,900,000
Financial assets sold under repurchase agreements	38	**3,136,000**	5,922,300
Derivative financial liabilities	17	**199,310**	435,851
Accrued staff costs	29	**94,188**	33,507
Tax payable		**132,278**	242,042
Notes payable	30	**17,793,886**	13,834,811
Deferred tax liabilities	26	**441,656**	266,949
Other liabilities	31	**12,214,989**	12,572,247
Total liabilities		**144,210,475**	140,702,176

Consolidated Statements of Financial Position *(Continued)*

	Note	**As at 31 December 2016 RMB'000**	As at 31 December 2015 RMB'000
Equity			
Share capital	32	**12,642,380**	9,500,000
Capital reserve	33	**2,418,689**	274,786
Hedging and available-for-sale revaluation reserve	34	**(67,956)**	(356,504)
Translation reserve		**163,668**	(8,920)
General reserves	35	**2,665,268**	2,158,646
Retained profits	36	**4,479,625**	3,424,908
Total equity		**22,301,674**	14,992,916
Total liabilities and equity		**166,512,149**	155,695,092

The notes on pages 128 to 220 form an integral part of these consolidated financial statements.

The financial statements on pages 121 to 220 were approved by the Board of Directors on 29 March 2017 and were signed on its behalf.

WANG Xuedong
Director

FAN Xun
Director

Consolidated Statement of Changes in Equity

	Note	Equity attributable to owners of the Group						
		Paid-in capital/ Share capital	**Capital reserve**	**Hedging and available-for-sale revaluation reserve**	**Translation reserve**	**General reserves**	**Retained profits**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015		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 income for the year	34	–	–	(50,762)	130,744	–	–	79,982
Total comprehensive income for the year		–	–	(50,762)	130,744	–	1,052,506	1,132,488
Dividends recognised as distribution	37	–	–	–	–	–	(149,798)	(149,798)
Conversion of paid-in capital and capital reserve	32,33	1,500,000	250,270	–	–	(402,087)	(1,348,183)	–
Appropriation to general reserves	35	–	–	–	–	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
At 1 January 2016		**9,500,000**	**274,786**	**(356,504)**	**(8,920)**	**2,158,646**	**3,424,908**	**14,992,916**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**1,561,339**	**1,561,339**
Other comprehensive income for the year	34	**-**	**-**	**288,548**	**172,588**	**-**	**-**	**461,136**
Total comprehensive income for the year		**-**	**-**	**288,548**	**172,588**	**-**	**1,561,339**	**2,022,475**
Issued ordinary shares	32,33	**3,142,380**	**2,143,903**	**-**	**-**	**-**	**-**	**5,286,283**
Appropriation to general reserves	35	**-**	**-**	**-**	**-**	**506,622**	**(506,622)**	**-**
At 31 December 2016		**12,642,380**	**2,418,689**	**(67,956)**	**163,668**	**2,665,268**	**4,479,625**	**22,301,674**

The notes on pages 128 to 220 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES			
Profit before income tax		**2,067,731**	1,299,626
Adjustments for:			
Notes payable interest expenses	10	**502,424**	455,026
Depreciation and amortisation	7	**2,476,525**	2,034,732
Impairment losses	12	**1,825,773**	2,008,170
Gains on disposal of equipment held for operating lease businesses	6	**(116,099)**	(39,184)
Unrealised fair value change from derivatives	5	**15,708**	70
Unrealised fair value changes in financial assets at fair value through profit or loss	5	**(45,078)**	(58,638)
Operating cash flows before movements in working capital		**6,726,984**	5,699,802
Increase in mandatory reserve deposits with central banks		**(381,675)**	–
Decrease in accounts receivable		**6,668,572**	55,299
Increase in finance lease receivables		**(8,644,315)**	(7,110,639)
Decrease (increase) in other assets		**377,774**	(60,870)
Increase in borrowings		**3,703,699**	10,248,237
(Decrease) increase in due to banks and other financial institutions		**(900,000)**	1,400,000
(Decrease) increase in financial assets sold under repurchase agreements		**(2,786,300)**	410,100
Increase in accrued staff costs		**60,681**	8,408
(Decrease) increase in other liabilities		**(357,258)**	1,703,660
Cash from operations		**4,468,162**	12,353,997
Income taxes paid		**(382,829)**	(512,058)
NET CASH FROM OPERATING ACTIVITIES		**4,085,333**	11,841,939
INVESTING ACTIVITIES			
Change in pledged and restricted bank deposits		**332,580**	450,649
Purchase of available-for-sale financial assets		**(150,000)**	–
Disposal of property and equipment		**2,199,575**	570,680
Purchases of property and equipment		**(10,760,695)**	(9,417,513)
Purchases of intangible assets		**–**	(2,659)
Purchase of financial assets at fair value through profit and loss		**(530,000)**	(1,500,000)
Disposal of subsidiaries		**–**	(5,011)
NET CASH USED IN INVESTING ACTIVITIES		**(8,908,540)**	(9,903,854)

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		**5,286,283**	–
Proceeds from issue of notes payable		**3,000,000**	–
Notes issuance cost		**(9,410)**	–
Notes interest paid		**(480,196)**	(434,499)
Dividends paid		**–**	(149,798)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		**7,796,677**	(584,297)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,973,470**	1,353,788
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**6,815,628**	5,461,840
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	39	**9,789,098**	6,815,628
NET CASH FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**5,455,565**	6,145,753
Interest paid, exclusive notes payable interest expenses		**(4,247,697)**	(4,966,017)
Net interest received		**1,207,868**	1,179,736

The notes on pages 128 to 220 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General Information

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 address of the Company's registered office is 50–52/F, New World Center, No. 6009 Yitian Road, Futian District, Shenzhen, Guangdong Province, the People's Republic of China ("PRC")).

On 11 July 2016, the Company issued 3,100,000,000 new ordinary shares at the issue price of HK$2 each by way of initial public offering. The gross proceeds amounted to HK$6.2 billion. On the same date, the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Listing"). On 29 July 2016, the Company announced that the Over-allotment Option was partially exercised in respect of an aggregate of 42,380,000 new ordinary shares with an additional gross proceeds of HK$84.76 million.

The Company and its subsidiaries (together, "the Group") are principally engaged in leasing business; import and export trade for leasing equipment and commodities, lease-related financial business and foreign exchange trade on behalf of clients.

These financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2 Significant Accounting Policies (Continued)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

2.1.1.1 New and amended standards adopted by the group

There are no new standards or amendments to standards that are effective for the first time for the year beginning on 1 January 2016 that have a material impact on the Group.

2.1.1.2 New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

2.1.1.2.1 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 recognised financial assets that are within the scope of IAS 39 are subsequently measured at amortised 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 amortised 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 recognised 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 will not have significant impact on the Group's financial position or performance.

2 Significant Accounting Policies (Continued)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

2.1.1.2.1 IFRS 9 Financial instruments (Continued)

2.1.1.2.1 IFRS 9 Financial instruments (Continued)

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 quality 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.

2.1.1.2.2 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.

2 Significant Accounting Policies (Continued)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

2.1.1.2.1 IFRS 9 Financial instruments (Continued)

2.1.1.2.2 IFRS 15 Revenue from contracts with customers (Continued)

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 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.

2 Significant Accounting Policies (Continued)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

2.1.1.2.1 IFRS 9 Financial instruments (Continued)

2.1.1.2.3 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 43, total operating lease commitment of the Company in respect of leased premises with terms more than 12 months as at 31 December 2016 amounted to RMB504,427,000. 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 Company'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 Company as the lessor.

2 Significant Accounting Policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements 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.

2 Significant Accounting Policies (Continued)

2.2 Basis of consolidation (Continued)

2.2.1 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.

2.3 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.

2 Significant Accounting Policies (Continued)

2.3 Business combinations (Continued)

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 recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest is disposed of.

2.4 Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less accumulated impairment losses, if any.

2.5 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;

2 Significant Accounting Policies (Continued)

2.5 Revenue recognition (Continued)

(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.

2.6 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.

2.6.1 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.

2.6.2 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.

2.6.3 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.

2 Significant Accounting Policies (Continued)

2.7 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.

2.8 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 consolidated financial statements, 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.

2.9 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.

2 Significant Accounting Policies (Continued)

2.10 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.

2.11 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.

2.11.1 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.

2.11.2 Annuity scheme – defined contribution plan

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.

2 Significant Accounting Policies (Continued)

2.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.12.1 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.

2.12.2 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.

2.12.3 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.

2 Significant Accounting Policies (Continued)

2.13 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 aircrafts, ships, 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	0%	2–10 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**
Aircrafts	15%	15 – 20 years
Ships	10%	20 years
Special equipment	5%	10 years
Electronic equipment	5%	3 years

2 Significant Accounting Policies (Continued)

2.14 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.

2.15 Intangible assets

2.15.1 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.

2.15.2 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.

2 Significant Accounting Policies (Continued)

2.16 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.

2.17 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.

2 Significant Accounting Policies (Continued)

2.18 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.19 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognized 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.

2.20 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.

2.20.1 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.

2.20.1.1 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.

2 Significant Accounting Policies (Continued)

2.20 Financial instruments (Continued)

2.20.1 Financial assets (Continued)

2.20.1.2 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.

2.20.1.3 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 lease receivables, 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.

2 Significant Accounting Policies (Continued)

2.20 Financial instruments (Continued)

2.20.1 Financial assets (Continued)

2.20.1.4 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 reserves 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.

2.20.1.5 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.

2 Significant Accounting Policies (Continued)

2.20 Financial instruments (Continued)

2.20.1 Financial assets (Continued)

2.20.1.5 Impairment of financial assets (Continued)

For certain categories of financial assets, such as finance lease receivables, 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 lease receivables, 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.

2 Significant Accounting Policies (Continued)

2.20 Financial instruments (Continued)

2.20.1 Financial assets (Continued)

2.20.1.5 Impairment of financial assets (Continued)

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 recognized 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.

2.20.1.6 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 recognize 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.

2 Significant Accounting Policies (Continued)

2.20 Financial instruments (Continued)

2.20.2 Financial liabilities and equity instruments

2.20.2.1 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.

2.20.2.2 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.

2.20.2.3 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

2.20.2.4 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.

2.20.2.5 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.

2 Significant Accounting Policies (Continued)

2.20.2 Financial liabilities and equity instruments (Continued)

2.20.2.6 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.

2.20.2.7 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.

2.20.2.8 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.

2.20.2.9 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.

2 Significant Accounting Policies (Continued)

2.20.2.6 Other financial liabilities (Continued)

2.20.2 Financial liabilities and equity instruments (Continued)

2.20.2.10 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.

2.20.2.11 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.

3 Critical Accounting Judgment and Key Sources of Estimation Uncertainty

In the application of accounting policies as set out in Note 2, 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 consolidated financial statements:

3.1 Impairment loss for finance lease receivables, accounts receivable and other receivables

The Group reviews finance lease receivables, 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 lease receivables, 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.

3.2 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 2, 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.

3 Critical Accounting Judgment and Key Sources of Estimation Uncertainty (Continued)

3.3 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.

3.4 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.

3.5 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 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.

3.6 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 lease receivables (Note 19). On the other hand, 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 incident to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgements by management.

4 Total Revenue

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Finance lease income[(1)]	**5,363,827**	5,994,754
Operating lease income	**5,453,157**	4,646,164
	10,816,984	10,640,918

(1) The Group recognised the finance lease income of approximately RMB29,264,000 and RMB55,747,000 from non-performing financial leases receivable in the years of 2016 and 2015, respectively.

5 Net Investment (Losses)/Gains

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Net realised (losses)/gains from derivatives	**(87,219)**	18,641
Net realised gains from available-for-sale financial assets	**5,490**	–
Unrealised fair value change of derivatives	**(15,708)**	(70)
Unrealised fair value change of financial assets at fair value through profit or loss	**45,078**	58,638
	(52,359)	77,209

6 Other Income, Gains or Losses

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest income from deposits with financial institutions	**91,738**	148,676
Management and commission fee income	**73,799**	16,738
Gains on disposal of equipment held for operating lease businesses	**116,099**	39,184
Consulting fee income	**13,256**	36,299
Foreign exchange gains (losses), net	**167,666**	(86,260)
Government grants and incentives(1)	**198,347**	93,711
Others	**15,275**	14,814
	676,180	263,162

(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 RMB3,493,000 and RMB2,271,000, from Shenzhen Government in the years of 2016 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, the Dongjiang Free Trade Port Zone of Tianjin, and the Xiangyu Free Trade Zone of Xiamen, the Group received grant of approximately RMB191,817,000 and RMB87,490,000 in total in the years of 2016 and 2015, respectively.

Pursuant to "Detailed Rules for the Implementation of Suggestions on the Development of the Financial Industry in Shenzhen", financial institutions are eligible for government grants for newly purchased or constructed headquarters office space for its own use (including the related business premises) if they are 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.

7 Depreciation and Amortisation

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Depreciation of investment properties	**19,618**	19,618
Depreciation of property and equipment	**2,418,484**	1,993,447
Amortisation of land use rights	**10,008**	10,008
Amortisation of other intangible assets	**5,583**	5,056
Amortisation of prepaid expenses	**22,832**	6,603
	2,476,525	2,034,732

8 Staff Costs

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Salaries, bonus and allowances	**163,202**	78,988
Social welfare	**22,489**	16,001
Defined contribution plans – annuity schemes	**4,490**	3,507
Others	**38,853**	24,649
	229,034	123,145

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.

9 Fee and Commission Expenses

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Business collaboration fee for leasing projects	**29,836**	24,694
Bank charges	**26,064**	31,179
	55,900	55,873

10 Interest Expense

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest on liabilities that are wholly repayable within five years:		
Borrowings	**3,334,664**	4,273,594
Due to banks and other financial institutions	**93,366**	28,445
Financial assets sold under repurchase agreements	**198,795**	224,477
Notes payable	**152,374**	126,982
Deposits from lessees	**274**	299
Interest on liabilities that are not wholly repayable within five years:		
Borrowings	**347,440**	125,016
Notes payable	**350,050**	328,044
Deposits from lessees	**4,626**	364
Less: Interest capitalised on qualifying assets	**(81,518)**	(51,988)
	4,400,071	5,055,233

11 Other Operating Expenses

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Auditor's remuneration	**7,171**	7,002
Taxes and surcharges	**98,786**	134,220
Operating lease rentals in respect of rented premises	**40,099**	33,708
Operating lease rentals in respect of rented aircrafts	**77,317**	72,610
Business travel and transportation expenses	**19,407**	24,029
Sundry expenses	**142,991**	132,941
	385,771	404,510

12 Impairment Losses

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Finance lease receivables	**1,125,380**	1,868,095
Accounts receivable	**316,786**	140,075
Aircraft held for operating lease businesses	**319,466**	–
Other assets	**64,141**	–
	1,825,773	2,008,170

13 Income Tax Expense

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current income tax		
– PRC Enterprise Income Tax	**245,467**	437,745
– Income tax in other countries	**13,348**	5,832
Deferred income tax	**232,343**	(195,077)
Under/(over) provision in prior period	**15,234**	(1,380)
	506,392	247,120

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

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit before income tax	**2,067,731**	1,299,626
Tax at the statutory tax rate of 25%	**516,933**	324,907
Tax effect of expenses not deductible for tax purpose[1]	**11,595**	5,839
Reversal of deferred tax assets in prior year	**2,845**	–
Unrecognized deferred tax from current loss	**28,919**	–
Under/(over) provision in prior year	**15,234**	(1,380)
Effect of different tax rates of group entities operating in jurisdictions other than PRC	**(69,134)**	(133,549)
Others	**–**	51,303
Income tax expense for the period	**506,392**	247,120

(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.

14 Earnings Per Share

The calculation of basic earnings per share is as follows:

	Year ended 31 December	
	2016	2015
Earnings:		
Profit attributable to owners of the Company *(RMB'000)*	**1,561,339**	1,052,506
Number of shares:		
Weighted average number of shares in issue *('000)*[1]	**10,986,499**	9,500,000
Basic earnings per share *(RMB Yuan)*	**0.14**	0.11

(1) On 8 September 2015, the paid-in capital of the Company was RMB9,500,000,000. After the Financial Restructuring as detailed in Note 1, the Company became a joint stock company with a total of 9,500 million shares at par value of RMB1 each on 28 September 2015. The basic earnings per share for the year ended 31 December 2015 is calculated based on the assumption that the shares issued under the Financial Restructuring had been effective on 1 January 2015.

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2016 and 2015.

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary share in the year of 2016 and 2015.

15 Cash and Bank Balances

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Pledged and restricted bank deposits[1]	**265,642**	598,222
Mandatory reserve deposits with central banks[2]	**381,675**	–
Surplus reserve deposits with central banks[3]	**19,779**	–
Cash and bank balances	**8,669,319**	5,715,628
	9,336,415	6,313,850

15 Cash and Bank Balances (Continued)

(1) The bank deposits amounting to approximately RMB160,642,000 and RMB493,222,000 were pledged as collateral for the Group's bank borrowings (Note 28) as at 31 December 2016 and 2015, respectively.

The bank deposits amounting to approximately RMB105,000,000 and 105,000,000 were restricted for use, which represented the guaranteed deposit held by the Group in relation to the financial leases receivable being transferred with repurchase agreement as at 31 December 2016 and 2015, respectively.

(2) The Group places mandatory reserve deposits with the PBOC. These include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

(3) Surplus reserve deposits primarily represent deposits maintained with the PBOC in addition to the mandatory reserve deposits.

16 Financial Assets at Fair Value Through Profit or Loss

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Measured at fair value:		
Asset management schemes, unlisted	**2,133,717**	1,558,638

As at 31 December 2016 and 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.

17 Derivative Financial Instruments

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

	31 December 2016		
		Fair value	
	Contractual/ Nominal amount *RMB'000*	**Assets** *RMB'000*	**Liabilities** *RMB'000*
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	**11,343,533**	**9,697**	**(182,886)**
Others:			
Currency forwards	**276,566**	**–**	**(16,424)**
Total	**11,620,099**	**9,697**	**(199,310)**

17 Derivative Financial Instruments (Continued)

	31 December 2015		
		Fair value	
	Contractual/ Nominal amount *RMB'000*	Assets *RMB'000*	Liabilities *RMB'000*
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	13,259,059	1,991	(330,379)
Net investment hedge – currency forwards	2,458,516	–	(105,472)
Total	15,717,575	1,991	(435,851)

As at 31 December 2016, derivatives in others represent currency forwards with forward exchange rates of buying RMB and selling USD at 6.7455 with terms up to 12 months.

For derivatives under hedge accounting, the details and terms are set out in note 49.

18 Accounts Receivable

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Operating leases receivable(1)	**142,699**	6,910
Advances for finance lease projects(2)	**6,714,876**	13,112,481
Other accounts receivable(3)	**200,129**	1,031,430
	7,057,704	14,150,821
Less: Allowances for impairment losses		
– Allowances for advances for finance lease projects	**(215,878)**	(266,876)
– Allowances for other accounts receivable	**(49)**	(56,810)
	6,841,777	13,827,135

18 Accounts Receivable (Continued)

Movements of allowances for impairment losses on accounts receivable during the year of 2016 and 2015 are as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
At the beginning of the year	**323,686**	141,579
Provision during the year	**316,786**	140,075
Transfer (out)/in during the year	**(15,732)**	33,627
Write-offs	**(408,813)**	–
Foreign currency translation	**–**	8,405
At the end of the year	**215,927**	323,686

Aging analysis of accounts receivable is as below:

(1) The operating leases receivable of the Group were accrued on a straight-line basis over the term of the relevant leases and settled periodically based on the payment terms agreed in the lease contracts. There were no material overdue operating leases receivable as at 31 December 2016 and 2015.

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

(3) Other accounts receivable of the Group represented those transferred finance lease receivables under asset transfer agreements.

19 Finance Lease Receivables

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Minimum finance lease receivables		
Not later than one year	**21,306,534**	22,967,421
Later than one year and not later than five years	**58,610,867**	53,369,506
Later than five years	**34,618,723**	27,834,442
Gross amount of finance lease receivables	**114,536,124**	104,171,369
Less: Unearned finance income	**(23,676,007)**	(20,262,754)
Net amount of finance lease receivables	**90,860,117**	83,908,615
Less: Allowances for impairment losses	**(2,396,067)**	(2,963,500)
Carrying amount of finance lease receivables	**88,464,050**	80,945,115
Present value of minimum finance lease receivables		
Not later than one year	**16,137,256**	18,284,638
Later than one year and not later than five years	**45,236,438**	41,650,959
Later than five years	**29,486,423**	23,973,018
Total	**90,860,117**	83,908,615

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

The finance leases receivable with carrying amount of approximately RMB3,741,990,000 and RMB4,565,375,000 were pledged as collateral for the Group's bank borrowings (Note 28) as at 31 December 2016 and 2015, respectively.

The Group entered into repurchase agreements (Note 38) with certain counterparties to sell the Group's finance lease receivables with carrying amounts of approximately RMB5,870,738,000 and RMB8,149,285,000 as at 31 December 2016 and 2015, respectively.

The finance lease receivables 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 lease receivables were adjusted periodically with reference to the benchmark interest rates.

19 Finance Lease Receivables (Continued)

Movements of allowances for impairment losses on finance lease receivables during the year ended 31 December 2016 and 2015 are as follows:

	Individual assessment	
	For the year ended 31 December 2016 ***RMB'000***	For the year ended 31 December 2015 *RMB'000*
At the beginning of the year	**1,335,971**	670,480
Provision during the year	**1,412,816**	1,387,646
Transfer out during the year	**–**	(36,142)
Write-offs	**(1,733,825)**	(686,013)
At the end of the year	**1,014,962**	1,335,971

	Collective assessment	
	For the year ended 31 December 2016 ***RMB'000***	For the year ended 31 December 2015 *RMB'000*
At the beginning of the year	**1,627,529**	1,167,181
Provision during the year	**(287,436)**	480,449
Transfer in during the year	**15,732**	4,802
Write-offs	**–**	(28,445)
Foreign currency translation	**25,280**	3,542
At the end of the year	**1,381,105**	1,627,529

	Total assessment	
	For the year ended 31 December 2016 ***RMB'000***	For the year ended 31 December 2015 *RMB'000*
At the beginning of the year	**2,963,500**	1,837,661
Provision during the year	**1,125,380**	1,868,095
Transfer in/(out) during the year	**15,732**	(31,340)
Write-offs	**(1,733,825)**	(714,458)
Foreign currency translation	**25,280**	3,542
At the end of the year	**2,396,067**	2,963,500

20 Prepayments

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Prepayments for operating lease assets purchases	**7,911,502**	6,862,803

The prepayments for operating lease assets with carrying amounts of approximately RMB471,716,000 were pledged as collateral for the Group's bank borrowings (Note 28) as at 31 December 2016 (31 December 2015: nil).

21 Available-For-Sale Financial Assets

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Measured at cost:		
Equity investment[(1)]	**122,440**	122,440
Measured at fair value:		
Bonds investments – unlisted	**152,148**	–
	274,588	122,440

(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.

22 Investments in Subsidiaries

The following is a list of the principal subsidiaries, which are all limited liability companies, at 31 December 2016:

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company *(%)*	Proportion of ordinary shares held by the Group *(%)*	Paid-up issued/ registered capital	Principal activities
SFL-1 Limited	Cayman Islands 26 September 2006	100	100	USD1,000	Aircraft leasing
SFL-2 Limited	Cayman Islands 12 January 2007	100	100	USD1,000	Aircraft leasing
SFL-3 Limited	Cayman Islands 29 May 2007	100	100	USD1,000	Aircraft leasing
SFL-4 Limited	Cayman Islands 5 June 2007	100	100	USD1,000	Aircraft leasing
SFL-5 Limited	Cayman Islands 11 July 2007	100	100	USD1,000	Aircraft leasing
SFL-6 Limited	Cayman Islands 3 August 2007	100	100	USD1,000	Aircraft leasing
SFL-7 Limited	Cayman Islands 13 March 2008	100	100	USD1,000	Aircraft leasing
Aviation Capital Limited	Cayman Islands 8 September 2008	100	100	USD1,000	Aircraft leasing
CLC-1 Limited	Cayman Islands 20 May 2008	100	100	USD1,000	Leasing service
CLC-2 Limited	Cayman Islands 26 May 2008	100	100	USD1,000	Aircraft leasing
AMBER Circle Funding Limited	Cayman Islands 22 June 2012	100	100	USD250	Aircraft leasing

22 Investments in Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
CDBL FUNDING 1	Cayman Islands 23 October 2014	–	100	USD1,534	Aircraft leasing
Top Voyage Enterprise Limited	Hong Kong 25 June 2009	–	100	HKD1	Ship leasing
Well Far Limited	Hong Kong 3 September 2009	–	100	HKD1	Ship leasing
CLC Ship Chartering-I Co., Ltd.	Hong Kong 24 November 2009	–	100	HKD1	Ship leasing
CLC Ship Chartering-II Co., Ltd.	Hong Kong 13 May 2010	–	100	HKD1	Ship leasing
CLC Ship Chartering-III Co., Ltd.	Hong Kong 13 May 2010	–	100	HKD1	Ship leasing
CLC Ship Chartering-IV Co., Ltd.	Hong Kong 13 May 2010	–	100	HKD1	Ship leasing
CLC Ship Chartering-V Co., Ltd.	Hong Kong 17 May 2010	–	100	HKD1	Ship leasing
CLC Ship Chartering-VI Co., Ltd.	Hong Kong 13 May 2010	–	100	HKD1	Ship leasing
CLC Ship Chartering-VII Co., Ltd.	Hong Kong 31 March 2011	–	100	HKD1	Ship leasing
CLC Ship Chartering-VIII Co., Ltd.	Hong Kong 31 March 2011	–	100	HKD1	Ship leasing
CLC Ship Chartering-IX Co., Ltd.	Hong Kong 31 March 2011	–	100	HKD1	Ship leasing
CLC Ship Chartering-X Co., Ltd.	Hong Kong 31 March 2011	–	100	HKD1	Ship leasing
CLC Maritime Container Leasing Co., Limited	Hong Kong 29 October 2012	–	100	HKD1	Ship leasing
Kinghood Vessel Leasing Co., Ltd.	Hong Kong 1 April 2010	–	100	HKD1	Ship leasing
Metro Excel Limited	Hong Kong 3 September 2009	100	100	HKD1	Ship leasing
Hong Kong Jinli Technology Co., Ltd*	Hong Kong 4 December 1984	100	100	RMB350,000	Trading agent
Top Sailing Enterprise Limited	Hong Kong 18 April 2013	–	100	HKD1	Ship leasing
Nine West Marine LTD.	Hong Kong 22 August 2013	–	100	HKD1	Ship leasing
Ample Pointer Limited	Hong Kong 16 August 2013	–	100	HKD1	Ship leasing
Bexton Limited	Hong Kong 26 July 2013	–	100	HKD1	Ship leasing
Cyber Wave Limited	Hong Kong 11 October 2013	–	100	HKD1	Ship leasing
Hu jin Lpg Carrier Ltd.	Hong Kong 20 February 2014	–	100	HKD1	Ship leasing
Guang Jiu Lpg Carrier Ltd.	Hong Kong 27 August 2014	–	100	HKD1	Ship leasing
CLC Glowing Ltd.	Hong Kong 29 July 2014	–	100	HKD1	Ship leasing
Ease Best Ltd.	Hong Kong 18 July 2014	–	100	HKD1	Ship leasing
Bendery Maritime Limited	Hong Kong 24 October 2014	–	100	HKD1	Ship leasing
Bermuda Maritime Limited	Hong Kong 24 October 2014	–	100	HKD1	Ship leasing
Bear Maritime Limited	Hong Kong 24 October 2014	–	100	HKD1	Ship leasing
Sherlock Maritime Limited	Hong Kong 24 October 2014	–	100	HKD1	Ship leasing
Franklin Maritime Limited	Hong Kong 24 October 2014	–	100	HKD1	Ship leasing
Rome Shipping Limited	Hong Kong 5 November 2014	–	100	HKD1	Ship leasing
Bell Maritime Limited	Hong Kong 21 September 2015	–	100	HKD1	Ship leasing
Gold Maritime Limited	Hong Kong 21 September 2015	–	100	HKD1	Ship leasing
Silver Maritime limited	Hong Kong 21 September 2015	–	100	HKD1	Ship leasing
Venus Maritime Limited	Hong Kong 21 September 2015	–	100	HKD1	Ship leasing
SinoAero Leasing (Hong Kong) Co., Ltd.	Hong Kong 28 January 2016	–	100	HKD1	Leasing Service
CLC VLOC – 1 LIMITED	Hong Kong 12 October 2016	–	100	HKD1	Ship leasing
CLC VLOC – 2 LIMITED	Hong Kong 29 July 2015	–	100	HKD1	Ship leasing
CLC VLOC – 3 LIMITED	Hong Kong 29 July 2015	–	100	HKD1	Ship leasing
CLC VLOC – 4 LIMITED	Hong Kong 29 July 2015	–	100	HKD1	Ship leasing
CLC VLOC – 5 LIMITED	Hong Kong 12 October 2016	–	100	HKD1	Ship leasing
CLC VLOC – 6 LIMITED	Hong Kong 12 October 2016	–	100	HKD1	Ship leasing
CLC VLOC – 7 LIMITED	Hong Kong 12 October 2016	–	100	HKD1	Ship leasing
CLC VLOC – 8 LIMITED	Hong Kong 12 October 2016	–	100	HKD1	Ship leasing
CDBL Ambition Limited	Hong Kong 25 November 2016	–	100	HKD1	Ship leasing
CDBL Global Limited	Hong Kong 25 November 2016	–	100	HKD1	Ship leasing

22 Investments in Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
CDBL Profession Limited	Hong Kong 25 November 2016	–	100	HKD1	Ship leasing
CDBL Diversification Limited	Hong Kong 25 November 2016	–	100	HKD1	Ship leasing
CDBL Aviation Lease Finance Designed Activity Company	Ireland 2 July 2009	100	100	USD4	Aircraft leasing
GY Aviation Lease 101 Co., Ltd.	Ireland 7 December 2010	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 102 Co., Ltd.	Ireland 27 April 2011	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 103 Co., Ltd.	Ireland 8 September 2011	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 104 Co., Ltd.	Ireland 20 September 2011	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 105 Co., Ltd.	Ireland 1 November 2011	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 0901 Co., Ltd.	Ireland 2 July 2009	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 0902 Co., Ltd.	Ireland 4 August 2009	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 0903 Co., Ltd.	Ireland 16 September 2009	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 0904 Co., Ltd.	Ireland 1 December 2009	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 0905 Co., Ltd.	Ireland 1 December 2009	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 0906 Co., Ltd.	Ireland 30 November 2009	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 1201 Co., Limited	Ireland 20 March 2012	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 1202 Co., Limited	Ireland 23 April 2012	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 1203 Co., Limited	Ireland 30 April 2012	–	100	EUR 2	Aircraft leasing
GY Aviation Lease (France) SARL	France 6 June 2012	–	100	EUR 50,000	Aircraft leasing
GY Aviation Lease (Norway) Co., AS	Norway 9 June 2012	–	100	NOK 150,000	Aircraft leasing
AeroPower Leasing Co., Ltd.	Ireland 12 August 2011	–	100	USD1	Aircraft leasing
Compass aviation Leasing Co., Ltd.	Ireland 25 August 2011	–	100	USD2	Aircraft leasing
APONE Aviation Leasing Co., Limited	Ireland 12 August 2011	–	100	USD1	Aircraft leasing
APTREE Aviation Trading 1 Co., Limited	Ireland 2 September 2011	–	100	USD1	Aircraft leasing
APTREE Aviation Trading 2 Co., Limited	Ireland 19 September 2011	–	100	USD1	Aircraft leasing
APTREE Aviation Trading 3 Co., Limited	Ireland 19 September 2011	–	100	USD1	Aircraft leasing
APTREE Aviation Trading 4 Co., Limited	Ireland 19 September 2011	–	100	USD1	Aircraft leasing
APTREE Aviation Trading 5 Co., Limited	Ireland 12 October 2011	–	100	USD1	Aircraft leasing
GY Aviation Lease 1204 Co., Limited	Ireland 18 July 2012	–	100	USD1	Aircraft leasing
GY Aviation Lease 1205 Co., Limited	Ireland 18 July 2012	–	100	USD1	Aircraft leasing
GY Aviation Lease 1207 Co., Limited	Ireland 18 July 2012	–	100	USD1	Aircraft leasing
GY Aviation Lease 106 Co., Limited	Ireland 15 November 2011	–	100	USD1	Aircraft leasing
GY Aviation lease 1301 Co., Ltd.	Ireland 20 August 2013	–	100	USD1	Aircraft leasing
GY Aviation lease 1302 Co., Ltd.	Ireland 30 October 2013	–	100	USD1	Aircraft leasing
GY Aviation lease 1303 Co., Ltd.	Ireland 12 December 2013	–	100	USD1	Aircraft leasing
GY Aviation lease 1304 Co., Ltd.	Ireland 12 December 2013	–	100	USD1	Aircraft leasing
GY Aviation lease 1305 Co., Ltd.	Ireland 12 December 2013	–	100	USD1	Aircraft leasing
GY Aviation lease 1306 Co., Ltd.	Ireland 12 December 2013	–	100	USD1	Aircraft leasing
GY Aviation lease 1501 Co., Ltd.	Ireland 8 April 2015	–	100	USD1	Aircraft leasing
GY Aviation lease 1502 Co., Ltd.	Ireland 25 May 2015	–	100	USD1	Aircraft leasing
GY Aviation lease 1503 Co., Ltd.	Ireland 16 July 2015	–	100	USD1	Aircraft leasing
GY Aviation lease 1504 Co., Ltd.	Ireland 24 July 2015	–	100	USD1	Aircraft leasing
GY Aviation lease 1505 Co., Ltd.	Ireland 24 July 2015	–	100	USD1	Aircraft leasing
GY Aviation Lease 1601 Co.,Ltd	Ireland 27 June 2016	–	100	USD1	Aircraft leasing
GY Aviation Lease 1602 Co.,Ltd	Ireland 26 September 2016	–	100	USD1	Aircraft leasing
GY Aviation Lease 1603 Co.,Ltd	Ireland 26 September 2016	–	100	USD1	Aircraft leasing
GY Aviation Lease (Malta) Limited	Malta 14 January 2013	–	100	EUR 1,200	Aircraft leasing

22 Investments in Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
飛機租賃國銀飛機租賃（上海）有限公司 CLC Aircraft Leasing (Shanghai) Co., Ltd*	PRC 24 November 2010	100	100	RMB5,000,000	Aircraft leasing
國銀新天飛機租賃（上海）有限公司 CLC Xintian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 16 December 2011	100	100	RMB5,000,000	Aircraft leasing
國銀匯天飛機租賃（上海）有限公司 CLC Huitian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 16 December 2011	100	100	RMB5,000,000	Aircraft leasing
國銀浩天飛機租賃（上海）有限公司 CLC Haotian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 4 September 2012	100	100	RMB300,000	Aircraft leasing
國銀弘天飛機租賃（上海）有限公司 CLC Hongtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 4 September 2012	100	100	RMB300,000	Aircraft leasing
國銀旭天飛機租賃（上海）有限公司 CLC Xutian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 4 September 2012	100	100	RMB300,000	Aircraft leasing
國銀飛機租賃（天津）有限公司 CLC Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 June 2012	100	100	RMB500,000	Aircraft leasing
國銀騰飛機租賃（天津）有限公司 CLC Tengfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 June 2012	100	100	RMB500,000	Aircraft leasing
國銀翔天飛機租賃（天津）有限公司 CLC Xiangtian Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 5 September 2012	100	100	RMB500,000	Aircraft leasing
國銀晨飛機租賃（天津）有限公司 CLC Chenfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 5 September 2012	100	100	RMB500,000	Aircraft leasing
國銀鴻飛機租賃（天津）有限公司 CLC Hongfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 5 September 2012	100	100	RMB500,000	Aircraft leasing
國銀航飛機租賃（天津）有限公司 CLC Hangfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 5 September 2012	100	100	RMB500,000	Aircraft leasing
國銀霄飛機租賃（天津）有限公司 CLC Xiaofei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100	100	RMB500,000	Aircraft leasing
國銀博飛機租賃（天津）有限公司 CLC Bofei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100	100	RMB500,000	Aircraft leasing
國銀鵬飛機租賃（天津）有限公司 CLC Pengfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100	100	RMB500,000	Aircraft leasing
國銀逸飛機租賃（天津）有限公司 CLC Yifei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100	100	RMB500,000	Aircraft leasing
國銀卓飛機租賃（天津）有限公司 CLC Zhuofei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100	100	RMB500,000	Aircraft leasing
國銀冠飛機租賃（天津）有限公司 CLC Guanfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2012	100	100	RMB500,000	Aircraft leasing
國銀捷飛機租賃（天津）有限公司 CLC Jiefei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 7 November 2012	100	100	RMB500,000	Aircraft leasing
國銀鑫飛機租賃（天津）有限公司 CLC Xinfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2012	100	100	RMB500,000	Aircraft leasing
國銀盛飛機租賃（天津）有限公司 CLC Shengfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 7 November 2012	100	100	RMB500,000	Aircraft leasing
國銀振飛機租賃（天津）有限公司 CLC Zhenfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 7 November 2012	100	100	RMB500,000	Aircraft leasing
國銀宇飛機租賃（天津）有限公司 CLC Yufei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2012	100	100	RMB500,000	Aircraft leasing
國銀瑞天飛機租賃（上海）有限公司 CLC Ruitian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing

22 Investments in Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
國銀益天飛機租賃（上海）有限公司 CLC Yitian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing
國銀澤天飛機租賃（上海）有限公司 CLC Zetian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing
國銀康天飛機租賃（上海）有限公司 CLC Kangtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing
國銀華天飛機租賃（上海）有限公司 CLC Huatian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing
國銀瀚天飛機租賃（上海）有限公司 CLC Hantian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 3 July 2013	100	100	RMB300,000	Aircraft leasing
國銀榮天飛機租賃（上海）有限公司 CLC Rongtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing
國銀國天飛機租賃（上海）有限公司 CLC Guotian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing
國銀鴻天飛機租賃（上海）有限公司 CLC Hongtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 3 July 2013	100	100	RMB300,000	Aircraft leasing
國銀陽天飛機租賃（上海）有限公司 CLC Yangtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 3 July 2013	100	100	RMB300,000	Aircraft leasing
國銀航熙飛機租賃（天津）有限公司 CLC Hangxi Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 22 July 2013	100	100	RMB500,000	Aircraft leasing
國銀航軒飛機租賃（天津）有限公司 CLC Hangxuan Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航暉飛機租賃（天津）有限公司 CLC Hanghui Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 3 July 2013	100	100	RMB500,000	Aircraft leasing
國銀航宇飛機租賃（天津）有限公司 CLC Hangyu Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航進飛機租賃（天津）有限公司 CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航凱飛機租賃（天津）有限公司 CLC Hangkai Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航辰飛機租賃（天津）有限公司 CLC Hangchen Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 3 July 2013	100	100	RMB500,000	Aircraft leasing
國銀航雲飛機租賃（天津）有限公司 CLC Hangyun Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航皓飛機租賃（天津）有限公司 CLC Hanghao Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航傑飛機租賃（天津）有限公司 CLC Hangjie Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航博飛機租賃（天津）有限公司 CLC Hangbo Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航川飛機租賃（天津）有限公司 CLC Hangchuan Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航坤飛機租賃（天津）有限公司 CLC Hangkun Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航隆飛機租賃（天津）有限公司 CLC Hanglong Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航慶飛機租賃（天津）有限公司 CLC Hangqing Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing

22 Investments in Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
國銀航鋭飛機租賃（天津）有限公司 CLC Hangrui Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航碩飛機租賃（天津）有限公司 CLC Hangshuo Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航祥飛機租賃（天津）有限公司 CLC Hangxiang Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航旭飛機租賃（天津）有限公司 CLC Hangxu Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航遠飛機租賃（天津）有限公司 CLC Hangyuan Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航智飛機租賃（天津）有限公司 CLC Hangzhi Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航昌飛機租賃（天津）有限公司 CLC Hangchang Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航際飛機租賃（天津）有限公司 CLC Hangji Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航錦飛機租賃（天津）有限公司 CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航鵬飛機租賃（天津）有限公司 CLC Hangpeng Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航盛飛機租賃（天津）有限公司 CLC Hangsheng Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航通飛機租賃（天津）有限公司 CLC Hangtong Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航鑫飛機租賃（天津）有限公司 CLC Hangxin Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航怡飛機租賃（天津）有限公司 CLC Hangyi Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航昱飛機租賃（天津）有限公司 CLC Hangyu Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀慧天飛機租賃（廈門）有限公司 CLC Huitian Aircraft Leasing (Xiamen) Co., Ltd.*	PRC 10 August 2015	100	100	RMB100,000	Aircraft leasing
國銀晨天飛機租賃（廈門）有限公司 CLC Chenfei Aircraft Leasing (Xiamen) Co., Ltd.	PRC 10 August 2015	100	100	RMB100,000	Aircraft leasing
GY Aviation Lease Bermuda Co. Ltd.	Bermuda Islands 10 December 2009	–	100	USD100	Aircraft leasing
佛山市美佛實業發展有限公司 Foshan Meifo Industry Development Co., Ltd*	PRC 19 November 2003	–	100	RMB4,526,885	Investment management
珠海市金益華商貿有限公司 Zhuhai Jin Yi Hua Trading Co., Ltd*	PRC 23 November 2004	100	100	RMB1,000,000	Trading
長沙市集創收費管理有限公司 Changsha Jichuang Toll Management Co., Ltd*	PRC 29 August 2003	100	100	RMB100,000	Highway tollbooth

* *These subsidiaries do not have official English names. English translated names are for identification only.*

23 Investment Properties

	At 31 December 2016 ***RMB'000***	At 31 December 2015 *RMB'000*
Cost		
At beginning of the year	**413,014**	413,014
Additions	**–**	–
At end of the year	**413,014**	413,014
Accumulated depreciation		
At beginning of the year	**(36,808)**	(17,190)
Charge for the year	**(19,618)**	(19,618)
At end of the year	**(56,426)**	(36,808)
Net carrying amount		
At beginning of the year	**376,206**	395,824
At end of the year	**356,588**	376,206

The Group recognised the operating lease income of approximately RMB12,681,000 and RMB13,405,000 from investment properties in the years of 2016 and 2015, respectively.

24 Property and Equipment

	At 31 December 2016 ***RMB'000***	At 31 December 2015 *RMB'000*
Equipment held for operating lease businesses	**46,857,827**	41,871,006
Property and equipment held for administrative purposes	**486,227**	377,682
Total	**47,344,054**	42,248,688

24 Property and Equipment (Continued)

Equipment held for operating lease businesses

	Aircrafts RMB'000	Ships RMB'000	Special equipment RMB'000	Electronic equipment RMB'000	Total RMB'000
Cost					
As at 1 January 2016	48,609,524	825,103	641,967	185,267	50,261,861
Additions	9,067,521	–	–	–	9,067,521
Disposals/written-off	(4,236,928)	–	(57,601)	(185,267)	(4,479,796)
Transferred to non-current assets held-for sale	(1,141,969)	–	–	–	(1,141,969)
Foreign currency translation	3,256,869	–	–	–	3,256,869
As at 31 December 2016	55,555,017	825,103	584,366	–	56,964,486
Accumulated depreciation					
As at 1 January 2016	(8,150,057)	–	(64,795)	(176,003)	(8,390,855)
Charge for the year	(2,274,521)	(40,181)	(97,977)	–	(2,412,679)
Eliminated on disposals/ written-off	1,213,398	–	13,208	176,003	1,402,609
Transferred to non-current assets held-for sale	148,001	–	–	–	148,001
Foreign currency translation	(534,269)	–	–	–	(534,269)
As at 31 December 2016	(9,597,448)	(40,181)	(149,564)	–	(9,787,193)
Accumulated impairment					
As at 1 January 2016	–	–	–	–	–
Additions	(319,466)	–	–	–	(319,466)
As at 31 December 2016	(319,466)	–	–	–	(319,466)
Net carrying amount					
As at 1 January 2016	40,459,467	825,103	577,172	9,264	41,871,006
As at 31 December 2016	45,638,103	784,922	434,802	–	46,857,827

24 Property and Equipment (Continued)

Equipment held for operating lease businesses (Continued)

	Aircrafts *RMB'000*	Ships *RMB'000*	Special equipment *RMB'000*	Electronic equipment *RMB'000*	Total *RMB'000*
Cost					
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)
Foreign currency translation	2,231,689	–	–	–	2,231,689
As at 31 December 2015	48,609,524	825,103	641,967	185,267	50,261,861
Accumulated depreciation					
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
Foreign currency translation	(362,984)	–	–	–	(362,984)
As at 31 December 2015	(8,150,057)	–	(64,795)	(176,003)	(8,390,855)
Net carrying amount					
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

The aircraft and ships with net book value of approximately RMB32,045,323,000 and RMB35,225,174,000 of the Group were pledged as collateral for the Group's bank borrowings (Note 28) as at 31 December 2016 and 2015, respectively.

24 Property and Equipment (Continued)

Property and equipment held for administrative purposes

	Buildings RMB'000	Computer and electronic equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
As at 1 January 2016	35,202	15,580	11,300	7,792	15,033	341,589	426,496
Additions	5,093	1,643	-	8,805	2,725	96,345	114,611
Disposals/written-off	-	-	(4,492)	(1)	(32)	-	(4,525)
Foreign currency translation	-	10	-	16	-	-	26
As at 31 December 2016	40,295	17,233	6,808	16,612	17,726	437,934	536,608
Accumulated depreciation							
As at 1 January 2016	(11,373)	(9,846)	(10,483)	(6,169)	(10,943)	-	(48,814)
Charge for the year	(1,599)	(2,123)	(252)	(847)	(984)	-	(5,805)
Eliminated on disposals/ written-off	-	-	4,268	-	-	-	4,268
Foreign currency translation	-	(12)	-	(18)	-	-	(30)
As at 31 December 2016	(12,972)	(11,981)	(6,467)	(7,034)	(11,927)	-	(50,381)
Net carrying amount							
As at 1 January 2016	23,829	5,734	817	1,623	4,090	341,589	377,682
As at 31 December 2016	27,323	5,252	341	9,578	5,799	437,934	486,227

24 Property and Equipment (Continued)

Property and equipment held for administrative purposes (Continued)

	Buildings *RMB'000*	Computer and electronic equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost							
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
Foreign currency translation	–	2	–	7	–	–	9
As at 31 December 2015	35,202	15,580	11,300	7,792	15,033	341,589	426,496
Accumulated depreciation							
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)
Foreign currency translation	–	–	–	(2)	–	–	(2)
As at 31 December 2015	(11,373)	(9,846)	(10,483)	(6,169)	(10,943)	–	(48,814)
Net carrying amount							
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

As at 31 December 2016, carrying values of property and equipment of the Group for which registration was not completed amounted to approximately RMB10,700,000 (31 December 2015: RMB5,988,000). However, this registration process does not affect the rights of the Group to these assets.

24 Property and Equipment (Continued)

Provision for impairment loss on the Group's plant and equipment of RMB319,466,000 as at 31 December 2016 (31 December 2015: nil), was included in accumulated impairment.

The impairment loss represents the write-down of the aircraft book value to recoverable amount. The recoverable amount was determined based on the management's best estimate of aircraft values from appraisers' valuation or value in use or estimated selling prices based on signed letter of intent to sell the aircraft. The estimated future cash flows of the aircraft were discounted to their present value using pre-tax discount rate to calculate the value in use. For the calculation of value in use, the weighted average discount rates is 6.0% for 2016.

	31 December 2016 ***RMB'000***
At the beginning of the year	**–**
Provision during the year	**319,466**
At the end of the year	**319,466**

25 Assets Held-For-Sale

Net book value of four aircraft of the Group was presented as held for sale when the Group entered into the sales contract on 23 November 2016. The selling price as stipulated in the sales contract is approximately RMB1,010,254,000. The sales transaction has been subsequently completed in January 2017.

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Aircraft	**993,968**	–

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:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Deferred tax assets		
– Deferred tax asset to be recovered after more than 12 months	**542,293**	667,043
– Deferred tax asset to be recovered within 12 months	**48,753**	36,098
	591,046	703,141
Deferred tax liabilities		
– Deferred tax liability to be recovered after more than 12 months	**(428,408)**	–
– Deferred tax liability to be recovered within 12 months	**(13,248)**	(266,949)
	(441,656)	(266,949)
	149,390	436,192

Deferred income tax liabilities of RMB313 million (2015: RMB267 million) have not been recognised for the taxable temporary differences arising from undistributed profit of foreign subsidiaries given that the timing of the reversal of the temporary difference is controlled by the Group and the directors of the Group are of the view that it is probable that the temporary differences will not be reversed in the foreseeable future.

26 Deferred Taxation (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon in the year ended 31 December 2016 and 2015:

	Allowances for impairment losses RMB'000	Changes in fair value of derivatives RMB'000	Changes in fair value of financial assets at fair value through profit and loss RMB'000	Changes in fair value of available-for-sale financial assets RMB'000	Deductible tax losses RMB'000	Accelerated depreciation of operating lease assets RMB'000	Deferred income RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2016	**574,315**	**82,042**	**(5,300)**	**(9,360)**	**1,788**	**(273,263)**	**75,286**	**(9,316)**	**436,192**
Charge (credit) to profit or loss	**(123,497)**	**14,973**	**(20,629)**	**-**	**4,441**	**(127,891)**	**9,991**	**10,269**	**(232,343)**
Charge (credit) to other comprehensive income	**-**	**(55,501)**	**-**	**1,042**	**-**	**-**	**-**	**-**	**(54,459)**
As at 31 December 2016	**450,818**	**41,514**	**(25,929)**	**(8,318)**	**6,229**	**(401,154)**	**85,277**	**953**	**149,390**
As at 1 January 2015	257,885	85,513	–	(9,360)	1,327	(164,458)	71,688	2,804	245,399
(Charge) credit to profit or loss	316,430	813	(5,300)	–	461	(108,805)	3,598	(12,120)	195,077
Charge (credit) to other comprehensive income	–	(4,284)	–	–	–	–	–	–	(4,284)
As at 31 December 2015	574,315	82,042	(5,300)	(9,360)	1,788	(273,263)	75,286	(9,316)	436,192

27 Other Assets

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Interest receivable	**6,837**	30,269
Other receivables	**312,260**	385,454
Prepaid expenses	**7,730**	28,565
Deductible value-added tax	**322,597**	737,879
Prepaid corporate income tax	**120,351**	–
Deposits for purchase of property and equipment	**10,105**	3,448
Other intangible assets	**11,448**	11,901
Land use rights	**430,362**	440,371
	1,221,690	1,637,887
Less: Allowances for impairment losses – other receivables	**(66,943)**	(2,802)
	1,154,747	1,635,085

Movements of allowances for impairment losses on other receivables during the year ended 31 December 2016 and 2015 are as follows:

	For the year ended 31 December	
	2016 *RMB'000*	2015 *RMB'000*
At the beginning of the year	**2,802**	19,037
Provision during the year	**64,141**	–
Write-offs	**–**	(13,948)
Transfer out during the year	**–**	(2,287)
At the end of the year	**66,943**	2,802

27 Other Assets (Continued)

Other intangible assets:

	At 31 December 2016 ***RMB'000***	At 31 December 2015 *RMB'000*
Cost		
At beginning of the year	**26,673**	24,014
Additions	**5,130**	2,659
At end of the year	**31,803**	26,673
Accumulated amortisation		
At beginning of the year	**(14,772)**	(9,716)
Charge for the year	**(5,583)**	(5,056)
At end of the year	**(20,355)**	(14,772)
Carrying amount		
At beginning of the year	**11,901**	14,298
At end of the year	**11,448**	11,901

Land use rights

Land use rights of the Group is the medium-term (10 to 50 years) leasehold land in the PRC.

28 Borrowings

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Secured bank borrowings [(1)]	**21,770,499**	26,124,319
Unsecured bank borrowings	**84,427,669**	76,370,150
	106,198,168	102,494,469

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Carrying amount repayable:		
Within one year	**79,422,013**	75,253,710
More than one year, but not exceeding two years	**7,830,785**	9,440,131
More than two years, but not exceeding five years	**8,097,282**	11,754,506
More than five years	**10,848,088**	6,046,122
	106,198,168	102,494,469

(1) Secured bank borrowings

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

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Property and equipment	**32,045,323**	35,225,174
Prepayments	**471,716**	–
Finance lease receivables	**3,741,990**	4,565,375
Bank deposits	**160,642**	493,222

28 Borrowings (Continued)

(1) Secured bank borrowings (Continued)

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

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Fixed-rate borrowings:		
Within one year	**71,496,465**	62,511,165
More than one year, but not exceeding five years	**4,752,436**	6,779,254
More than five years	**2,811,426**	1,676,507
	79,060,327	70,966,926

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:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Effective interest rate:		
Fixed-rate borrowing	**1.27%-5.45%**	0.86%-5.90%
Floating-rate borrowing	**"LIBOR+0.15% to LIBOR+3.40% SHIBOR+0.45% to SHIBOR+0.50% PBOC Rate*90.00%"**	"LIBOR+1.20% to LIBOR+4.00% SHIBOR+0.80% PBOC Rate*90.00% to PBOC Rate*95.60%"

29 Accrued Staff Cost

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Salaries, bonus and allowances	**82,051**	28,600
Social welfare and others	**12,137**	4,907
	94,188	33,507

30 Notes Payable

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Guaranteed unsecured notes	**17,793,886**	13,834,811

Name	**Principal amount** *USD'000*	**Issue price**	**Value date**	**Maturity date**	**Coupon rate**
Guaranteed unsecured notes issued-due 2017[(1)]	500,000	99.54%	2012-12-4	2017-12-4	2.00%
Guaranteed unsecured notes issued-due 2022[(1)]	1,000,000	99.22%	2012-12-4	2022-12-4	3.25%
Guaranteed unsecured notes issued-due 2019[(2)]	250,000	99.47%	2014-12-2	2019-12-2	3.25%
Guaranteed unsecured notes issued-due 2024[(2)]	400,000	99.09%	2014-12-2	2024-12-2	4.25%

Name	**Principal amount** *RMB'000*	**Issue price**	**Value date**	**Maturity date**	**Coupon rate**
Unguaranteed unsecured notes issued-due 2019[(3)]	3,000,000	100.00%	2016-10-27	2019-10-27	3.00%

30 Notes Payable (Continued)

(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, CDB Aviation Lease Finance Designated Activity Company and the maturity dates for the notes are 2 December 2019 and 2 December 2024 respectively.

(3) As at 27 October 2016, the Group issued notes with principal amount of RMB3,000,000,000 in PRC. The maturity date for the notes is 27 October 2019.

31 Other Liabilities

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Interest payable	**600,782**	499,185
Project arrangement fee in advance	**68,572**	126,902
Management consulting fees payable	**12,354**	14,466
Other taxes payable	**62,802**	48,619
Other payables	**492,467**	477,024
Advance receipt for selling of aircraft	**1,010,360**	–
Accrued liabilities	**5,332**	5,350
Account payables	**1,064,712**	3,499,458
Maintenance deposits from lessees	**2,011,477**	1,667,457
Guaranteed deposits from lessees	**6,759,285**	6,103,990
Deferred income	**126,846**	129,796
	12,214,989	12,572,247

32 Paid-in Capital/Share Capital

	Registered, issued and fully paid-in capital/share capital	
	2016	2015
	RMB'000	*RMB'000*
At the beginning of the year	**9,500,000**	8,000,000
Addition	**3,142,380**	1,500,000
At the end of the year	**12,642,380**	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" 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.

(2) On 11 July 2016, the Company issued 3,100,000,000 new ordinary shares at the issue price of HK$2 each by way of initial public offering. The gross proceeds amounted to HK$6.2 billion. On 29 July 2016, the Company announced that the Over-allotment Option was partially exercised in respect of an aggregate of 42,380,000 new ordinary shares with an additional proceeds of HK$84.76 million. After deducting the issuance cost, RMB3,142,380,000 and RMB2,143,903,000 were credited to share capital and capital reserve respectively.

33 Capital Reserve

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
At beginning of the year	**274,786**	24,516
Conversion of paid-in capital and capital reserve	**–**	250,270
Issue new ordinary shares	**2,143,903**	–
At end of the year	**2,418,689**	274,786

34 Hedging and Available-For-Sale Revaluation Reserve

The movements of hedging and available-for-sale revaluation reserve of the Group are set out below:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
At beginning of the year	**(356,504)**	(305,742)
Fair value changes on derivatives	**347,175**	(46,478)
Fair value changes on available-for-sales financial assets	**(4,168)**	–
Income tax effects	**(54,459)**	(4,284)
At end of the year	**(67,956)**	(356,504)

35 General Reserves

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

Year ended 31 December 2016

	Opening *RMB'000*	**Additions** *RMB'000*	**Converted to share capital** *RMB'000*	**Closing** *RMB'000*
Statutory reserve[(1)]	**34,900**	**138,708**	**–**	**173,608**
Reserve for general risk[(2)]	**2,123,746**	**367,914**	**–**	**2,491,660**
	2,158,646	**506,622**	**–**	**2,665,268**

Year ended 31 December 2015

	Opening *RMB'000*	Additions *RMB'000*	Converted to share capital *RMB'000*	Closing *RMB'000*
Statutory reserve[(1)]	427,326	9,661	(402,087)	34,900
Reserve for general risk[(2)]	2,123,746	–	–	2,123,746
	2,551,072	9,661	(402,087)	2,158,646

35 General Reserves (Continued)

(1) Pursuant to the Company Law of the PRC and the articles of association of the Company and the subsidiaries in the PRC, 10% of the net profit of the Company and the subsidiaries in the PRC, as determined under the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the relevant entities. The reserve appropriated can be used for expansion of business and capitalization.

(2) Prior to 1 July 2012, pursuant to the Financial Rules for Financial Enterprises-Implementation Guide (Caijin [2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company and the subsidiaries in the PRC are required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from 1 July 2012 and onwards, pursuant to the Administrative Measures for the Provision of 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.

36 Retained Profits

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

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
At beginning of the year	**3,424,908**	3,880,044
Profit for the year	**1,561,339**	1,052,506
Appropriation to general reserves	**(506,622)**	(9,661)
Cash dividends	**–**	(149,798)
Retained profits converted to share capital	**–**	(1,348,183)
At end of the year	**4,479,625**	3,424,908

37 Dividends

The dividends paid in 2016 and 2015 is RMB nil and RMB149,798,000 (RMB0.16 per 10 ordinary shares) respectively. A dividend in respect of the year ended 31 December 2016 of RMB0.556 per 10 ordinary shares, amounting to a total dividend of RMB702,916,328, is to be proposed at the annual general meeting. These financial statements do not reflect this dividend payable.

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Interim dividend paid of RMB nil (2015: RMB nil) per 10 ordinary shares	**–**	–
Proposed final dividend of RMB0.556(2015: RMB nil) per 10 ordinary shares	**702,916**	–
	702,916	–

38 Transfers of Financial Assets

Repurchase agreements

As at 31 December 2016, the Group entered into repurchase agreements with certain counterparties to sell the Group's finance lease receivables with carrying amounts of approximately RMB5.87 billion (31 December 2015: RMB8.15 billion), respectively.

Sales and repurchase agreements are transactions in which the Group sells a finance lease receivables and simultaneously agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group 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 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:

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Carrying amount of transferred assets	**5,870,738**	8,149,285
Carrying amount of associated liabilities	**(3,136,000)**	(5,922,300)
Net position	**2,734,738**	2,226,985

39 Cash and Cash Equivalents

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

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Cash on hand	**56**	57
Cash in central banks	**19,779**	–
Cash in banks	**8,669,263**	5,715,571
Placement to banks and other financial institutions	**1,100,000**	1,100,000
	9,789,098	6,815,628

40 Contingent Liabilities

As at 31 December 2016 and 2015, there were no significant legal proceedings outstanding against the Group. No provision has been made for pending assessments, lawsuits or possible violations of contracts as the outcome cannot be reasonably estimated or management believes the probability of a loss is low or remote.

41 Capital Commitments

Capital expenditures contracted by the Group at 31 December 2016 and 2015 but are not yet to be recognised on the statements of financial position are as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Acquisition of equipment held for operating lease businesses	**38,552,402**	39,993,869
Acquisition of property and equipment held for administrative purposes	**534,287**	602,787
Total	**39,086,689**	40,596,656

42 Finance Lease Commitments

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Finance lease commitments	**1,600,000**	1,990,000

Finance lease commitments are in relation to finance leases contracts signed by the Group as lessor are not yet effective as at 31 December 2016 and 2015.

43 Operating Lease Commitments

43.1 The Group as lessee

Operating lease payments represent rentals payable by the Group for certain of its office properties and aircrafts. 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.

43.1.1 Non-cancellable operating leases commitment

At 31 December 2016 and 2015, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Within one year	**122,537**	106,007
In the second to fifth years inclusive	**359,872**	328,988
Over five years	**22,018**	96,281
Total	**504,427**	531,276

43.2 The Group as lessor

43.2.1 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 12 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.

43.2.2 Non-cancellable operating leases receivable

At 31 December 2016 and 2015, the Group is entitled to receive the minimum cash lease rentals under non-cancellable operating lease which fall due as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Within one year	**6,085,641**	5,777,889
In the second to fifth years inclusive	**18,108,437**	18,671,075
Over five years	**8,978,612**	7,579,544
Total	**33,172,690**	32,028,508

44 Directors' and Supervisors' Emoluments

44.1 Directors' and chief executive's emoluments

The emoluments of the Directors and Supervisors of the Company paid and/or payable by the Group are set out below:

For the year ended 31 December 2016

Name	Director fee RMB'000	Salary and allowances *(Note vii)* RMB'000	Employer's contribution to pension schemes RMB'000	Bonuses RMB'000	Total(viii) RMB'000
Executive Directors:					
Wang Xuedong (i)	–	802	65	518	1,385
Fan Xun (ii)	–	842	63	539	1,444
Geng Tiejun	–	518	40	357	915
Huang Min (ii)	–	771	57	365	1,193
Non-executive Directors:					
Liu Hui (iii)	–	–	–	–	–
Li Yingbao (iii)	–	–	–	–	–
Independent non-executive Directors:					
Zheng Xueding (iv)	193	–	–	–	193
Xu Jin (iv)	193	–	–	–	193
Zhang Xianchu (iv)	193	–	–	–	193
Supervisors:					
Jiang Daozhen (v)	–	709	63	495	1,267
Lei Yanzheng	–	–	–	–	–
Sun Zhikun (vi)	–	–	–	–	–
Huang Xuemei (v)	–	833	51	418	1,302
Zhuang Ganlang	–	580	32	306	918
	579	5,055	371	2,998	9,003

44 Directors' and Supervisors' Emoluments (Continued)

44.1 Directors' and chief executive's emoluments (Continued)

The emoluments of the Directors and Supervisors of the Company paid and/or payable by the Group are set out below (Continued):

For the year ended 31 December 2015

Name	Director fee *RMB'000*	Salary and allowances *(Note vii)* *RMB'000*	Employer's contribution to pension schemes *RMB'000*	Bonuses *RMB'000*	Total *(Note viii)* *RMB'000*
Executive Directors:					
Wang Xuedong (i)	–	1,077	40	378	1,495
Fan Xun (ii)	–	795	34	414	1,243
Geng Tiejun	–	894	26	314	1,234
Huang Min (ii)	–	689	20	233	942
Wang Chong (vii)	–	103	2	–	105
Non-executive Directors:					
Liu Hui (iii)	–	–	–	–	–
Li Yingbao (iii)	–	–	–	–	–
Supervisors:					
Jiang Daozhen (v)	–	656	30	355	1,041
Lei Yanzheng	–	–	–	–	–
Sun Zhikun (vi)	–	–	–	–	–
Huang Xuemei (v)	–	899	28	270	1,197
Zhuang Ganlang	–	618	28	205	851
	–	5,731	208	2,169	8,108

(i) Wang Xuedong was appointed as executive Director and CEO in October 2014 and approved by Shenzhen Office of CBRC in January 2015.

(ii) Fan Xun, the incumbent CEO of the Company, and Huang Min were appointed as executive Directors in September 2015.

(iii) Liu Hui and Li Yingbao were appointed as non-executive Directors in September 2015.

(iv) Zheng Xueding, Xu Jin and Zhang Xianchu were appointed as independent non-executive Directors in June 2016.

(v) Huang Xuemei and Jiang Daozhen were appointed as Supervisors in May 2015.

(vi) Sun Zhikun was appointed as Supervisor in June 2015.

(vii) Wang Chong resigned as executive Director in February 2015.

(viii) The Company did not operate any share option scheme during the years of 2016 and 2015.

44 Directors' and Supervisors' Emoluments (Continued)

44.1 Directors' and chief executive's emoluments (Continued)

The bonuses are discretionary and determined with reference to the Group's and the individuals' performance.

During the years 2016 and 2015, 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.

45 Highest Paid Individuals

Of the five individuals with the highest emoluments, two out of the five individuals are Directors of the Company for the year ended 31 December 2015, and one of the five individuals is Director of the Company for the year ended 31 December 2016. Details of the emolument of the five highest paid employees during the year of 2016 and 2015 are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Basic salaries and allowances	**3,998**	4,785
Bonuses	**3,644**	2,078
Employer's contribution to pension schemes	**255**	159
	7,897	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 year of 2015 and 2016.

The emoluments of the five highest paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2016	2015
	No. of employees	No. of employees
Emolument bands		
– HKD1,000,000 to HKD1,500,000	**–**	–
– HKD1,500,001 to HKD2,000,000	**4**	4
– HKD2,000,001 to HKD2,500,000	**1**	1

46 Related Party Transaction

46.1 Parent Company

As at 31 December 2016, China Development Bank directly owned 64.5% of the share capital of the Company.

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled by the PRC government.

The Group have the following balances and entered into the following transactions with China Development Bank in its ordinary course of business:

The Group had the following balances with China Development Bank:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Bank balances	**135,375**	180,710
Operating leases receivable	**748**	1,380
Available-for-sale financial assets	**152,148**	–
Interest receivable	**4**	2
Bank borrowings	**20,903,535**	12,685,786
Interest payable	**63,647**	26,405
Derivative financial liabilities	**165,044**	287,331

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

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest income	**476**	10,229
Interest expense	**430,210**	395,147
Guarantee fee expenses	**15,608**	14,004
Operating lease income	**1,251**	1,446
Lease expenses – fee and commission expenses	**40,690**	22,331
Net investment gains	**123,850**	68,822
Underwriting fees	**2,600**	–

The Hong Kong branch of the China Development Bank provided guarantee to the Group for notes described in Note 30.

46 Related Party Transaction (Continued)

46.2 China Development Bank Securities Co., Limited

The Group and China Development Bank Securities Co., Limited are both ultimately controlled by the China Development Bank.

The Group entered into the following transactions with China Development Bank Securities Co., Limited:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Underwriting fees	**2,200**	–
Consulting fees	**200**	–

46.3 China Development Bank Capital Co., Limited

The Group and China Development Bank Capital Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Capital Co., Limited:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Accounts receivables	**182,459**	328,426

46.4 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers.

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Basic salaries and allowances	**8,536**	8,996
Bonuses	**4,585**	3,056
Employer's contribution to pension schemes	**628**	321
	13,749	12,373

46 Related Party Transaction (Continued)

46.5 Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: purchase, sale and leases of property and other assets; bank deposits and borrowings; purchase of bonds issued by other state-owned entities; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

47 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 consolidated financial statements.

Specifically, the Group's operating segments are as follows:

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

(b) Infrastructure leasing: mainly engaged in the leasing of transportation, urban and energy infrastructure;

(c) Ship, 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 net revenue (segment's revenue deducting depreciation expenses of equipment held for operating lease businesses). Liabilities of the headquarters are allocated according to the proportion of each segment's assets.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the years ended 31 December 2016 and 2015.

47 Segment Reporting (Continued)

The operating and reportable segment information provided to the CODM during the years ended 31 December 2016 and 2015 is as follows:

	Aircraft leasing RMB'000	Infrastructure leasing RMB'000	Ship, commercial vehicle and construction machinery leasing RMB'000	Other leasing business RMB'000	Consolidated total RMB'000
For the year ended 31 December 2016					
Segment revenue and results					
Finance lease income	227,127	3,314,994	1,004,276	817,430	5,363,827
Operating lease income	5,226,973	123,039	86,662	16,483	5,453,157
Segment revenue	5,454,100	3,438,033	1,090,938	833,913	10,816,984
Segment other income, gains and losses	442,398	97,152	25,338	58,933	623,821
Segment revenue and other income	5,896,498	3,535,185	1,116,276	892,846	11,440,805
Segment expenses	(4,537,418)	(2,031,296)	(1,323,824)	(1,480,536)	(9,373,074)
Profit before impairment losses and income tax	1,666,730	1,495,044	366,998	364,732	3,893,504
Profit before income tax	1,359,080	1,503,889	(207,548)	(587,690)	2,067,731
As at 31 December 2016					
Segment assets and liabilities					
Segment assets	62,606,259	68,676,635	20,246,133	14,392,076	165,921,103
Deferred tax assets					591,046
Group's total assets					166,512,149
Segment liabilities	54,247,638	59,507,552	17,543,053	12,470,576	143,768,819
Deferred tax liabilities					441,656
Group's total liabilities					144,210,475
For the year ended 31 December 2016					
Other segment information					
Depreciation of investment properties	–	–	–	(19,618)	(19,618)
Depreciation of properties and equipment	(2,280,326)	(96,246)	(40,181)	(1,731)	(2,418,484)
Amortisation	(19,384)	(12,275)	(3,805)	(2,959)	(38,423)
Impairment losses	(307,650)	8,845	(574,546)	(952,422)	(1,825,773)

47 Segment Reporting (Continued)

The operating and reportable segment information provided to the CODM during the year ended 31 December 2016 and 2015 is as follows (continued):

	Aircraft leasing *RMB'000*	Infrastructure leasing *RMB'000*	Ship, commercial vehicle and construction machinery leasing *RMB'000*	Other leasing business *RMB'000*	Consolidated total *RMB'000*
For the year ended 31 December 2015					
Segment revenue and results					
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, gains and 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
As at 31 December 2015					
Segment assets and liabilities					
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
For the year ended 31 December 2015					
Other segment information					
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)

47 Segment Reporting (Continued)

The customer, China Southern Airlines, contributes 10.20% of the Group's revenue for the year ended 31 December 2016, and there is no single customer contributes over 10% of the Group's revenue for the year ended 31 December 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 operation in PRC.

48 Financial Instruments

Categories of financial instruments

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Financial assets		
Cash and bank balances	**9,336,415**	6,313,850
Placement to banks and other financial institutions	**1,100,000**	1,100,000
Accounts receivable	**6,841,777**	13,827,135
Finance lease receivables	**88,464,050**	80,945,115
Other financial assets	**262,259**	416,369
Financial assets at fair value through profit and loss	**2,133,717**	1,558,638
Derivative financial assets	**9,697**	1,991
Available-for-sale financial assets	**274,588**	122,440
	108,422,503	104,285,538

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Financial liabilities		
Borrowings	**106,198,168**	102,494,469
Due to banks and other financial institutions	**4,000,000**	4,900,000
Financial assets sold under repurchase agreement	**3,136,000**	5,922,300
Notes payable	**17,793,886**	13,834,811
Other financial liabilities	**11,990,561**	12,261,580
Derivative financial liabilities	**199,310**	435,851
	143,317,925	139,849,011

49 Financial Risk Management

49.1 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.

49.2 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.

49.2.1 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.

49 Financial Risk Management (Continued)

49.2 Credit risk (Continued)

49.2.2 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

Except for guaranteed deposits and maintenance deposits provided by lessees, the Group requires lessees to pay rental in advance for most of the aircraft leases.

49 Financial Risk Management (Continued)

49.2 Credit risk (Continued)

49.2.3 Impairment and provisioning policies

The Group reviews the impairment assessment on a regular basis based on the principles set out in Note 3.1 "impairment of financial assets."

Maximum exposure to credit risk before collateral held and other credit enhancement

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Financial assets		
Cash and bank balances	**9,336,359**	6,313,794
Placement to banks and other financial institutions	**1,100,000**	1,100,000
Financial assets at fair value through profit and loss	**2,133,717**	1,558,638
Derivative financial assets	**9,697**	1,991
Accounts receivable	**6,841,777**	13,827,135
Finance lease receivables	**88,464,050**	80,945,115
Available-for-sale financial assets	**152,148**	–
Other financial assets	**262,259**	416,369
	108,300,007	104,163,042

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2016 and 2015, without taking account of any collateral held or other credit enhancements attached.

49 Financial Risk Management (Continued)

49.2 Credit risk (Continued)

49.2.4 Finance lease receivables

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Neither overdue nor impaired	**88,184,869**	80,376,062
Overdue but not impaired[1]	**1,085,305**	1,385,676
Impaired[2]	**1,589,943**	2,146,877
	90,860,117	83,908,615
Less: Allowances for impairment losses.	**(2,396,067)**	(2,963,500)
	88,464,050	80,945,115

(1) Overdue but not impaired finance lease receivables

Overdue but not impaired finance lease receivables mainly includes receivables for the leases of transportation equipment, machineries, and construction machinery. Generally speaking, finance lease receivables which is overdue up to and including 90 days is not treated as impaired unless other observable evidence exists.

An analysis of overdue but not impaired finance lease receivables by overdue period is set out below:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Overdue within 30 days	**781,053**	–
Overdue 30 to 60 days	**89,150**	233,526
Overdue 60 to 90 days	**213,441**	568,919
Overdue above 90 days	**1,661**	583,231
Total	**1,085,305**	1,385,676

49 Financial Risk Management (Continued)

49.2 Credit risk (Continued)

49.2.4 Finance lease receivables (Continued)

(2) Impaired finance lease receivables

The impaired finance lease receivables mainly includes receivables for the lease of transportation equipment, property, machineries and medical equipment. The Group performed individual assessments on those impaired leases receivable as at 31 December 2016 and 2015.

49.2.5 Concentration risk of credit exposure

An analysis of finance lease receivables by industry is set out below:

	31 December 2016		31 December 2015	
	Amount *RMB'000*	**100%**	*RMB'000*	Amount 100%
Aircraft leasing	**3,824,060**	**4%**	2,937,474	4%
Infrastructure leasing	**56,835,099**	**63%**	48,179,242	57%
Ship, commercial vehicle and construction machinery leasing	**18,269,551**	**20%**	17,557,826	21%
Other leasing business	**11,931,407**	**13%**	15,234,073	18%
	90,860,117	**100%**	83,908,615	100%

49.2.6 Accounts receivable and other receivables

As at 31 December 2016 and 2015, the Group's accounts receivable and other receivables mainly consist of a large number of operating lease customers, other financial institutions and state-owned enterprises which spread across diverse industries and geographical areas, ongoing credit evaluation is performed on the financial condition of these receivables and allowance for impairment losses is provided when appropriate.

49.2.7 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.

49 Financial Risk Management (Continued)

49.2 Credit risk (Continued)

49.2.8 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 Group 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.

49.3 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).

49.3.1 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.

49.3.2 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 lease receivables 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. Other than aircraft and vessel leasing, the Group's remaining leasing businesses are denominated in RMB, which does not expose significant currency risk. The exchange rate risk exposure primarily arises from the profits of some of the Group's overseas SPCs, which are denominated in foreign currencies.

In 2016 and 2015, the Group designated certain currency 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 subsidiaries for 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 may enter into a new contract designated as a separate hedging relationship.

49 Financial Risk Management (Continued)

49.3 Market risk (Continued)

49.3.2 Currency risk (Continued)

The following table details the forward foreign currency contracts outstanding at the end of the reporting period:

Outstanding contracts	Average exchange rate		Contractual amount	
	2016	2015	**2016** **RMB'000**	2015 *RMB'000*
Net Investment hedge				
Sell USD				
3 to 12 months	**6.6348**	6.2241	**276,566**	2,013,016
Buy USD				
3 to 12 months	**6.6348**	6.2241	**–**	445,500
Total			**276,566**	2,458,516

Outstanding contracts	Nominal value		Fair value assets (liabilities)	
	2016 **USD'000**	2015 *USD'000*	**2016** **RMB'000**	2015 *RMB'000*
Net Investment hedge				
Sell USD				
3 to 12 months	**41,000**	310,000	**(16,424)**	(119,252)
Buy USD				
3 to 12 months	**–**	68,606	**–**	13,780
Total	**41,000**	378,606	**(16,424)**	(105,472)

49 Financial Risk Management (Continued)

49.3 Market risk (Continued)

49.3.3 Currency risk

The following tables detail a breakdown of the assets and liabilities analyzed by currency:

	RMB *RMB'000*	USD *RMB'000*	EUR *RMB'000*	Others *RMB'000*	Total *RMB'000*
31 December 2015					
Cash and bank balances	110,037	929,209	28,867	152	1,068,265
Accounts receivable	–	4,712	–	–	4,712
Finance lease receivables	–	1,171,687	–	–	1,171,687
Total financial assets	110,037	2,105,608	28,867	152	2,244,664
Bank borrowings	–	19,314,549	–	–	19,314,549
Derivative financial liabilities	–	18,459	–	–	18,459
Other financial liabilities	–	60,944	–	–	60,944
Total financial liabilities	–	19,393,952	–	–	19,393,952
Net exposure	110,037	(17,288,344)	28,867	152	(17,149,288)

	RMB ***RMB'000***	**USD** ***RMB'000***	**EUR** ***RMB'000***	**Others** ***RMB'000***	**Total** ***RMB'000***
31 December 2016					
Cash and bank balances	**132,882**	**3,249,360**	**29,982**	**39,019**	**3,451,243**
Finance lease receivables	**–**	**381,398**	**–**	**–**	**381,398**
Other financial assets	**53**	**–**	**–**	**27**	**80**
Total financial assets	**132,935**	**3,630,758**	**29,982**	**39,046**	**3,832,721**
Bank borrowings	**–**	**27,017,580**	**–**	**–**	**27,017,580**
Derivative financial liabilities	**–**	**294,776**	**–**	**–**	**294,776**
Other financial liabilities	**146,820**	**58,261**	**–**	**–**	**205,081**
Total financial liabilities	**146,820**	**27,370,617**	**–**	**–**	**27,517,437**
Net exposure	**(13,885)**	**(23,739,859)**	**29,982**	**39,046**	**(23,684,716)**

49 Financial Risk Management (Continued)

49.3 Market risk (Continued)

49.3.3 Currency risk (Continued)

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.

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Profit before tax:		
5% appreciation	**152,871**	68,080
5% depreciation	**(152,871)**	(68,080)
Equity:		
5% appreciation	**296,006**	73,820
5% depreciation	**(296,006)**	(73,820)

49.3.4 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.

49 Financial Risk Management (Continued)

49.3 Market risk (Continued)

49.3.4 Interest rate risk (Continued)

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 as at 31 December, 2016 and 2015.

Outstanding receive floating pay fixed contracts	Nominal principal value		Fair value assets/(liabilities)	
	31 December		31 December	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash Flow Hedges:				
Later than one year and not later than two years	**1,581,861**	887,812	**(29,883)**	1,118
Later than two years and not later than five years	**5,404,599**	4,259,495	**(100,651)**	(183,192)
Later than five years	**4,357,073**	8,111,752	**(42,655)**	(146,314)
	11,343,533	13,259,059	**(173,189)**	(328,388)

49 Financial Risk Management (Continued)

49.3 Market risk (Continued)

49.3.4 Interest rate risk (Continued)

As at 31 December 2016 and 2015, the Group'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:

	Within 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Non-interest bearing *RMB'000*	Total *RMB'000*
31 December 2015						
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 lease receivables	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
Total financial assets	37,453,182	60,632,884	499,516	2,384,330	3,315,626	104,285,538
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
Total financial liabilities	68,629,988	33,169,770	15,077,414	11,448,597	11,523,242	139,849,011
Interest rate gap	(31,176,806)	27,463,114	(14,577,898)	(9,064,267)	(8,207,616)	(35,563,473)

49 Financial Risk Management (Continued)

49.3 Market risk (Continued)

49.3.4 Interest rate risk (Continued)

	Within 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
31 December 2016						
Cash and bank balances	9,208,723	-	22,635	105,000	56	9,336,414
Placement to banks and other financial institutions	1,100,000	-	-	-	-	1,100,000
Financial assets at fair value through profit and loss	-	-	-	-	2,133,717	2,133,717
Derivative financial assets	-	-	-	-	9,697	9,697
Accounts receivable	6,498,998	-	-	-	342,779	6,841,777
Finance lease receivables	23,851,391	61,968,519	643,451	2,000,689	-	88,464,050
Available-for-sale financial assets	-	-	-	152,148	122,440	274,588
Other financial assets	-	-	-	-	262,259	262,259
Total financial assets	40,659,112	61,968,519	666,086	2,257,837	2,870,948	108,422,502
Bank borrowings	75,613,018	28,373,923	1,542,591	668,635	-	106,198,167
Due to banks and other financial institutions	4,000,000	-	-	-	-	4,000,000
Financial assets sold under repurchase agreement	-	626,000	2,510,000	-	-	3,136,000
Derivative financial liabilities	-	-	-	-	199,310	199,310
Notes payable	-	3,461,857	5,730,382	8,601,647	-	17,793,886
Other financial liabilities	22,120	61,343	352,323	769,738	10,785,037	11,990,561
Total financial liabilities	79,635,138	32,523,123	10,135,296	10,040,020	10,984,347	143,317,924
Interest rate gap	(38,976,026)	29,445,396	(9,469,210)	(7,782,183)	(8,113,399)	(34,895,422)

49 Financial Risk Management (Continued)

49.3 Market risk (Continued)

49.3.4 Interest rate risk (Continued)

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 profit before tax and equity, based on the Group's positions of interest-generating assets, interest-bearing liabilities and interest rate swap contracts as at 31 December 2016 and 2015.

	As at 31 December 2016	As at 31 December 2015
	RMB'000	*RMB'000*
Profit before tax:		
+ 100 basis points	**(230,620)**	(169,810)
– 100 basis points	**230,620**	169,810
Equity		
+ 100 basis points	**(55,044)**	5,233
– 100 basis points	**55,044**	(5,233)

49.4 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.

49.4.1 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.

49 Financial Risk Management (Continued)

49.4 Liquidity risk (Continued)

49.4.2 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 as at of 31 December, 2016 and 2015. 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:

	Indefinite/ Overdue/ On demand *RMB'000*	Within 1 month *RMB'000*	1 to 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
31 December 2015							
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 lease receivables	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	8,237,613	2,391,914	4,680,979	21,030,857	58,722,986	32,777,309	127,841,658
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	60,340	17,744,969	17,107,371	53,897,570	36,636,455	22,919,177	148,365,882
Net position (exposure)	8,177,273	(15,353,055)	(12,426,392)	(32,866,713)	22,086,531	9,858,132	(20,524,224)

49 Financial Risk Management (Continued)

49.4 Liquidity risk (Continued)

49.4.2 Cash flow for non-derivative financial assets and liabilities (Continued)

	Indefinite/ Overdue/ On demand *RMB'000*	Within 1 month *RMB'000*	1 to 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
31 December 2016							
Cash and bank balances	8,342,780	900,989	-	-	22,715	105,368	9,371,852
Placement to banks and other financial institutions	-	1,100,495	-	-	-	-	1,100,495
Financial assets at fair value through profit and loss	2,133,717	-	-	-	-	-	2,133,717
Accounts receivable	12,132	-	410,688	795,123	4,875,842	2,874,820	8,968,605
Finance lease receivables	1,106,828	727,055	4,306,851	15,165,800	58,610,867	34,618,723	114,536,124
Available-for-sale financial assets	122,440	-	-	6,081	30,405	173,984	332,910
Other financial assets	-	6,839	-	23,375	232,045	-	262,259
Non-derivative financial assets total	11,717,897	2,735,378	4,717,539	15,990,379	63,771,874	37,772,895	136,705,962
Bank borrowings	-	8,514,013	33,606,646	38,506,355	18,653,201	12,585,673	111,865,888
Due to banks and other financial institutions	-	-	4,035,507	-	-	-	4,035,507
Financial assets sold under repurchase agreement	-	-	-	679,256	2,807,078	-	3,486,334
Notes payable	-	-	-	4,027,805	6,400,657	10,291,363	20,719,825
Other financial liabilities	600,782	9,393	1,531,981	1,143,217	3,004,461	6,336,475	12,626,309
Non-derivative financial liabilities total	600,782	8,523,406	39,174,134	44,356,633	30,865,397	29,213,511	152,733,863
Net position (exposure)	11,117,115	(5,788,028)	(34,456,595)	(28,366,254)	32,906,477	8,559,384	(16,027,901)

49.4.3 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 as at 31 December, 2016 and 2015 for exchange rate as well.

49 Financial Risk Management (Continued)

49.4 Liquidity risk (Continued)

49.4.3 Cash flow analysis for derivative financial instruments (Continued)

49.4.3.1 Derivative settled on a gross basis

	Within 1 months *RMB'000*	1 to 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
31 December 2015						
Currency forwards						
Total inflows	–	–	2,402,832	–	–	2,402,832
Total outflows	–	–	(2,458,516)	–	–	(2,458,516)
Total	–	–	(55,684)	–	–	(55,684)

	Within 1 months ***RMB'000***	**1 to 3 months** ***RMB'000***	**3 months to 1 year** ***RMB'000***	**1 to 5 years** ***RMB'000***	**Over 5 years** ***RMB'000***	**Total** ***RMB'000***
31 December 2016						
Currency forwards						
Total inflows	**–**	**–**	**276,566**	**–**	**–**	**276,566**
Total outflows	**–**	**–**	**(284,417)**	**–**	**–**	**(284,417)**
Total	**–**	**–**	**(7,851)**	**–**	**–**	**(7,851)**

49 Financial Risk Management (Continued)

49.4 Liquidity risk (Continued)

49.4.3 Cash flow analysis for derivative financial instruments (Continued)

49.4.3.2 Derivative settled on a net basis

	Within 1 months *RMB'000*	1 to 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
31 December 2015						
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	(16,269)	(44,968)	(133,104)	(154,984)	11,981	(337,344)

	Within 1 months ***RMB'000***	**1 to 3 months** ***RMB'000***	**3 months to 1 year** ***RMB'000***	**1 to 5 years** ***RMB'000***	**Over 5 years** ***RMB'000***	**Total** ***RMB'000***
31 December 2016						
Interest rate swap						
Derivative financial assets.	**–**	**23,050**	**618,734**	**205,427**	**132,905**	**980,116**
Derivative financial liabilities	**(2,316)**	**(40,530)**	**(687,825)**	**(267,103)**	**(124,054)**	**(1,121,828)**
Total	**(2,316)**	**(17,480)**	**(69,091)**	**(61,676)**	**8,851**	**(141,712)**

50 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 2016, the capital adequacy ratio is 14.03% (31 December 2015: 10.23%).

51 Fair Value of the Financial Instruments

51.1 Determination of fair value and valuation techniques

Some of the Group's financial assets and liabilities are measured at fair value or with fair value disclosed for financial reporting purposes. The Board of Directors of the Company has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the Board of Directors periodically.

The fair value of financial instruments with quoted prices for identical instruments is determined by the open market quotations. And those instruments are classified as level 1 which include available-for-sale financial assets – Bonds investment in active markets and as level 2, which include notes payable, financial assets at fair value through profit and loss, foreign currency forward contracts and interest rate swaps.

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

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 lease receivables, 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 lease receivables, 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, those instruments are classified as level 3.

51 Fair Value of the Financial Instruments (Continued)

51.2 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 2016 ***RMB'000***	As at 31 December 2015 *RMB'000*	**As at 31 December 2016** ***RMB'000***	As at 31 December 2015 *RMB'000*
Notes payable	**17,793,886**	13,834,811	**17,806,832**	13,903,158

Fair value hierarchy of note payable is Level 2 and its fair value 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'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.

51.3 Financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value as at 31 December, 2016 and 2015. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

The following table presents the Group's financial assets and liabilities that are measured at fair value:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

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

51 Fair Value of the Financial Instruments (Continued)

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

Financial assets/Financial liabilities	Fair value as at				Fair value hierarchy	Valuation technique(s) and key input(s)
		As at 31 December 2016 ***RMB'000***		As at 31 December 2015 *RMB'000*		
1) Available-for-sale financial assets – Bonds investment *(note 21)*	**Assets–**	**152,148**	Assets–	–	Level 1	open market quotations
2) Financial assets at fair value through profit and loss *(note 16)*	**Assets–**	**2,133,717**	Assets–	1,558,638	Level 2	Based on the net asset values of the asset management schemes, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.
3) Foreign currency forward contracts *(note 17)*	**Assets–** **Liabilities–**	**–** **(16,424)**	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 contractual forward rates, discounted at a rate that reflects the credit risk of various counterparties.
4) Interest rate swaps *(note 17)*	**Assets–** **Liabilities–**	**9,697** **(182,886)**	Assets– Liabilities–	1,991 (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 contractual interest rates, discounted at a rate that reflects the credit risk of various counterparties.

52 Balance Sheet and Reserve Movement of the Company

	Note	**As at 31 December 2016 *RMB'000***	As at 31 December 2015 *RMB'000*
ASSETS			
Cash and bank balances		**4,732,325**	3,931,393
Placement to banks and other financial institutions		**1,100,000**	1,100,000
Financial assets at fair value through profit or loss		**2,133,717**	1,558,638
Accounts receivable		**6,699,136**	12,241,968
Finance lease receivables		**78,508,810**	73,587,021
Prepayments		**6,080,385**	5,793,349
Available-for-sale financial assets		**274,588**	122,440
Amounts due from subsidiaries		**15,149,058**	8,724,107
Investments in subsidiaries		**48,227**	40,727
Investment properties		**356,588**	376,206
Property and equipment		**910,837**	961,003
Deferred tax assets		**396,087**	578,958
Other assets		**1,283,453**	1,429,349
Total assets		**117,673,211**	110,445,159
Liabilities			
Borrowings		**80,502,781**	78,143,650
Due to banks and other financial institutions		**4,000,000**	4,900,000
Financial assets sold under repurchase agreements		**3,136,000**	5,922,300
Derivative financial liabilities		**10,359**	18,459
Accrued staff costs		**72,747**	32,707
Tax payable		**–**	172,564
Notes payable		**2,991,159**	–
Other payables		**8,382,764**	9,316,046
Total liabilities		**99,095,810**	98,505,726
Equity			
Share capital		**12,642,380**	9,500,000
Capital reserve		**2,418,689**	274,786
Hedging and available-for-sale revaluation reserve		**17,185**	14,236
General reserves		**2,626,548**	2,123,761
Retained profits		**872,599**	26,650
Total equity		**18,577,401**	11,939,433
Total liabilities and equity		**117,673,211**	110,445,159

The balance sheet of the Company was approved by the Board of Directors on 29 March, 2017 and was signed on its behalf:

WANG Xuedong Director	FAN Xun Director

52 Balance Sheet and Reserve Movement of the Company (Continued)

	Capital reserve *RMB'000*	Hedging and available-for-sale revaluation reserve *RMB'000*	General reserve *RMB'000*	Retained profit *RMB'000*
At 1 January 2015	24,516	8,142	2,522,887	1,497,982
Profit for the year	–	–	–	29,611
Other comprehensive income for the year	–	6,094	–	–
Dividends recognised as distribution	–	–	–	(149,798)
Conversion of paid-in capital and capital reserve	250,270	–	(402,087)	(1,348,184)
Appropriation to general reserves	–	–	2,961	(2,961)
At 31 December 2015	274,786	14,236	2,123,761	26,650
At 1 January 2016	**274,786**	**14,236**	**2,123,761**	**26,650**
Profit for the year	**–**	**–**	**–**	**1,348,736**
Other comprehensive income for the year	**–**	**2,949**	**–**	**–**
Issued ordinary shares	**2,143,903**	**–**	**–**	**–**
Appropriation to general reserves	**–**	**–**	**502,787**	**(502,787)**
At 31 December 2016	**2,418,689**	**17,185**	**2,626,548**	**872,599**

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