THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other appropriate independent adviser.

If you have sold or transferred all your shares in China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), you should at once hand this circular, the proxy form and the reply slip to the purchaser or the transferee or to the bank or stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

VERY SUBSTANTIAL ACQUISITIONS IN RELATION TO THE PURCHASE OF 60 BOEING AIRCRAFT AND THE PURCHASE OF 45 AIRBUS AIRCRAFT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

The EGM will be held at 2:00 p.m. on Wednesday, 8 November 2017 at the No. 7 Meeting Room, 52/F, New World Center, No. 6009 Yitian Road, Futian District, Shenzhen, Guangdong Province, the PRC.

A proxy form for use at the EGM is enclosed and is also published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.cdb-leasing.com). If you intend to appoint a proxy to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon not less than 24 hours (2:00 p.m. on Tuesday, 7 November 2017) before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending the EGM and voting in person if you so wish. Shareholders who intend to attend the EGM in person or by proxy should complete and return the reply slip in accordance with the instructions printed thereon on or before Thursday, 19 October 2017.

17 October 2017

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

CONTENTS

In this circular, the following expressions shall (unless the context otherwise requires) have the following meanings:

"Airbus"	Airbus S.A.S., a "Société par Actions Simplifiée", incorporated under the laws of France
"Airbus Acquisition"	the acquisition by the Company and CDBALF of 45 aircraft from Airbus
"Airbus Aircraft"	45 Airbus aircraft from Airbus, consisting of (i) 30 Airbus A320neo series aircraft and (ii) 15 Airbus A321neo series aircraft
"Airbus Aircraft Purchase Agreement"	the aircraft purchase agreement entered into among the Company, CDBALF and Airbus on 22 September 2017 with respect to the acquisition by the Company and CDBALF of the Airbus Aircraft
"Aircraft Acquisitions"	the Boeing Acquisition and Airbus Acquisition
"Announcement"	the announcement of the Company dated 22 September 2017 in relation to the purchase of Boeing Aircraft and Airbus Aircraft
"Board"	the board of directors of the Company
"Boeing"	the Boeing Company, a company incorporated in the State of Delaware of the United States of America
"Boeing Acquisition"	the acquisition by the Company and CDBALF of 60 aircraft from Boeing
"Boeing Aircraft"	60 Boeing aircraft from Boeing, consisting of (i) 42 Boeing 737 MAX 8 aircraft, (ii) 10 Boeing 737 MAX 10 aircraft, and (iii) 8 Boeing 787-9 aircraft
"Boeing Aircraft Purchase Agreements"	the aircraft purchase agreements entered into among the Company, CDBALF and Boeing on 22 September 2017 with respect to the acquisition by the Company and CDBALF of the Boeing Aircraft
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CDBALF"	CDB Aviation Lease Finance DAC, a company incorporated in Ireland and a wholly-owned subsidiary of the Company

"Company"	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 28 September 2015, the H Shares of which are listed on the Stock Exchange with stock code of 1606
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Directors"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at 2:00 p.m. on Wednesday, 8 November 2017 at No. 7 Meeting Room, 52/F, New World Center, No. 6009 Yitian Road, Futian District, Shenzhen, Guangdong Province, the PRC, to consider and approve each of the Aircraft Acquisitions
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Last Practicable Date"	12 October 2017, being the last practicable date prior to the printing of this circular for ascertaining certain information in the circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China, for the purpose of this circular and for geographical reference only and except where the context requires, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 24 June 2016
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including H share(s) and domestic share(s)
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

In this circular, certain amounts denominated in US$ are translated into HK$ at the exchange rate shown below, but such conversions shall not be construed as representations that amounts in US$ were or may have been converted into HK$ at such rate or any other exchange rates or at all: US$1 = HK$7.8061.

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)

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

Registered Office:
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

17 October 2017

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITIONS
IN RELATION TO
THE PURCHASE OF 60 BOEING AIRCRAFT AND
THE PURCHASE OF 45 AIRBUS AIRCRAFT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the voluntary announcements of the Company dated 19 June 2017 and 20 June 2017, respectively, in relation to the Company's proposed acquisitions of the Boeing Aircraft and Airbus Aircraft, as well as the Announcement.

According to the Announcement, on 22 September 2017, the Company, together with its wholly-owned subsidiary CDBALF, entered into the Boeing Aircraft Purchase Agreements with Boeing to purchase the Boeing Aircraft, and the Airbus Aircraft Purchase Agreement with Airbus to purchase the Airbus Aircraft.

The purpose of this circular is to provide the Shareholders with (i) further details in relation to each of the Aircraft Acquisitions; and (ii) the notice of the EGM.

THE AIRCRAFT PURCHASE AGREEMENTS

(A) Boeing Aircraft Purchase Agreements

Date

22 September 2017

Parties

(1) the Company and CDBALF, as purchasers; and

(2) Boeing, as vendor.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Boeing and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Aircraft to be acquired

(i) 42 Boeing 737 MAX 8 aircraft

(ii) 10 Boeing 737 MAX 10 aircraft

(iii) 8 Boeing 787-9 aircraft

Out of the total 60 Boeing aircraft, six 737 MAX 10 aircraft orders are converted from the Company's previous order for six 737 MAX 8 aircraft.

Consideration

The aggregate list price of the Boeing Aircraft (which comprises the airframe price, optional features price and engine price) is approximately US$7.4 billion (equivalent to approximately HK$57.77 billion).

In accordance with customary business and industry practice, Boeing granted the Company and CDBALF significant price concessions with regard to the Boeing Aircraft to be purchased. Such price concessions were determined after arm's length negotiations among the Company, CDBALF and Boeing. As a result, the actual purchase price of the Boeing Aircraft is lower than the list price mentioned above for such aircraft. The Directors confirm that the price concessions granted by Boeing to the Company and CDBALF under the Boeing Aircraft Purchase Agreements are not less favorable to the Company and CDBALF than those price concessions obtained in the previous purchases of new aircraft from Boeing. The Company believes that there is no material adverse impact of the price concessions obtained under the Boeing Aircraft Purchase Agreements on the Company's future operating costs.

Both the Company and CDBALF are subject to confidentiality obligations under which the terms of the Boeing Aircraft Purchase Agreements generally cannot be disclosed to any third party without the written consent of Boeing. For the purpose of the disclosure obligations of the Company normally required under Chapter 14 of the Listing Rules, the Company has obtained such consent save for the consideration of the aircraft.

It is normal business practice in the global aviation industry for the aircraft list price, instead of the actual purchase price, to be disclosed for the acquisition of new aircraft. The adjustments to aircraft list prices granted by the respective manufacturers to aircraft purchasers are highly commercially sensitive and are determined based on numerous variables, including market conditions, and after arm's length negotiations between the aircraft purchasers and the manufacturers. Therefore, any disclosure of the actual purchase price of the Boeing Aircraft will result in a breach of the Company's confidentiality obligation and will expose the Company to material litigation risk and irreparable reputational damage, meanwhile it could result in the loss of the significant price concessions to be granted by Boeing to the Group for the Boeing Acquisition and future purchases. It is also likely that the Company would not be able to enter into similar future transactions with Boeing should the Company breach its confidentiality obligation by disclosing the actual purchase price of the Boeing Aircraft.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.58(4) and Rule 14.69(2) of the Listing Rules in respect of the disclosure of the actual purchase price of the Boeing Aircraft.

Payment and delivery terms

The Boeing Aircraft are scheduled to be delivered from 2019 to 2024.

The consideration for each of the Boeing Aircraft will be paid according to the Boeing Aircraft Purchase Agreements, with advance payments to be paid before delivery of each of the Boeing Aircraft, in line with the relevant advance payments schedule, and the balance, being a substantial portion of the consideration, to be paid upon delivery of each of the Boeing Aircraft.

Source of funding

The consideration for the Boeing Aircraft will be funded through a mix of sources which may include interbank borrowing, the issue of bonds, commercial bank loans, pre-delivery payment financing, other debt and equity financing and the Group's working capital.

Financial effects of the Boeing Acquisition

The Boeing Acquisition will increase the Group's fixed assets and liabilities. However, the Company does not expect the Boeing Acquisition to have a material adverse impact on the Group's cash flow position or its business operations. Save as disclosed above, the Boeing Acquisition is not expected to result in a material impact on the earnings, assets and liabilities of the Group.

Conditions Precedent

Completion of the Boeing Aircraft Purchase Agreements is conditional upon, among other things, the approval of the Boeing Aircraft Purchase Agreements and the Boeing Acquisition contemplated hereunder by the Shareholders.

Long stop date

The long stop date for the Boeing Aircraft Purchase Agreements is 1 December 2017.

Reasons for and benefits of entering into the Boeing Aircraft Purchase Agreements

The Directors are of the view that the execution of the Boeing Aircraft Purchase Agreements is beneficial for the Company, allowing it to increase its fleet of modern, fuel efficient and in-demand aircraft. The Boeing Acquisition is consistent with the Company's business development strategy.

The Directors consider that the terms of the Boeing Aircraft Purchase Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

(B) Airbus Aircraft Purchase Agreement

Date

22 September 2017

Parties

(1) the Company and CDBALF, as purchasers; and

(2) Airbus, as vendor.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Airbus and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Aircraft to be acquired

(i) 30 Airbus A320neo aircraft

(ii) 15 Airbus A321neo aircraft

Consideration

The aggregate list price for the Airbus Aircraft (which comprises the airframe price, optional features price and engine price) is approximately US$5.2 billion (equivalent to approximately HK$40.59 billion).

In accordance with customary business and industry practice, Airbus granted the Company and CDBALF significant price concessions with regard to the Airbus Aircraft to be purchased. Such price concessions were determined after arm's length negotiations among the Company, CDBALF and Airbus. As a result, the actual purchase price of the Airbus Aircraft is lower than the list price mentioned above for such aircraft. The Directors confirm that the price concessions granted by Airbus to the Company and CDBALF under the Airbus Aircraft Purchase Agreement are not less favorable to the Company and CDBALF than those price concessions obtained in the previous purchases of new aircraft from Airbus. The Company believes that there is no material adverse impact of the price concessions obtained under the Airbus Aircraft Purchase Agreement on the Company's future operating costs.

Both the Company and CDBALF are subject to confidentiality obligations under which the terms of the Airbus Aircraft Purchase Agreement generally cannot be disclosed to any third party without the written consent of Airbus. For the purpose of the disclosure obligations of the Company normally required under Chapter 14 of the Listing Rules, the Company has obtained such consent save for the consideration of the aircraft.

It is normal business practice in the global aviation industry for the aircraft list price, instead of the actual purchase price, to be disclosed for the acquisition of new aircraft. The adjustments to aircraft list prices granted by the respective manufacturers to aircraft purchasers are highly commercially sensitive and are determined based on numerous variables, including market conditions, and after arm's length negotiations between the aircraft purchasers and the manufacturers. Therefore, any disclosure of the actual purchase price of the Airbus Aircraft will result in a breach of the Company's confidentiality obligation and will expose the Company to material litigation risk and irreparable reputational damage, meanwhile it could result in the loss of the significant price concessions to be granted by Airbus to the Group for the Airbus Acquisition and future purchases. It is also likely that the Company would not be able to enter into similar future transactions with Airbus should the Company breach its confidentiality obligation by disclosing the actual purchase price of the Airbus Aircraft.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.58(4) and Rule 14.69(2) of the Listing Rules in respect of the disclosure of the actual purchase price of the Airbus Aircraft.

Payment and delivery terms

The Airbus Aircraft are scheduled to be delivered from 2022 to 2024.

The consideration for each of the Airbus Aircraft will be paid according to the Airbus Aircraft Purchase Agreement, with advance payments to be paid before delivery of each of the Airbus Aircraft, in line with the relevant advance payments schedule, and the balance, being a substantial portion of the consideration, to be paid upon delivery of each of the Airbus Aircraft.

Source of funding

The consideration for the Airbus Aircraft will be funded through a mix of sources which may include interbank borrowing, the issue of bonds, commercial bank loans, pre-delivery payment financing, other debt and equity financing and the Group's working capital.

Financial effects of the Airbus Acquisition

The Airbus Acquisition will increase the Group's fixed assets and liabilities. However, the Company does not expect the Airbus Acquisition to have a material adverse impact on the Group's cash flow position or its business operations. Save as disclosed above, the Airbus Acquisition is not expected to result in a material impact on the earnings, assets and liabilities of the Group.

Conditions Precedent

Completion of the Airbus Aircraft Purchase Agreement is conditional upon, among other things, the approval of the Airbus Aircraft Purchase Agreement and the Airbus Acquisition contemplated hereunder by the Shareholders.

Long stop date

The long stop date for the Airbus Aircraft Purchase Agreement is 16 November 2017.

Reasons for and benefits of entering into the Airbus Aircraft Purchase Agreement

The Directors are of the view that the execution of the Airbus Aircraft Purchase Agreement is beneficial for the Company, allowing it to increase its fleet of modern, fuel efficient and in-demand aircraft. The Airbus Acquisition is consistent with the Company's business development strategy.

The Directors consider that the terms of the Airbus Aircraft Purchase Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

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

To the knowledge of the Directors, both Boeing and Airbus are principally engaged in the business of aircraft manufacturing and selling aircraft.

IMPLICATIONS OF THE LISTING RULES

As the highest applicable percentage ratios for each of the Boeing Acquisition and Airbus Acquisition exceed 100%, each of the Aircraft Acquisitions constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements as required under Chapter 14 of the Listing Rules.

So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting at the EGM for approving the Aircraft Acquisitions.

EGM

A notice of the EGM to be held at 2:00 p.m. on Wednesday, 8 November 2017 at the No. 7 Meeting Room, 52/F, New World Center, No. 6009 Yitian Road, Futian District, Shenzhen, Guangdong Province, the PRC has been published on 22 September 2017 and is also set out in this circular.

For determining the entitlement of the Shareholders to attend the EGM, the register of members for H Shares will be closed from Tuesday, 10 October 2017 to Wednesday, 8 November 2017 (both days inclusive). Shareholders whose names appear on the register of members of the Company on Wednesday, 8 November 2017 are entitled to attend and vote at the EGM. Holders of H Shares who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 9 October 2017.

PROCEDURES FOR VOTING AT THE EGM

According to Rule 13.39(4) of the Listing Rules, the votes of Shareholders at the EGM will be taken by poll.

RECOMMENDATION

The Directors are of the view that the proposals as set out in the notice of the EGM to be considered and approved by the Shareholders are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favor of the resolutions to be proposed at the EGM.

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.
WANG Xuedong
Chairman

1. FINANCIAL INFORMATION OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016

Financial information of the Group for the two financial years ended 31 December 2014 and 2015 is disclosed in pages I-1 to I-85 (Appendix I) of the Prospectus, and the financial information of the Group for the financial year ended 31 December 2016 is disclosed in pages 117 to 220 of the 2016 annual report of the Company, both published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.cdb-leasing.com).

2. STATEMENT OF INDEBTEDNESS

As of 31 August 2017, which is the latest practicable date for the purpose of determining the amount of indebtedness, the Company had outstanding interest-bearing balance of bank borrowings and long-term borrowings in the total amount of RMB136.02 billion.

As of 31 August 2017, the bank borrowings are secured by (a) in addition to other legal charges, all of the aircraft leased to airline companies by the Company under either finance leases or operating leases; (b) pledge of the shares in the special established vehicles of the Company owning the related aircraft; (c) guarantees from certain members of the Group; and (d) pledge of deposits amounting to RMB593.74 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 31 August 2017, being the latest practicable date for determining indebtedness, the Company did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments or guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the presently available banking facilities and the internally generated resources of the Group, the Group has sufficient working capital for its requirements within the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

Financial status

The major business segments of the Group include Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business.

For the six months ended 30 June 2017, the total lease financing to lessees amounted to RMB20.066 billion, and the lease financing to lessees in Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business were RMB5.338 billion, RMB8.046 billion, RMB6.220 billion and RMB0.462 billion, respectively.

As at 30 June 2017, total assets of the Group amounted to RMB172,829.9 million, representing an increase of 3.8% as compared with RMB166,512.1 million as at the end of last year.

For the six months ended 30 June 2017, total revenue of the Group amounted to RMB5,777.8 million, representing an increase of 8.6% as compared with RMB5,320.1 million for the same period of last year.

For the six months ended 30 June 2017, total expenses of the Group amounted to RMB4,293.5 million, representing an increase of 2.1% as compared with RMB4,206.9 million for the same period of last year.

Prospects

In the second half of 2017, the Group will expand its business in a steady pace and enhance its level of professional development. Based on the positioning of our business, the Company will take the initiative to focus on certain industrial departments and major clients, follow policy direction and make efforts to enlarge the scope and extent of the assessment and work involvement of project development. Through effective risk management and control and strict defense of the risk bottom line, the Company comprehensively pushes forward the establishment of risk management system in every aspect of business development, assessment, internal control and compliance. The Group will optimize the balance of assets and liabilities, and thoroughly promote cost reduction and efficiency improvement, primarily to enhance the revenue level, expand the revenue source and financing channels, as well as continue to reasonably reduce unnecessary expenses and costs. In addition, the Group will strengthen its infrastructure so as to enhance the capability and the level of operating management.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited accounts of the Company have been made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the results of the Group for each of the years ended 31 December 2014, 2015 and 2016. The information is extracted from the Prospectus or 2016 annual report of the Company.

The management discussion and analysis for each period should be read in conjunction with the financial information of the Group included in the Prospectus and 2016 annual report of the Company.

A. Management discussion and analysis of the Group for the year ended 31 December 2016

Business Development

The Group is dedicated to providing comprehensive leasing services to high-quality customers in industries, including aviation, infrastructure, shipping, commercial vehicle and construction machinery. 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 Group's revenue is generated primarily 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 the total revenue of RMB10,640.9 million in 2015, due primarily to an increase in operating lease income, which was partially offset by a decrease in finance lease income. Its total revenue and other income in 2016 amounted to RMB11,440.8 million, representing an increase of RMB459.5 million, or 4.2% as compared with the total revenue and other income of RMB10,981.3 million in 2015.

In 2016, we recorded positive cash flows from operating activities.

The major business segments of the Group include Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business. In 2016, the Group's segment revenue and other income for Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business were RMB5,896.5 million, RMB3,535.2 million, RMB1,116.3 million and RMB892.8 million, respectively (2015: RMB4,916.6 million, RMB3,520.2 million, RMB1,211.7 million and RMB1,332.8 million, respectively).

Liquidity and financial resources

The Group's total assets, mainly consisting of account receivable, finance lease receivables, prepayments and property and equipment, amounted to RMB166,512.1 million as at 31 December 2016, representing an increase of RMB10,817.0 million, or 6.9% as compared with that as at 31 December 2015, due primarily to further expansion of the Group's business size, which was partially offset by sale of non-performing asset portfolios.

The Group's total liabilities amounted to RMB144,210.5 million as at 31 December 2016, representing an increase of RMB3,508.3 million, or 2.5% as compared with that as at 31 December 2015, 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.

In 2016, the major financing sources of the Group included bank borrowings, issuance of notes, interbank lending and sales under repurchase agreements. As at 31 December 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 (31 December 2015: RMB102,494.5 million, RMB13,834.8 million, RMB4,900.0 million and RMB5,922.3 million, respectively).

The maturity analysis of the Group's bank borrowings in 2015 and 2016 is as follows:

	2016	**2015**
	RMB in millions	*RMB in millions*
Within 1 year	79,422.0	75,253.7
Between 1 and 2 years	7,830.8	9,440.2
Between 2 and 5 years	8,097.3	11,754.5
Over 5 years	10,848.1	6,046.1
Total	106,198.2	102,494.5

As at 31 December 2016, the Group's Shareholders' equity was RMB22,301.6 million, representing an increase of RMB7,308.7 million, or 48.7%, from RMB14,992.9 million as at 31 December 2015.

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 in 2015, due primarily to the decrease in accumulated borrowings throughout the year. For the same year, 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 in 2015, due primarily to the decrease in the amount of asset management plan invested by the Group. 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 in 2015, due primarily to funding through issue of new Shares from the successful listing of the Company in Hong Kong, and issue of RMB3.0 billion RMB financial bond in 2016.

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

	As at 31 December	
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	1,654.7	2,203.7
Non-performing asset ratio	0.98%	1.39%

The 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.

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 at 31 December 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.

Interest rate risk

The risk of losses in the Group's overall income and economic value result 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.

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 at 31 December 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.

Capital and Asset Quality Management

In accordance with relevant regulations promulgated by the CBRC as well as applicable accounting standards, the Group monitors its capital by closely monitoring capital adequacy, leverage ratio and the utilization of regulatory capital, among other things. 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 following table sets forth certain regulatory indicators of the Group as at the dates indicated:

		As at 31 December	
	Regulatory Requirement	**2016**	**2015**
Capital adequacy indicators			
Core tier-one capital adequacy ratio	≥6.7%	13.42%	9.54%
Tier-one capital adequacy ratio	≥7.7%	13.42%	9.54%
Capital adequacy ratio	≥9.7%	14.03%	10.23%
Asset quality indicator			
Allowance to non-performing finance lease related assets	≥150%	164.28%	150.47%

Gearing Ratio

As of 31 December 2016, the gearing ratio of the Company was 5.44x. The gearing ratio is calculated by dividing net debt by total equity. Net debt is defined as total debt less cash and cash equivalents. Total debt comprises borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements and notes payable.

Capital Commitments

The following table sets forth the Group's commitment contracted for as at 31 December 2015 and 2016, but not yet incurred by it:

	As at 31 December	
	2016	**2015**
	RMB in millions	*RMB in millions*
Acquisition of equipment held for operating lease businesses	38,552.4	39,993.9
Acquisition of property and equipment held for administrative purposes	534.3	602.8
Total	39,086.7	40,596.7

The commitments of acquisitions of equipment held for operating lease businesses are expected to be financed by one of or mix of commercial bank loans, debt and working capital. The commitments of acquisition of property and equipment held for administrative purposes are expected to be financed by one of or mix of commercial bank loans, debt and working capital.

Material transactions

During the year ended and as at 31 December 2016, the Group had no material investments (31 December 2015: nil).

During the year ended and as at 31 December 2016, there were no material acquisitions, disposal of subsidiaries or associated companies (31 December 2015: nil).

Employees

As at 31 December 2016, the Company had a total of 230 employees (31 December 2015: 202 employees).

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 and closely connected the business objectives of the Group with the performance of employees, remuneration levels, as well as career development, in order 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.

The Group contributes on a regular basis to social pension insurance, health care insurance, housing funds and other social welfare contributions 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.

In 2016, the Group's staff costs amounted to RMB229.0 million, representing 2.0% of the Group's total revenue and other income (2015: RMB123.1 million, 1.1% of the Group's total revenue and other income).

Contingent liabilities

As at 31 December 2016, there were no significant legal proceedings outstanding against the Group (31 December 2015: nil). 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.

B. Management discussion and analysis of the Group for the year ended 31 December 2015

Business Development

The Group's revenue is generated primarily from finance lease income and operating lease income. In 2015, total revenue of the Group amounted to RMB10,640.9 million, representing a decrease of RMB684.0 million, or 6.0% as compared with the total revenue of RMB11,324.9 million in 2014, due primarily to a decrease in the finance lease income, partially offset by an increase in the operating lease income.

In 2015, we recorded positive cash flows from operating activities.

In 2015, the Group's segment revenue and other income for Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business were RMB4,916.6 million, RMB3,520.2 million, RMB1,211.7 million and RMB1,332.8 million, respectively (2014: RMB4,607.8 million, RMB4,087.4 million, RMB1,404.2 million and RMB1,565.7 million, respectively).

Liquidity and financial resources

The Group's total assets, mainly consisting of finance lease receivables, accounts receivable, property and equipment and prepayments, amounted to RMB155,695.1 million as at 31 December 2015, representing an increase of RMB15,329.2 million, or 10.9% as compared with that as at 31 December 2014, due primarily to the increase in finance lease business and the expansion of our aircraft fleet.

The Group's total liabilities amounted to RMB140,702.2 million as at 31 December 2015, representing an increase of RMB14,346.5 million, or 10.2% as compared with that as at 31 December 2014, due primarily to the increases in borrowings and due to banks and other financial institutions.

In 2015, the major financing sources of the Group included bank borrowings, issuance of notes, interbank lending and sales under repurchase agreements. As at 31 December 2015, the Group's borrowings, notes payable, due to banks and other financial institutions, and financial assets sold under repurchase agreements were RMB102,494.5 million, RMB13,834.8 million, RMB4,900.0 million and RMB5,922.3 million, respectively (31 December 2014: RMB93,460.3 million, RMB13,017.0 million, RMB3,500.0 million and RMB5,512.2 million, respectively).

The maturity analysis of the Group's bank borrowings in 2014 and 2015 is as follows:

	2015	**2014**
	RMB in millions	*RMB in millions*
Within 1 year	75,253.7	65,474.0
Between 1 and 2 years	9,440.2	7,628.7
Between 2 and 5 years	11,754.5	13,368.9
Over 5 years	6,046.1	6,988.7
Total	102,494.5	93,460.3

As at 31 December 2015, the Group's Shareholders' equity was RMB14,992.9 million, representing an increase of RMB982.7 million, or 7.0%, from RMB14,010.2 million as at 31 December 2014.

In 2015, net cash inflow from operating activities of the Group amounted to RMB11,841.9 million, as compared with net cash outflow from operating activities of RMB803.8 million in 2014, due primarily to an increase in borrowings because of the increase of new finance lease projects in 2015. For the same year, net cash outflow from investing activities of the Group amounted to RMB9,903.9 million, representing a decrease of 25.1% as compared with that in 2014, due primarily to purchases of property and equipment mainly related to the Group's acquisition of aircraft. Furthermore, in 2015, net cash outflow from financing activities of the Group amounted to RMB584.2 million, as compared with net cash inflow from financing activities of RMB3,613.4 million in 2014, due primarily to payment of notes interest.

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.

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

	As at 31 December	
RMB in millions, except percentages	**2015**	**2014**
Five-category		
Normal	151,208.9	134,476.3
Special mention	5,515.7	6,335.4
Substandard	1,423.7	829.9
Doubtful	779.4	722.0
Loss	0.6	0.6
Total assets before allowance for impairment losses	158,928.3	142,364.2
Non-performing assets	2,203.7	1,552.5
Non-performing asset ratio	1.39%	1.09%

Our non-performing asset ratio increased to 1.39% as at 31 December 2015 from 1.09% as at 31 December 2014, due primarily to the increase in non-performing assets in our manufacturing equipment leasing to textile and chemical industries in Other Leasing Business.

Foreign Exchange Risk

The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. Most aircraft held under finance and operating leases that the Group has purchased are denominated in US dollars; and the corresponding finance leases receivable and operating leases receivable are denominated in US dollars; and the main sources of fund are from bank borrowings and bond issuance denominated in US dollar or Renminbi, as well as paid-in capital which is denominated in Renminbi. Other than aircraft and vessel leasing, the Group's remaining leasing businesses are denominated in Renminbi, which does not expose significant currency risk.

According to the Group's exchange risk exposure arising from the profits of some of the Group's overseas SPCs, which are denominated in foreign currencies, the Group proactively manages the mismatch of assets and liabilities. As at 31 December 2015, the Group's existing nominal principal amount of US dollar to Renminbi non-deliverable forward contracts amounted to US$275.0 million. The Group trades foreign exchange spot and forward contracts to hedge the Group's exchange rate exposure.

Interest rate risk

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 the Group's operating lease business receives 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.

In terms of Renminbi, as at 31 December 2015, 92.1% of the Group's liabilities bear a fixed interest rate and 7.9% a floating rate, while almost all of the Group's assets bear a floating interest rate. As the result of the Group's effort to intentionally shorten the maturity profile of our Renminbi-denominated liabilities, the mismatch of interest rate is manageable because the duration of our Renminbi-denominated interest-generating assets and liabilities is very short. In terms of foreign currencies, the majority of the Group's US dollar-denominated leased assets bear a fixed lease rate and the majority of the Group's US dollar-denominated liabilities bear a floating rate, thus leading to a mismatch of interest rate between the Group's assets and liabilities; however, the Group performs hedging transactions by using interest rate swaps to control risk exposure. The mismatch of the duration profile is insignificant.

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, as well as lessees' withdrawal demands, and to seize new investment opportunities.

In order to manage liquidity risk, the Group proactively manages the maturity profile of the Group's assets and liabilities and maintaining appropriate liquidity provision for mitigating the liquidity risk, and obtains diversified funding via multiple channels, thereby preserving sufficient funds to purchase assets and repay debts.

Capital and Asset Quality 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.

The following table sets forth certain regulatory indicators of the Group as at the dates indicated:

	Regulatory Requirement	As at 31 December 2015	2014
Capital adequacy indicators			
Core tier-one capital adequacy ratio	≥6.3%	9.54%	10.03%
Tier-one capital adequacy ratio	≥7.3%	9.54%	10.03%
Capital adequacy ratio	≥9.3%	10.23%	10.34%
Asset quality indicator			
Allowance to non-performing finance lease related assets	≥150%	150.47%	127.48%

Gearing Ratio

As of 31 December 2015, the gearing ratio of the Company was 8.03x. The gearing ratio is calculated by dividing net debt by total equity. Net debt is defined as total debt less cash and cash equivalents. Total debt comprises borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements and notes payable.

Capital Commitments

The following table sets forth the Group's commitment contracted for as at 31 December 2014 and 2015, but not yet incurred by it:

	As at 31 December 2015	2014
	RMB in millions	*RMB in millions*
Acquisition of equipment held for operating lease businesses	39,993.9	43,835.1
Acquisition of property and equipment held for administrative purposes	602.8	746.8
Total	40,596.7	44,581.9

The commitments of acquisitions of equipment held for operating lease businesses are expected to be financed by one of or mix of commercial bank loans, debt and working capital. The commitments of acquisition of property and equipment held for administrative purposes are expected to be financed by one of or mix of commercial bank loans, debt and working capital.

Material transactions

During the year ended and as at 31 December 2015, the Group had no material investments (31 December 2014: nil).

During the year ended and as at 31 December 2015, there were no material acquisitions, disposal of subsidiaries or associated companies (31 December 2014: nil).

Employees

As at 31 December 2015, the Company had a total of 202 employees (31 December 2014: 174 employees).

The Group is committed to establishing a competitive and fair remuneration and benefits system. The Group adjusts remuneration and benefits of its employees based on the business performance and development of each segment, so that employees receive more competitive remuneration packages. The Group has formed a multi-tiered and flexible remuneration structure. In order to effectively motivate business development through remuneration incentives, the Group continues to refine its remuneration and incentive policies. The Group is also refining its long-term incentive plan for employees and optimization of their remuneration structure in order to link the interests of employees with the Group's overall business operation and enhance the loyalty of employees.

In accordance with applicable PRC laws and regulations, the Group provides its employees with basic pension insurance, basic medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing providence funds. The Group pays great attention to employee welfare, and continually improve its welfare system. The Group offers employees additional benefits such as annual leave, stipend, supplementary medical insurance, annuity, health examinations and medical insurance for family members.

In 2015, the Group's staff costs amounted to RMB123.1 million, representing 1.1% of the Group's total revenue and other income (2014: RMB108.9 million, 0.9% of the Group's total revenue and other income).

Contingent liabilities

As at 31 December 2015, there were no outstanding legal proceedings against the Group and the Company.

C. Management discussion and analysis of the Group for the year ended 31 December 2014

Business Development

The Group's revenue is generated primarily from finance lease income and operating lease income. In 2014, total revenue of the Group amounted to RMB11,324.9 million.

In 2014, we recorded negative cash flows from operating activities.

In 2014, the Group's segment revenue and other income for Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business were RMB4,607.8 million, RMB4,087.4 million, RMB1,404.2 million and RMB1,565.7 million, respectively.

Liquidity and financial resources

The Group's total assets, mainly consisting of a finance lease receivables, accounts receivable, property and equipment and prepayments, amounted to RMB140,365.9 million as at 31 December 2014.

The Group's total liabilities amounted to RMB126,355.7 million as at 31 December 2014. As at the same date, the Group's borrowings, notes payable, due to banks and other financial institutions, and financial assets sold under repurchase agreements were RMB93,460.3 million, RMB13,017.0 million, RMB3,500.0 million and RMB5,512.2 million, respectively.

The maturity analysis of the Group's bank borrowings in 2014 is as follows:

	2014 *RMB in millions*
Within 1 year	65,474.0
Between 1 and 2 years	7,628.7
Between 2 and 5 years	13,368.9
Over 5 years	6,988.7
Total	93,460.3

As at 31 December 2014, the Group's Shareholders' equity was RMB14,010.2 million.

In 2014, net cash outflow from operating activities of the Group amounted to RMB803.8 million, net cash outflow from investing activities of the Group amounted to RMB7,917.1 million, and net cash inflow from financing activities of the Group amounted to RMB3,613.4 million.

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.

The following table sets forth the distribution of the Group's total assets by the five-category asset quality classification as at 31 December 2014:

RMB in millions, except percentages	**As at 31 December 2014**
Five-category	
Normal	134,476.3
Special mention	6,335.4
Substandard	829.9
Doubtful	722.0
Loss	0.6
Total assets before allowance for impairment losses	142,364.2
Non-performing assets	1,552.5
Non-performing asset ratio	1.09%

Foreign Exchange Risk

The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. Most aircraft held under finance and operating leases that the Group has purchased are denominated in US dollars; and the corresponding finance leases receivable and operating leases receivable are denominated in US dollars; and the main sources of fund are from bank borrowings and bond issuance denominated in US dollar or Renminbi, as well as paid-in capital which is denominated in Renminbi. Other than aircraft and vessel leasing, the Group's remaining leasing businesses are denominated in Renminbi, which does not expose significant currency risk.

Interest rate risk

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 the Group's operating lease business receives 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.

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, as well as lessees' withdrawal demands, and to seize new investment opportunities.

In order to manage liquidity risk, the Group proactively manages the maturity profile of the Group's assets and liabilities and maintaining appropriate liquidity provision for mitigating the liquidity risk, and obtains diversified funding via multiple channels, thereby preserving sufficient funds to purchase assets and repay debts.

Capital and Asset Quality 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.

The following table sets forth certain regulatory indicators of the Group as at 31 December 2014:

	Regulatory Requirement	**As at 31 December 2014**
Capital adequacy indicators		
Core tier-one capital adequacy ratio	≥6.3%	10.03%
Tier-one capital adequacy ratio	≥7.3%	10.03%
Capital adequacy ratio	≥9.3%	10.34%
Asset quality indicator		
Allowance to non-performing finance lease related assets	≥150%	127.48%

Gearing Ratio

As of 31 December 2014, the gearing ratio of the Company was 7.85x. The gearing ratio is calculated by dividing net debt by total equity. Net debt is defined as total debt less cash and cash equivalents. Total debt comprises borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements and notes payable.

Capital Commitments

The following table sets forth the Group's commitment contracted for as at 31 December 2014, but not yet incurred by it:

	As at 31 December 2014
	RMB in millions
Acquisition of equipment held for operating lease businesses	43,835.1
Acquisition of property and equipment held for administrative purposes	746.8
Total	44,581.9

The commitments of acquisitions of equipment held for operating lease businesses are expected to be financed by one of or mix of commercial bank loans, debt and working capital. The commitments of acquisition of property and equipment held for administrative purposes are expected to be financed by one of or mix of commercial bank loans, debt and working capital.

Material transactions

During the year ended and as at 31 December 2014, the Group had no material investments.

During the year ended and as at 31 December 2014, there were no material acquisitions, disposal of subsidiaries or associated companies.

Material litigation

As at 31 December 2014, no legal proceedings were initiated by any of the third parties against the Group as defendant, or any outstanding claims.

Employees

As at 31 December 2014, the Company had a total of 174 employees.

The Group is committed to establishing a competitive and fair remuneration and benefits system. In accordance with applicable PRC laws and regulations, the Group provides its employees with basic pension insurance, basic medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing providence funds.

In 2014, the Group's staff costs amounted to RMB108.9 million, representing 0.9% of the Group's total revenue and other income.

Contingent liabilities

As at 31 December 2014, there were no outstanding legal proceedings against the Group and the Company.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiry, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

As at the Latest Practicable Date, 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 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring nor terminable by the Group within a year without payment of any compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

5. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2016 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

6. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, to the knowledge of the Directors, 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	Interest 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	Interest of controlled corporation (2)	795,625,000	Long position	8.66	6.29
Hainan Traffic Administration Holding Co., Ltd.	Domestic Shares	Interest 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	Interest of controlled corporation (3)	1,306,500,000	Long position	37.80	10.33

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 *(%)*
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	Interest of controlled corporation (4)	523,310,000	Long position	15.14	4.14
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	Interest 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	Interest of controlled corporation (7)	193,984,000	Long position	5.61	1.53
China State Shipbuilding Corporation	H Shares	Interest of controlled corporation (7)	193,984,000	Long position	5.61	1.53
CSSC (Hong Kong) Shipping Company Limited	H Shares	Interest 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 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 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 Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, 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.

7. LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claim of material importance pending or threatening against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

(1) the asset transfer agreement dated 29 September 2015 entered into by the Company and Shenzhen Office of China Orient Asset Management Corporation (the "**Transferee**"), pursuant to which the Company agreed to transfer, and the Transferee agreed to accept the non-performing financial assets portfolio of the Company consisting of 25 non-performing assets with a total book value of the corresponding debts of RMB754,140,342.75 for a consideration of RMB49.50 million;

(2) the Hong Kong underwriting agreement dated 23 June 2016, entered into among CLSA Limited, The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch Far East Limited, Deutsche Bank AG, Hong Kong Branch, UBS AG Hong Kong Branch, Morgan Stanley Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited, BNP Paribas Securities (Asia) Limited, CMB International Capital Limited, Haitong International Securities Company Limited, CCB International Capital Limited, BOCOM International Securities Limited, China Everbright Securities (HK) Limited and the Company, pursuant to which the Company offered initially 232,500,000 Hong Kong offer shares for subscription, and an underwriting commission equal to 1.8% of the aggregate offer price in respect of all of the Hong Kong offer shares will be paid by the Company to the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) for the Company's initial public offering in Hong Kong;

(3) a cornerstone investment agreement dated 20 June 2016, entered into among Three Gorges Capital Holdings Co., Ltd., CITIC CLSA Capital Markets Limited, CLSA Limited, Merrill Lynch Far East Limited, Merrill Lynch International and the Company, pursuant to which Three Gorges Capital Holdings Co., Ltd. agreed to subscribe for 1,306,500,000 H Shares for a consideration of HK$2,613 million;

(4) a cornerstone investment agreement dated 20 June 2016, entered into among China Reinsurance (Group) Corporation, The Hongkong and Shanghai Banking Corporation Limited, CITIC CLSA Capital Markets Limited, CLSA Limited and the Company, pursuant to which China Reinsurance (Group) Corporation agreed to subscribe for 370,800,000 H Shares for a consideration of HK$741.6 million;

(5) a cornerstone investment agreement dated 20 June 2016, entered into among Hengjian International Investment Holding (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, CITIC CLSA Capital Markets Limited, CLSA Limited and the Company, pursuant to which Hengjian International Investment Holding (Hong Kong) Limited agreed to subscribe for 252,000,000 H Shares for a consideration of HK$504 million;

(6) a cornerstone investment agreement dated 20 June 2016, entered into among Fortune Eris Holding Company Limited, CITIC CLSA Capital Markets Limited, CLSA Limited and the Company, pursuant to which Fortune Eris Holding Company Limited agreed to subscribe for H Shares of the Company in the amount of Hong Kong dollars equivalent of US$50,000,000;

(7) a cornerstone investment agreement dated 20 June 2016, entered into among Bank of China Group Investment Limited, Merrill Lynch Far East Limited, Merrill Lynch International, CITIC CLSA Capital Markets Limited, CLSA Limited and the Company, pursuant to which Bank of China Group Investment Limited agreed to subscribe for 159,000,000 H Shares for a consideration of HK$318 million;

(8) a cornerstone investment agreement dated 20 June 2016, entered into among CCCC International Holding Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited, CITIC CLSA Capital Markets Limited, CLSA Limited and the Company, pursuant to which CCCC International Holding Limited agreed to subscribe for 154,000,000 H Shares for a consideration of HK$308 million.

Save as disclosed above, no material contract (not being a contract entered into in the ordinary course of business) has been entered into by any member of the Group within the two years immediately preceding the issue of this circular.

9. OTHER INFORMATION

(1) The company secretaries of the Company are Mr. Huang Min and Ms. Wong Sau Ping (ACIS, ACS).

(2) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at 36/F, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong for a period of 14 days (excluding Saturdays and Sundays) from the date of this circular:

(1) the Company's articles of association;

(2) a copy of each contract set out in the paragraph headed "Material Contracts" in this appendix;

(3) the 2016 annual report of the Company;

(4) the Prospectus; and

(5) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of China Development Bank Financial Leasing Co., Ltd. (the "**Company**") will be held at 2:00 p.m. on Wednesday, 8 November 2017 at the No.7 Meeting Room, 52/F, New World Center, No. 6009 Yitian Road, Futian District, Shenzhen, Guangdong Province, the PRC to consider and, if thought fit, to approve the following resolutions:

ORDINARY RESOLUTIONS

1. to consider and approve the very substantial acquisitions in relation to the purchase of 60 Boeing aircraft.

2. to consider and approve the very substantial acquisitions in relation to the purchase of 45 Airbus aircraft.

By order of the Board
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.
WANG Xuedong
Chairman

Shenzhen, the PRC
22 September 2017

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

Notes:

1. **CLOSURE OF REGISTER OF MEMBERS, ELIGIBILITY FOR ATTENDING THE EGM**

   Holders of H Shares are advised that the register of members for H Shares will be closed from Tuesday, 10 October 2017 to Wednesday, 8 November 2017 (both days inclusive). Shareholders whose names appear on the register of members of the Company on Wednesday, 8 November 2017 are entitled to attend and vote at the EGM. Holders of H Shares who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 9 October 2017.

2. **PROXY**

   Shareholders entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in their stand. A proxy need not be a shareholder of the Company.

   The instrument appointing a proxy must be in writing under the hand of a shareholder or his/her attorney duly authorised in writing. If the shareholder is a corporate body, the proxy form must be either executed under its common seal or under the hand of its legal representative(s) or director(s) or duly authorised attorney(s). If the proxy form is signed by an attorney of the shareholder, the power of attorney authorising that attorney to sign or other authorisations document must be notarised.

   For holders of H shares, the proxy form together with the power of attorney or other authorisation document (if any) must be lodged at the H share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in person or by post not less than 24 hours before the time fixed for holding the EGM (i.e. before 2:00 p.m. on Tuesday, 7 November 2017) or any adjournment thereof (as the case may be). Shareholders can still attend and vote at the EGM upon completion and return of the proxy form.

3. **REPLY SLIP**

   Holders of H Shares who intend to attend the EGM in person or by proxy should return the reply slip to the H share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Thursday, 19 October 2017.

4. **CONTACT DETAILS OF THE COMPANY**

Contact Address:	50–52/F, New World Center, No. 6009 Yitian Road, Futian District, Shenzhen, Guangdong Province, the PRC
Contact Person:	BAI Huihui
Contact Telephone:	(86) 18038180376
Contact Fax:	(86) 755 2398 0900

5. **PROCEDURES FOR VOTING AT THE EGM**

   According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at the EGM will be taken by poll.

6. OTHER BUSINESS

The EGM is expected to last for approximately half a day. Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses.

Shareholders or their proxies attending the EGM shall produce their identity documents.

As at the date of this notice, the executive Directors are Mr. WANG Xuedong, Mr. FAN Xun and Mr. HUANG Min; the non-executive Directors are Mr. GENG Tiejun, Ms. LIU Hui and Mr. LI Yingbao; and the independent non-executive Directors are Mr. ZHENG Xueding, Mr. XU Jin and Mr. ZHANG Xianchu.