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 licensed securities dealer, 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: SUPPLEMENTAL AGREEMENTS TO THE BOEING AIRCRAFT PURCHASE AGREEMENTS IN RELATION TO THE PURCHASE OF 60 BOEING AIRCRAFT AND RELEVANT MATTERS
INTERIM MEASURES FOR EQUITY MANAGEMENT OF CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.
ISSUANCE OF QUALIFIED TIER-2 CAPITAL BOND AND CAPITAL BONDS WITH NO FIXED TERM
AND
NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2018

The EGM will be held at 10:00 a.m. on Friday, 28 September 2018 at the Meeting Room, CDB Financial Center, No. 2003 Fuzhong Third 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 (i.e. 10:00 a.m. on Thursday, 27 September 2018) 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 enclosed reply slip in accordance with the instructions printed thereon on or before Friday, 7 September 2018.

7 September 2018

* *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:

"Aircraft"	the 74 aircraft under the Boeing Aircraft Purchase Agreements and the Supplemental Agreements
"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 Transaction"	the acquisition by the Company and CDBALF of 60 aircraft from Boeing
"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
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) and its predecessor
"CDBALF"	CDB Aviation Lease Finance Designated Activity Company, 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
"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"EGM"	the second extraordinary general meeting of 2018 of the Company to be convened and held at 10:00 a.m. on Friday, 28 September 2018 at the Meeting Room, CDB Financial Center, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the PRC

"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"	3 September 2018, 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
"Proposed Conversions"	The conversions proposed by CDBALF based on the Supplemental Agreements to convert the order to purchase eight Boeing 787-9 aircraft under the Boeing Aircraft Purchase Agreements into 22 737 MAX 8 aircraft
"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

"Supplemental Agreements"	the supplemental agreements entered into among the Company, CDBALF and Boeing on 13 April 2018 with respect to the conversion of two Boeing 787-9 aircraft under the Boeing Aircraft Purchase Agreements into four 737 MAX 8 aircraft; and the supplemental agreements dated 8 August 2018 with respect to the conversion of six Boeing 787-9 aircraft under the Boeing Aircraft Purchase Agreements into 18 737 MAX 8 aircraft
"US$"	United States dollar(s), 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$7.8483.

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. Huang Min

Non-executive Director:
Mr. Li Yingbao

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

Registered Office:
CDB Financial Center,
No. 2003 Fuzhong Third Road
Futian District
Shenzhen
Guangdong Province
the PRC

Principal Place of Business in Hong Kong:
31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

7 September 2018

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITIONS: SUPPLEMENTAL AGREEMENTS TO THE BOEING AIRCRAFT PURCHASE AGREEMENTS IN RELATION TO THE PURCHASE OF 60 BOEING AIRCRAFT AND RELEVANT MATTERS
INTERIM MEASURES FOR EQUITY MANAGEMENT OF CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.
ISSUANCE OF QUALIFIED TIER-2 CAPITAL BOND AND CAPITAL BONDS WITH NO FIXED TERM
AND
NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2018

INTRODUCTION

The purpose of this circular is to provide you with (i) further details of the Proposed Conversions; (ii) the notice of the EGM and all information reasonably required, so as to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM.

At the EGM, the ordinary resolutions are proposed (i) to consider and approve the Supplemental Agreements to the Boeing Aircraft Purchase Agreements in relation to the purchase of 60 Boeing aircraft and relevant matters; (ii) to consider and approve the Interim Measures for Equity Management of China Development Bank Financial Leasing Co., Ltd.; and a special resolution is proposed (iii) to consider and approve the issuance of the qualified tier-2 capital bonds and capital bonds with no fixed term.

VERY SUBSTANTIAL ACQUISITIONS: SUPPLEMENTAL AGREEMENTS TO THE BOEING AIRCRAFT PURCHASE AGREEMENTS IN RELATION TO THE PURCHASE OF 60 BOEING AIRCRAFT AND RELEVANT MATTERS

According to the announcement dated 8 August 2018, the Company, CDBALF and Boeing have entered into the Supplemental Agreements, pursuant to which CDBALF proposed to convert the order to purchase eight Boeing 787-9 aircraft under the Boeing Aircraft Purchase Agreement into 22 737 MAX 8 aircraft.

Major Terms of the Supplemental Agreements

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

The aircraft to be acquired before and after the Proposed Conversions are listed as follows:

	Before the Proposed Conversions	**After the Proposed Conversions**
Boeing 737 MAX 8 aircraft	42	64
Boeing 737 MAX 10 aircraft	10	10
Boeing 787-9 aircraft	8	0
Total	**60**	**74**

Consideration

The total list price for the Aircraft is US$8,793.4 million (equivalent to approximately HK$69,013 million).

In accordance with customary business and industry practice, Boeing granted the Company and CDBALF significant price concessions with regard to the Aircraft. 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 Aircraft is lower than the list price mentioned above for such Aircraft. The difference between actual price and list price will mainly affect the depreciation of the Aircraft in the future operating costs of the Company. The Directors confirm that the price concessions granted by Boeing to the Company and CDBALF under the Supplemental 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 Supplemental Agreements on the Company's future operating costs taken as a whole.

Both the Company and CDBALF are subject to confidentiality obligations under which the terms of the Supplemental 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 also 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 aircraft list price comprises the airframe price, optional features price, engine price and forecast escalation and such information is generally publicly available. There is a significant price difference between the list price of the Aircraft and the actual purchase price of the 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 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 in future purchases. It is also likely that the Company would not be able to enter into similar future transactions with other aircraft manufacturers.

In view of the above, 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 Aircraft.

Payment and delivery terms

The Aircraft in relation to the Proposed Conversions is scheduled to be delivered from February 2023 to May 2025.

The additional consideration for the Aircraft will be paid according to the Supplemental Agreements, with advance payments to be paid before delivery of each of the 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 Aircraft.

Source of funding

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

Conditions precedent

Completion of the Supplemental Agreements is conditional upon the approval of the Proposed Conversions contemplated hereunder by the Shareholders.

Long stop date

There is no exact long stop date for the Supplemental Agreements. The long stop date is generally 12 months after the last delivery position, but Boeing has rights based on industrial production constraints to push this out longer.

Right to purchase incremental aircraft

Subject to the terms and conditions contained in the Supplemental Agreements, the Company will have the right to purchase ("**Purchase Right**") six additional Boeing 787-9 aircraft as purchase right aircraft ("**Purchase Right Aircraft**"). The Purchase Right may be exercised one or more times and, each time, in respect of one or more Purchase Right Aircraft provided that no more than six Purchase Right Aircraft are added to the Boeing Transaction in total. No option premium is attached to the Purchase Right. The exercise price and exercise period of Purchase Right will be further negotiated by the Company, CDBALF and Boeing. The exercise of the Purchase Right is subject to the further approval by the Board after this resolution is approved by the EGM. The Company will comply with the announcement, reporting and shareholders' approval requirements (if applicable) under the Listing Rules at the time of exercise of the Purchase Right.

Further conversion rights

Subject to the terms and conditions contained in the Boeing Aircraft Purchase Agreements and Supplemental Agreements, the Company and CDBALF have certain rights to covert between Boeing 737 MAX 8 aircraft and Boeing 737 MAX 10 aircraft. The conversion between Boeing 737 MAX 8 aircraft and Boeing 737 MAX 10 aircraft is one for one. The purchase price of the converted aircraft will be the price for such aircraft under the Boeing Aircraft Purchase Agreements and Supplemental Agreements. Assuming the 64 Boeing 737 MAX 8 aircraft were all converted into Boeing 737 MAX 10 aircraft, the total list price of the aircraft will increase by 9.32% to US$9,612.6 million; assuming the 10 Boeing 737 MAX 10 aircraft were all converted into Boeing 737 MAX 8 aircraft, the total list price of the aircraft will decrease by 1.46% to US$8,665.4 million. The Company and CDBALF must give Boeing sufficient advance notice of their intent to convert. The delivery positions for the converted aircraft are subject to agreement with Boeing.

Financial Effects of the Proposed Conversions

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

Reasons for and Benefits of Entering into the Supplemental Agreements

The Directors are of the view that the execution of the Supplemental Agreements is beneficial for the Company, allowing it to increase its fleet of modern, fuel efficient and in-demand aircraft. It is also customary and in line with general industry practice for aircraft leasing companies to regularly adjust their portfolio of aircraft on order to meet the demand by its customers to lease particular types of aircraft and the conversion right is being exercised in the ordinary course of business. The Proposed Conversions under the Supplemental Agreements are consistent with the Company's business development strategy.

The Directors consider that the terms of the Supplemental Agreements are fair and reasonable and in the interests 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, Boeing is principally engaged in the business of aircraft manufacturing and sales.

Implications of the Listing Rules

As the Proposed Conversions constitute material variation to the Boeing Transaction under Rule 14.36 of the Listing Rules and the highest applicable percentage ratio for the amended transaction exceeds 100%, the Supplemental Agreements are 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 Proposed Conversions.

INTERIM MEASURES FOR EQUITY MANAGEMENT OF CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.

An ordinary resolution in relation to Interim Measures for Equity Management of China Development Bank Financial Leasing Co., Ltd. will be proposed at the EGM for approval.

In order to further standardize the equity management of the Company, regulate the behavior of shareholders of the Company, and safeguard the legitimate interests of public Shareholders, in combination of the actual situation, the Company has formulated the Interim Measures for Equity Management of China Development Bank Financial Leasing Co., Ltd. (《國銀金融租賃股份有限公司股權管理暫行辦法》) to further specify the rights and obligations of Shareholders, increase and decrease of shareholding and share repurchase, share pledge and dividend distribution as well as other relevant rules in accordance with the requirements of the "Interim Measures for the Equity Management of Commercial Banks" (2018 No. 1 Order from CBIRC) (《商業銀行股權管理暫行辦法》(銀監會2018年1號令)), the "Notice of the General Office of CBIRC in relation to Improving Relevant Work for "Interim Measures for the Equity Management of Commercial Banks" (Yin Jian Ban Fa [2018] No. 48) (《中國銀監會辦公廳關於做好〈商業銀行股權管理暫行辦法〉實施相關工作的通知》(銀監辦發〔2018〕48號)), the "Guidelines on Corporate Governance of Commercial Banks" (Yin Jian Fa [2013] No.34) (《商業銀行公司治理指引》(銀監發[2013] 34號)) and other documents. Pursuant to Article 57 of the "Interim Measures for the Equity Management of Commercial Banks" (2018 No. 1 Order from CBIRC) (《商業銀行股權管理暫行辦法》(銀監會2018年1號令)), financial leasing companies shall apply the measures with reference. As the Measures are related to the shareholders' rights and obligations, the Board proposes to submit it to the EGM for approval on voluntary basis for the purpose of good corporate governance. The Measures shall become effective from the date of approval for adoption at the EGM but do not constitute a part of the Articles of Association of the Company. For details of the Interim Measures for Equity Management of China Development Bank Financial Leasing Co., Ltd., please refer to Appendix I.

ISSUANCE OF QUALIFIED TIER-2 CAPITAL BOND AND CAPITAL BONDS WITH NO FIXED TERM

A special resolution in relation to issuance of qualified tier-2 capital bonds and capital bonds with no fixed term will be proposed at the EGM for approval.

In order to raise the capital adequacy level of the Company, adapt to the new normal for economic development and financial institutions, enhance the Company's ability for stable operations and sustainable development, the Company has formulated the 3-year capital plan and implementation plan for the years 2018 to 2020 pursuant to the capital adequacy ratio requirements for financial institutions as stipulated by regulatory authorities and in accordance with the Company's "13th Five-Year" business development plan. The Company is expected to issue capital bonds in a single or multiple series with a total amount of not more than RMB5 billion or its equivalent. Details are as follows:

It is proposed that under the conditions of obtaining approvals at the general meeting, by the CBIRC and relevant regulatory authorities, the qualified capital instruments will be issued in accordance with the following terms and conditions:

1. Total amount of issuance: not more than RMB5 billion or its equivalent;

2. Types of instrument: domestic capital bonds (including domestic tier-2 capital bonds and capital bonds with no fixed term) and overseas capital bonds (including overseas tier-2 capital bonds and capital bonds with no fixed term) which are issued in compliance with the Administrative Measures on Financial Leasing Companies and relevant regulations in order to replenish the capital of financial leasing companies. The write-down type tier-2 capital bonds and capital bonds with no fixed term are straight bonds without conversion features into equity of the Company. The specific terms will be determined based on the results from communications with the regulatory authorities and according to market conditions;

3. Market distribution: including domestic and overseas markets and issued in a single or multiple series in accordance with the relevant procedures approved by regulatory authorities;

4. Target subscribers: qualified domestic and overseas investors who are in compliance with relevant regulatory requirements and other subscription conditions;

5. Terms: there is no fixed term for capital bonds with no fixed term, while the term for qualified tier-2 capital bonds is generally not less than 5 years, and the specific terms will be determined based on communications with the regulatory authorities;

6. Method of loss absorption: upon the occurrence of the triggering events specified in the offering documents, the loss absorption will be achieved through a write-down mechanism;

7. Interest rate: with reference to market interest rates;

8. Use of proceeds: the proceeds from qualified tier-2 capital bonds will be used to replenish tier-2 capital of the Company while the proceeds from capital bonds with no fixed term will be used to replenish additional tier-1 capital of the Company;

9. Term of validity of the resolution: from the date of approval by the general meeting on the issuance of this qualified capital instrument to 31 December 2020;

10. Authorization matters

It is proposed at the general meeting to authorise the Board, and agree the Board to further delegate such authority to the senior management of the Company, to decide and handle the relevant matters in relation to the specific terms and issuance of capital bonds with no fixed term and qualified tier-2 capital bonds, including but not limited to producing, amending and signing all relevant documents, handling all matters in relation to such issuance including submission to domestic and overseas regulatory authorities (including stock exchanges) for approval and all subsequent matters during the term of capital bonds, handling capital bonds redemption and upon the occurrence of a triggering event, ensuring that the additional qualified tier-1 capital instruments and tier-2 capital instruments will be written down in accordance with the relevant agreements in a timely manner.

EGM

A notice of the EGM to be held at 10:00 a.m. on Friday, 28 September 2018 at the Meeting Room, CDB Financial Center, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the PRC has been published on Monday, 13 August 2018 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 Wednesday, 29 August 2018 to Friday, 28 September 2018 (both days inclusive). Shareholders whose names appear on the register of members of the Company on Friday, 28 September 2018 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 Tuesday, 28 August 2018.

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

CHAPTER I GENERAL

Article 1 In order to further standardize the equity management of China Development Bank Financial Leasing Co., Ltd. (the "**Company**"), regulate the behaviors of the shareholders of the Company and safeguard the legitimate rights and interests of shareholders, the Measures are formulated in compliance with laws and regulations including the Company Law of the People's Republic of China (the "**Company Law**"), the Law of the People's Republic of China on Commercial Banks (the "**Law on Commercial Banks**"), the Law of the People's Republic of China on Regulation of and Supervision over the Banking Industry, and the Interim Measures for the Equity Management of Commercial Banks, and relevant provisions of the Articles of Association of China Development Bank Financial Leasing Co., Ltd. (the "**Articles of Association**").

Article 2 The Measures shall apply to all shareholders who hold the ordinary shares (the "**Shares**") of the Company.

Article 3 The Shares of the Company shall be registered with China Securities Depository and Clearing Corporation Limited (the "**CSDC**") in accordance with regulatory requirements. For the Shares with confirmed holders of the securities account, all acts in relation to the Shares, including registration and changes, shall comply with the relevant provisions of CSDC.

Article 4 The Measures follow the management principles of classified management, excellent qualifications, clear relationship, well-defined rights and responsibilities, and openness and transparency. The shareholders of the Company shall have sound social reputation, integrity records, tax records and financial status, and be in compliance with laws, regulations and regulatory requirements. The Company shall ensure that the relationships among the shareholders, controlling shareholders, de facto controllers, related parties, persons acting in concert, and ultimate beneficiaries of the Company are clear and transparent.

The shareholding ratios of a shareholder shall be calculated in aggregate with his/her related parties and persons acting in concert.

Article 5 Adhering to the principles of the observance of laws and regulations and risk prevention, the Company shall strengthen and standardize the management of stocks, continuously improve the corporate governance structure, and protect the legitimate rights and interests of shareholders and the Company.

Article 6 The Company and its shareholders shall fully disclose the relevant information on equity via designated media through regular reports in accordance with relevant laws, regulations and regulatory documents. The Company shall conduct regular evaluation on the qualifications of substantial shareholders, the fulfillment of commitments, the implementation of the Articles of Association or agreements, and the compliance with laws, regulations and regulatory requirements, and shall promptly submit the evaluation reports to China Banking and Insurance Regulatory Commission (the "**CBIRC**") or its dispatched offices.

Article 7 The Board of the Company assumes the ultimate responsibility for equity management. The chairman of the Board is the principal person-in-charge for equity matters. The secretary of the Board assists the chairman and is the direct person responsible for equity matters. The office of the Board is mainly responsible for equity management.

CHAPTER II RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

Article 8 The shareholders of the Company shall make capital contribution in strict accordance with relevant laws and regulations and the supervision regulations of the CBIRC. The shareholders of the Company shall use their own funds and ensure that the sources of funds are legal when dealing in the Shares of the Company. The shareholders of the Company shall not take the Shares with non-equity capitals such as entrusted funds and debt funds, except as otherwise stipulated by laws and regulations.

The shareholders of the Company shall not entrust others or accept others' entrust to hold the Shares of the Company.

Article 9 The substantial shareholder shall undertake in written form that he/she will abide by laws, regulations, regulatory requirements and the relevant provisions of the Articles of Association when dealing in the Shares of the Company, and explain the purpose for taking the Shares.

Article 10 The number of commercial banks whose shares held by the same investor, its related party, and person acting in concert as a substantial shareholder shall not exceed two or the number of commercial banks controlled by the above shall not exceed one.

Investment entities and banking financial institutions authorized by the State Council to hold the equity of commercial banks, entities otherwise subject to laws and regulations taking shares of commercial banks, and investors involving in the mergers, acquisitions and reorganizations of high-risk commercial banks after the approval of CBIRC are not subject to the provisions of the preceding paragraph of this article.

Article 11 Shareholders of the Company shall enjoy their rights and perform their duties in strict accordance with laws, regulations, regulatory requirements and the Articles of Association. Directors, supervisors, senior management and their related parties holding the Shares of the Company shall also abide by the relevant requirements on their ownership management as required by laws, regulations, regulatory requirements and the Articles of Association.

Article 12 The substantial shareholders of the Company shall not transfer the Shares held by them within five years from the date of obtaining the Shares, except for special circumstances when CBIRC or its dispatched offices approves to adopt risk management measures, or CBIRC or its dispatched offices enforces the transfer, or the Shares involved in judicial enforcement or the transfer occurs between different entities controlled by the same investor.

Article 13 For shareholders of the Company who shall but yet to be approved by the regulatory authorities or have not reported to the regulatory authorities, the Company shall actively assist in the communication and reporting between such shareholders and the regulatory authorities. Prior to the approval being granted by the regulatory authorities, the rights of requesting for the holding of a general meeting, voting, nominating, proposing, punishment, etc. are subject to the relevant provisions of laws and regulations and the Articles of Association. The Board shall have the final decision.

Article 14 The Company shall determine the equity registration date in advance when convening a general meeting, distributing profits, liquidating and engaging in other activities that need to confirm the status of shareholders. The shareholders registered after the closing date of the equity registration date are entitled to relevant rights and interests.

Article 15 If the same shareholder, its related party and persons acting in concert, individually or in aggregate, proposes to initially hold or increase to hold more than 5% of the total Shares of the Company in aggregate, they shall report to CBIRC or its dispatched offices for approval. The approval of the administrative license for proposing to hold more than 5% of the total Shares of the Company through the domestic and foreign securities market is valid for six months. The specific requirements and procedures for approval shall be implemented in accordance with the relevant provisions of CBIRC.

If the same shareholder, its related party and person acting in concert, individually or in aggregate, holds or increases to more than 1% and less than 5% of the total Shares of the Company in aggregate, they shall report to CBIRC or its dispatched offices within 10 working days after obtaining the corresponding shares.

Article 16 The substantial shareholders shall report the following information to the Company in a timely, accurate and complete manner:

(1) State of operation, financial information and shareholding structure;

(2) Sources of capitals for taking shares of the Company;

(3) Controlling shareholders, de facto controllers, relevant parties, persons acting in concert, and ultimate beneficiaries as well as their changes;

(4) The Shares of the Company held are subject to litigation preservation measures or enforcement;

(5) The Shares of the Company held are pledged or released;

(6) Name change;

(7) Merger and spin-off;

(8) They are enforced to suspend business for rectification, designated custody, takeover or revocation, and other regulatory measures, or enter into dissolution, bankruptcy and liquidation procedures;

(9) Other circumstances that may affect changes in the qualifications of shareholders or cause changes in the Shares of the Company held.

Article 17 When a substantial shareholder fails to repay loans to the Company before the expiry date, or he/she provides guarantee for others for financing the Company but fails to repay before the expiry date, his/her voting rights at the general meeting and the voting rights of his/her nominated directors at the board meeting shall be restricted. The Company shall state the foregoing restricted circumstances in the relevant minutes of the meeting.

Article 18 The Company or its subsidiaries (including wholly-owned subsidiaries and controlled subsidiaries), branches, and joint-stock companies may not provide any form of financing for the purchase or proposed purchase of the Shares of the Company. The above financing forms include but are not limited to: gift, advances, guarantee, compensation or loans, etc.

CHAPTER III CAPITAL INCREASE, CAPITAL REDUCTION AND SHARE REPURCHASE

Article 19 In accordance with its business needs, laws, administrative regulations and the provisions of the Articles of Association, the Company, after the resolutions at the board meeting and the general meeting and after the approval of the banking regulatory authorities, may increase its share capital through or by:

(1) Public offering of ordinary shares;

(2) Non-public offering of ordinary shares;

(3) Issuing bonus shares to existing ordinary shareholders;

(4) Increasing share capital with the reserved funds of the Company;

(5) Transferring preference shares to ordinary shares;

(6) Other ways regulated by laws and administrative regulations and approved by China Securities Regulatory Commission.

Preference shares issued by the Company shall not exceed 50% of the total number of ordinary shares, and fund-raising amount shall not exceed 50% of the net assets before the issuance. The preference shares that have been repurchased and converted shall not be calculated.

When issuing convertible corporate bonds, the Company shall transact share change arising from the issuance of convertible corporate bonds, conversion procedures, conversion arrangements and the conversion of convertible corporate bonds in accordance with national laws, administrative regulations, departmental rules and convertible corporate bond prospectus and the provisions of relevant documents.

Article 20 The Company shall conduct capital reduction in accordance with the Company Law, the Law on Commercial Banks, the Measures for the Administration of Financial Leasing Companies, and other relevant regulations and the procedures as required by the Articles of Association. However, after the share capital reduction, the share capital shall not be lower than the minimum requirement.

Article 21 The Company may, in accordance with laws, administrative regulations, departmental rules and the provisions of the Articles of Association, acquire the Shares of the Company after approval by the relevant national competent authorities when:

(1) Reducing the registered capital of the Company;

(2) Combining with other companies holding the Shares of the Company;

(3) Awarding shares to the employees of the Company;

(4) The shareholders disagree with the resolution on the merger and spin-off of the Company at the general meeting and require the Company to acquire their shares;

(5) Other circumstances as stipulated by laws and regulations.

Except for the above circumstances, the Company does not engage in the dealing in or disposing of the stocks of the Company.

Article 22 If the Company acquires the Shares of the Company for the reasons stated in (1) to (3) of Article 21 of the Measures, it shall be approved by the resolution at the general meeting.

After the acquisition of the Shares of the Company in accordance with the provisions of Article 21 of the Measures, if it falls into the circumstance stated in item (1), the Company shall cancel the Shares within 10 days from the date of acquisition; if it falls into the circumstances stated in items (2) and (4), the Company shall transfer or cancel the Shares within 6 months.

The Shares of the Company acquired by the Company in accordance with the provisions of item (3) of Article 21 of the Measures shall not exceed 5% of the total issued shares of the Company; the funds used for the acquisition shall be paid out of the after-tax profits of the Company; the acquired shares shall be transferred to employees within one year.

Article 23 The Company may acquire Shares of the Company through one of the following ways:

(1) Centralized bidding transactions in stock exchanges;

(2) Offer;

(3) Others approved by the China Securities Regulatory Commission and HK Securities and Futures Commission.

CHAPTER IV SHARE PLEDGE

Article 24 The Company shall not accept the stock of the Company as a pledge token.

Article 25 The substantial shareholder shall strictly abide by laws, regulations and the requirements of regulatory authorities when guaranteeing with the stocks of the Company for himself/herself or others, and shall inform the Board of the Company in advance. The office of the Board is responsible for the daily work of the collecting, sorting and submitting of share pledge information.

Article 26 When pledging with the Shares of the Company, the shareholders of the Company shall follow the relevant provisions of regulatory authorities:

(1) A substantial shareholder shall not pledge the Shares of the Company if his/her finance lease balance exceeds the audited net value of the Shares held by him/her in the Company for the previous year.

(2) After the completion of the registration of share pledge, the substantial shareholder shall promptly provide the Company with relevant information concerning the pledged shares in accordance with the needs of the Company for the risk management and information disclosure.

(3) When the number of Shares of the Company pledged by the substantial shareholder reaches or exceeds 50% of the Shares of the Company he/she holds, the director nominated by the shareholder shall not exercise the voting rights of the Board, and the pledged shares held by the shareholder shall not have voting rights when he/she votes at the general meeting of the Company (including classified shareholder voting). The Company shall state the foregoing restricted circumstances in the relevant minutes of the meeting.

CHAPTER V DIVIDEND DISTRIBUTION

Article 27 When the proposals related to cash dividend, stock distribution or share capital increased by capital reserve are approved at the general meeting, the Company shall complete the implementation of their specific plans within two months after the general meeting.

Article 28 The Company may entrust CSDC or Central Registration Hong Kong Limited (the "**Registration Company**") to distribute cash dividends. At the same time when the cash dividends are distributed by CSDC or the Registration Company, the Company may distribute on its own to certain shareholders according to relevant regulations.

Article 29 When entrusting the Registration Company to distribute cash dividends, the Company shall not distribute cash dividends if one of the following circumstances occurs:

(1) Holder's securities account has not been confirmed yet;

(2) Designated transactions have not been approved for transaction from the securities account;

(3) Shares being in pledge registration;

(4) Shares being frozen by judiciary;

(5) Other circumstances where cash dividends are not suitable to be distributed in accordance with laws and regulations.

If the preceding paragraph falls into the circumstance stated in item (1), the cash dividends shall be kept by the Company until the collection. In other cases, the cash dividends shall be kept by the Registration Company until the collection. Uncollected cash dividends shall be free of interest.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 30 The term "substantial shareholder(s)" as used in the Measures refers to shareholders who hold more than 5% of the total Shares of the Company or less than 5% but have material impact on the operation and management of the Company.

The "material impact" in the preceding paragraph includes, but is not limited to, dispatching directors, supervisors or senior management to the Company, affecting the finance and operational management decisions of the Company through agreements or other means, and other circumstances as determined by CBIRC or its dispatched offices.

Article 31 If there are circumstances that are not stipulated in the Measures or there are inconsistence with laws, regulations, regulatory requirements and the provisions of the Articles of Association, the laws, regulations, regulatory requirements and the provisions of the Articles of Association shall prevail.

Article 32 The term of "more than" mentioned in the Measures contains the number itself, and the term of "less than" and "below" do not contain the number itself.

Article 33 The Measures are interpreted by the Board.

Article 34 The Measures shall come into force as of the date of approval at the general meeting of the Company.

1. FINANCIAL INFORMATION OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2015, 2016 and 2017

Financial information of the Group for the year ended 31 December 2015 is disclosed in pages I-1 to I-85 (Appendix I) of the Prospectus, and the financial information of the Group for the two financial years ended 31 December 2016 and 2017 is disclosed in pages 117 to 220 of the 2016 annual report and pages 124 to 236 of the 2017 annual report of the Company, respectively, 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 July 2018, 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 RMB175,483,983,080.

As of 31 July 2018, the bank borrowings are secured by (a) in addition to other legal charges, certain 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 certain related aircraft; (c) guarantees from certain members of the Group; and (d) pledge of deposits amounting to RMB4,021,735,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 31 July 2018, being the latest practicable date for the purpose of determining the amount of 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 currently 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 2018, the total lease financing to lessees amounted to RMB34.514 billion, and the lease financing to lessees in Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business were RMB2.981 billion, RMB15.425 billion, RMB11.176 billion and RMB4.932 billion, respectively.

As at 30 June 2018, total assets of the Group amounted to RMB209,982.3 million, representing an increase of 12.2% as compared with RMB187,099.3 million as at the end of last year.

For the six months ended 30 June 2018, total revenue of the Group amounted to RMB6,169.8 million, representing an increase of 6.8% as compared with RMB5,777.8 million for the same period of last year.

For the six months ended 30 June 2018, total expenses of the Group amounted to RMB5,431.5 million, representing an increase of 26.5% as compared with RMB4,293.5 million for the same period of last year.

Prospects

In the second half of 2018, the Group will closely monitor the changes of the external environment and focus on its development strategies while carrying out more forward-looking and proactive business management. It will also expand its business to a larger extent while enhancing asset and liability management, reinforcing risk control and mitigation, insisting on compliant operation and improving internal management, so as to achieve steady growth in business performance.

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 2017, 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 2015, 2016, 2017 and six months ended 30 June 2018. The information is extracted from the Prospectus, 2016 annual report, 2017 annual report and 2018 interim results announcement for the six months ended 30 June 2018 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, 2016 annual report, 2017 annual report and 2018 interim results for the six months ended 30 June, 2018 of the Company.

A. Management discussion and analysis of the Group for the six months ended 30 June 2018

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.

Revenue of the Group was primarily derived from finance lease income and operating lease income. For the first half of 2018, total revenue of the Group amounted to RMB6,169.8 million, representing an increase of 6.8% as compared with the total revenue of RMB5,777.8 million for the same period of last year, due primarily to the increase in finance lease income and operating lease income resulting from the increase in lease financing to lessees in finance lease and operating lease in the second half of 2017 and the first half of 2018.

In the first half of 2018, 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 the first half of 2018, we set Aircraft Leasing and Infrastructure Leasing as two core business segments, adopted a proactive approach for Ship, Commercial Vehicle and Construction Machinery Leasing and prudently controlled the expansion of Other Leasing Business, which further optimized the business structure. In the first half of 2018, the total lease financing to lessees of the Group amounted to RMB34.514 billion, and the lease financing to lessees in Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business were RMB2.981 billion, RMB15.425 billion, RMB11.176 billion and RMB4.932 billion, respectively (In the first half of 2017 RMB5.338 million, RMB8.046 million, RMB6.220 million and RMB0.462 million, respectively).

Liquidity and financial resources

As at June 30, 2018, total assets of the Group amounted to RMB209,982.2 million, representing an increase of 12.2% as compared with that of RMB187,099.3 million as at the end of last year, due primarily to the increase in investments on leasing business in the first half of this year and in the new balance of leased assets, and relatively sufficient liquidity reserve scale with the increase in business investment.

As at June 30, 2018, total liabilities of the Group amounted to RMB187,016.7 million, representing an increase of 14.3% as compared with RMB163,590.3 million as at December 31, 2017, due primarily to the increase in lease financing to lessees, a larger financing scale, as well as the increase in bank borrowings and balance of the Group's due to banks and other financial institutions.

In the first half of 2018, the major financing sources of the Group include bank borrowings, issue of notes, due to banks and other financial institutions, and financial assets sold under repurchase agreements. As of June 30, 2018, the Group's borrowings, notes payable, due to banks and other financial institutions, and financial assets sold under repurchase agreements were RMB134,798.2 million, RMB31,263.7 million, RMB3,965.0 million and RMB1,120.0 million, respectively.

The maturity analysis of the Group's bank borrowings for the periods indicated is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrying amount repayable:		
Within one year	**113,770,372**	97,496,301
More than one year, but not exceeding two years	**3,020,638**	3,634,895
More than two years, but not exceeding five years	**11,708,489**	9,679,316
More than five years	**6,298,661**	5,434,593
	134,798,160	116,245,105

As at 30 June 2018, the Group's Shareholders' equity was RMB22,965.5 million, representing a decrease of RMB543.5 million, or 2.3%, from RMB23,509.0 million as at 31 December 2017.

For the first half of 2018, net cash inflow from operating activities of the Group amounted to RMB11,511.0 million, representing an increase of 198.4% as compared with that of the same period of last year, due primarily to (1) the increase in borrowings and interbank lending by the Group for the purpose of meeting the requirements of lease financing to lessees; and (2) business expansion of the Group and better operating results recorded for the first half of 2018. In the first half of 2018, net cash outflow from investing activities of the Group amounted to RMB9,718.5 million, representing an increase of 144.4% as compared with that of the same period of last year, due primarily to the increase in cash outflow as a result of the purchases of aircraft for operating lease during the period. In the first half of 2018, net cash outflow from financing activities of the Group amounted to RMB1,451.0 million, which was primarily since part of the bonds were due for payment during the first half of 2018.

Credit Risk

Credit risk refers to the risk that the counterparty fails to fulfill its contractual obligations at the due date and causes losses of the Company. Credit risk is the major risk to the Group, primarily arising from finance lease business.

The Group highlights the operation philosophy of "keeping balance between scale, efficiency and risks", strictly complies with regulatory requirements and policy limits imposed on the industry, and conducts finance lease business in compliance with laws and regulations and in a rational manner. We have made great efforts in maintaining steady growth in the asset scale of core business segments with low risks, developed Ship, Commercial Vehicle and Construction Machinery Leasing business in a prudent manner, and proactively controlled the scale of other finance lease businesses and gradually exited from industries with higher credit risk exposure. The Group attached great importance to quantitative management technology of and management application to credit risks, established a dual-dimensional rating system with credit rating and debt rating for all enterprise clients, and ensured the effectiveness of medium to long-term credit risk management of the Company through reinforcing risk pricing capability, so as to guarantee reasonable level of credit risk and revenue for our clients. We maintained appropriate decentralization of the portfolio of finance lease assets in different countries, regions, industries, clients and products to control the concentration risks at a reasonable level. Regarding the elimination of non-performing and risk-bearing projects, the Group stabilized the assets quality, safeguarded the bottom line of risk, and maintained the high quality of finance lease products through various channels such as enhancing collection, liquidation according to the laws and bulk transfers so as to keep a relatively low non-performing assets ratio comparing with that of the peers in the domestic financial leasing industry.

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

(RMB in millions, except percentages)	**June 30, 2018**	December 31, 2017
Five-category		
Normal	**203,270.2**	182,711.1
Special mention	**10,037.2**	6,263.5
Substandard	**409.3**	372.0
Doubtful	**475.6**	1,044.7
Loss	**809.2**	65.3
Total assets before allowance for impairment losses	**215,001.5**	190,456.6
Non-performing assets	**1,694.1**	1,482.0
Non-performing asset ratio	**0.79%**	0.78%

Although the comprehensive pressure of credit risk prevention and control increased in the society, the Company's asset quality maintained relatively stable, primarily due to the enhanced credit risk management and control by the Group. For new businesses, the Group insisted on a stable and prudent strategy of risk preference and followed the principle on the selection of sectors and customers in the industry strictly. 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 Group's exchange rate risk primarily arises from the profits generated from SPVs, which are denominated in foreign currencies and US dollars exposure of the change of part of proceeds raised in listing into US dollars.

The strategy for exchange rate risk management is to proactively match the currencies of assets and liabilities in daily operations, to identify and measure the impact of exchange rate changes on our operations through foreign currency exposure analysis, exchange rate sensitivity analysis and other instruments, and to hedge net exchange rate exposure through currency derivatives instruments. Most of the aircrafts and ships under the finance and operating lease businesses of the Group 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 business, other leasing segments of the Group are substantially denominated in Renminbi. Hence, there is no significant exchange rate risk exposure.

In the first half of 2018, the exchange rate volatility of US dollars against Renminbi was over 5,000 basis points. The Group effectively managed the foreign exchange risk and recorded exchange revenue of RMB40.4 million.

Interest Rate Risk

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

Interest margins of the Group may reduce in the event that unexpected movements arise. Therefore, the Group primarily manages the interest rate risk through controlling the durations of the leased assets and its corresponding liabilities.

The Group mainly receives fixed rental income under operating leases in foreign currencies while the corresponding bank borrowings bear floating rate interests. The Group reduced its liability exposure of floating interest rate denominated in US dollar mainly through issuance of bonds carrying fixed rates, switched the floating rate into fixed rate through interest rate swap contracts and hedged the cash flow volatility risk as a result of the liability interest rate fluctuation through interest rate swap contracts as a hedging strategy to effectively match the future fixed rental income and stabilize the margin while mitigating the effect of fluctuation in interest rates of US dollars on the operating and financial performance of the Group.

The majority of rent income from RMB-denominated leasing businesses of the Group floats with the changes in PBOC's benchmark interest rates while the liabilities mainly bore a fixed rate interest. For this particular situation, the Group proactively matched RMB-denominated assets and the duration of liabilities in order to reduce interest rate risk.

Liquidity Risk

Liquidity risk refers to the risk that the Group is unable to obtain funds at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management target is to ensure sufficient capital resources to meet the repayment needs of matured liabilities and to seize new business development opportunity in order to achieve a stable interest margin level.

The Group managed and balanced between liquidity risk and interest rate margin by adopting the following measures: proactive management of the maturity profile of our assets and liabilities and cash flow mismatch gap control to reduce structured liquidity risk; through adequate granted credit reserve, the Group established diversified funding channels, thereby continuously increasing the transaction capability of the money market, the financing capability and the daily liquidity management, thus and so preserved sufficient funds to repay debts and fuel the Group's business development. The Group established a three-level liquidity reserve system to mitigate and defuse liquidity risk. The three-level liquidity reserve system consists of quasi-cash assets from bank deposits and the money market as the first level, bank-committed credit line of overdraft as the second level and a portion of high-grade bonds the Group held as the third level liquidity reserve. As at June 30, 2018, the Group had an interbank borrowing and lending limit of RMB12.64 billion. In the first half of 2018, the Group strived to improve its trading capacity in the money market, especially the financing capacity through national interbank borrowing and lending market, where accumulated due to banks and other financial institutions (including bond collateral repo) amounted to RMB33.2 billion. Meanwhile, the Group maintained a bank-committed overdraft line of RMB1.45 billion and held a certain portion of high-grade bonds, thus ensuring that its liquidity asset reserve can fully mitigate liquidity risk.

During the first half of 2018, the liquidity of the Group remained strong. According to the liquidity situation in the market, the Group arranged funding plans in a proper and orderly manner, further optimised the management mechanism on liquidity and persistently advanced the three-level liquidity reserve system, so as to further enhance its liquidity risk management capacity.

Capital and Asset Quality Management

The group evaluates asset quality and adjusts asset categories 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 classification system is based on Governing Principles on the Risk-based Classification of Non-banking Financial Institutions Assets (Provisional) (《非銀行金融機構資產風險分類指導原則(試行)》) issued by the CBIRC on February 5, 2004, and the Guidelines on the Risk-based Classification of Loan (《貸款風險分類指引》) issued by the CBIRC on April 4, 2007. 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 certain regulatory indicators of the Group as at the dates indicated:

	Regulatory requirements	As at June 30, 2018	As at December 31, 2017	As at December 31, 2016
Capital adequacy indicators[(1)]				
Core tier-one capital adequacy ratio[(2)]	≥7.5%[(3)]	**11.25%**	13.19%	13.42%
Tier-one capital adequacy ratio[(4)]	≥8.5%[(3)]	**11.25%**	13.19%	13.42%
Capital adequacy ratio[(5)]	≥10.5%[(3)]	**12.44%**	14.10%	14.03%
Asset quality indicators				
Allowance to non-performing finance lease related assets[(6)]	≥150%	**286.53%**	215.15%	164.28%

(1) Calculated based on the Capital Administrative Measures (《資本管理辦法》) published by the CBIRC on June 7, 2012, which became effective on January 1, 2013 and replaced the Administrative Measures for Capital Adequacy (《資本充足辦法》).

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

(3) Indicates requirements to be met by the end of 2018.

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

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

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

Gearing Ratio

As of 30 June 2018, the gearing ratio of the Company was 6.59x. 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

Capital expenditures contracted by the Group as at 30 June 2018 and 31 December 2017 but are not yet to be recognised on the statements of financial position are as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Acquisition of equipment held for operating lease businesses	**76,660,982**	71,436,057
Acquisition of property and equipment held for administrative purposes	**499**	149
Total	**76,661,481**	71,436,206

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 six months ended 30 June 2018, the Group had no material investments (31 December 2017: nil).

During the six months ended 30 June 2018, there were no material acquisitions, disposal of subsidiaries or associated companies (31 December 2017: nil).

Employees

As at June 30, 2018, the Group had 324 employees in total, with 69% domestic employees and 31% overseas employees. The Group has a team of highly educated and high-quality young talents. As at June 30, 2018, approximately 96% of the Group's employees had bachelor's degrees or above, and 52% had master's degree or above, with 52% of the Company's employees under the age of 35. In the first half of 2018 and 2017, the Group incurred employees' remuneration of RMB250.2 million and RMB101.6 million, respectively, accounting for 3.6% and 1.7% of the total revenue and other income of the Company for the respective periods.

The Group endeavored to create a competitive and fair system for compensation and welfare, adjust employees' remuneration and benefits based on business performance and the development of each segment on an annual basis to provide employees with more competitive remuneration packages. The Group established a multi-level and flexible remuneration structure, which effectively stimulated the business development of the Group through remuneration incentives. The Group has been constantly improving its policies on remuneration and incentives, and has also refined the long-term incentive scheme for employees and optimized the remuneration structure thereof to link employees' benefits to the overall business operation, so as to enhance employees' loyalty.

For the first half of 2018, staff costs of the Group amounted to RMB250.2 million, representing an increase of 146.3% as compared with the staff costs of RMB101.6 million for the same period of last year, due primarily to the increase in staff number and staff costs as a result of the expansion of the business scale of the Company and the further expansion of the international team of the aviation business.

Contingent liabilities

As at 30 June 2018 and 31 December 2017, 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.

B. Management discussion and analysis of the Group for the year ended 31 December 2017

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.

Revenue of the Group was primarily derived from finance lease income and operating lease income. In 2017, total revenue of the Group amounted to RMB11,800.3 million, representing an increase of RMB983.3 million, or 9.1% as compared with RMB10,817.0 million in 2016, due primarily to the continuous increase of business scale. Total revenue and other income in 2017 amounted to RMB12,314.8 million, representing an increase of RMB874.0 million, or 7.6% as compared with RMB11,440.8 million in 2016.

In 2017, 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 2017, 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 RMB6,373.1 million, RMB4,163.8 million, RMB1,052.7 million and RMB725.2 million, respectively (2016: RMB5,896.5 million, RMB3,535.2 million, RMB1,116.3 million and RMB892.8 million, respectively).

Liquidity and financial resources

As at 31 December 2017, total assets of the Group, mainly consisting of account receivable, finance lease receivables, prepayments and property and equipment, amounted to RMB187,099.3 million, representing an increase of RMB20,587.2 million, or 12.4% as compared with that as at 31 December 2016, due primarily to further expansion of the Group's business scale.

As at 31 December 2017, total liabilities of the Group amounted to RMB163,590.3 million, representing an increase of RMB19,379.8 million, or 13.4% as compared with that as at 31 December 2016, due primarily to the increases in borrowings and notes payable.

In 2017, the major financing sources of the Group included bank borrowings, issuance of notes and due to banks and other financial institutions. As of 31 December 2017, the Group's borrowings, notes payable and due to banks and other financial institutions were RMB116,245.1 million, RMB32,326.7 million and zero, respectively (31 December 2016: RMB106,198.2 million, RMB17,793.9 million and RMB4,000.0 million, respectively).

The maturity analysis of the Group's bank borrowings in 2017 and 2016 is as follows:

	2017	2016
	RMB in millions	*RMB in millions*
Within 1 year	**97,496.3**	79,422.0
Between 1 and 2 years	**3,634.9**	7,830.8
Between 2 and 5 years	**9,679.3**	8,097.3
Over 5 years	**5,434.6**	10,848.1
Total	**116,245.1**	106,198.2

As at 31 December 2017, the Group's Shareholders' equity was RMB23,509.0 million, representing an increase of RMB1,207.4 million, or 5.4%, from RMB22,301.6 million as at 31 December 2016.

In 2017, net cash inflow from operating activities of the Group amounted to RMB103.6 million, representing a decrease of 97.5% as compared with that in 2016, due primarily to the increase in lease financing to lessees of finance lease business of RMB2,152 million throughout the year as compared with previous year, representing an increase of 24.9% as compared with previous year. However, as the Group increased the proportion of bond issuance (reflected in financing activities), there was no increase in the proportion of borrowing along with the increase of lease financing to lessees in lease business. For the same period, net cash outflow from investing activities of the Group amounted to RMB8,732.7 million, representing a decrease of 2.0% as compared with that in 2016, due primarily to the decrease in the amount of asset management plan invested by the Group. Furthermore, in 2017, net cash inflow from financing activities of the Group amounted to RMB14,089.1 million, representing an increase of RMB6,292.4 million as compared with that in 2016, due primarily to the increase in scale of issuance of domestic and foreign bonds by the Group.

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.

Credit risk is currently the major risk faced by the Group, primarily arising from finance lease business. The Group emphasizes the operating philosophy of keeping balance among "scale, efficiency and risks", strictly complies with regulatory requirements and policy limits imposed in the industry, and conducts finance lease business in compliance with laws and regulations in a reasonable manner. We have made great efforts in maintaining the steady growth in the asset scale of core business segments with low risks, developed finance lease business of ship, commercial vehicle and construction machinery in a prudent manner, proactively controlled the scale of other finance lease businesses and gradually exited from industries with higher credit risk exposure. We attach great importance to the quantitative management technology of credit risks and the management application, establish a dual-dimensional rating system with credit rating and debt rating for all enterprise clients, and ensure the effectiveness of medium and long-term credit risk management of the Group by reinforcing risk pricing capability, so as to guarantee a reasonable level of credit risk and revenue for clients. We maintain appropriate diversification of the Group's finance lease assets portfolio management in different countries, regions, industries, clients and products in order to control the concentration risks within a reasonable level. Regarding the elimination of non-performing and riskbearing projects, we stabilize the assets quality and safeguard the bottom line against risks through various approaches such as stepping up the collection efforts, collecting according to the laws and bulk transfers. We maintain the high quality of our finance lease assets and a relatively low non-performing assets ratio comparing with that of the peers in the domestic finance leasing industry.

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	**2017**	2016
Five-category		
Normal	**182,711.1**	163,394.7
Special mention	**6,263.5**	4,461.2
Substandard	**372.0**	1,096.4
Doubtful	**1,044.7**	493.0
Loss	**65.3**	65.3
Total assets before allowance for impairment losses	**190,456.6**	169,510.6
Non-performing assets	**1,482.0**	1,654.7
Non-performing asset ratio	**0.78%**	0.98%

The improvement in asset quality was primarily due to the enhanced credit risk management and control by the Group in 2017, 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 subsidiaries, which are denominated in foreign currencies and the change of part of proceeds raised in listing into US dollars for use.

The strategy for exchange rate risk management is to proactively match the currencies of assets and liabilities in daily operations, to identify and measure the impact of exchange rate changes on operations through foreign currency exposure analysis, exchange rate sensitivity analysis and other instruments, and to hedge 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 mostly denominated in Renminbi. Hence, there is no significant exchange rate risk exposure.

As of 31 December 2017, the Group's net exposure for US dollar-denominated assets that affect profit or loss amounted to US$856.3 million. The Group recorded exchange loss of RMB234.3 million due to the depreciation of US dollar against Renminbi.

Interest Rate Risk

Interest rate risk refers to the risk of losses in the Group's overall income and economic value resulting from adverse movements in interest rates, maturity structure and other factors. Interest margins of the Group may 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 repricing of the leasing assets and its corresponding liabilities.

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 reduced its liability exposure of floating interest rate denominated in US dollar mainly through issuance of bonds carrying fixed rates and 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 stabilize the margin while mitigating the effect of fluctuation in interest rates of US dollars 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 target of the Group's liquidity risk management 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 margins level.

The Group established a three-level liquidity reserve system to mitigate 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 monetary market are primary sources for the Group's cash reserve. As of 31 December 2017, the Group had an interbank 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 2017, the liquidity of the Group remained strong with no material liquidity risk incident.

Capital and Asset Quality Management

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 CBIRC on 5 February 2004, the Guidelines on the Risk-based Classification of Loan (《貸款風險分類指引》) issued by the CBIRC on 4 April 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 CBIRC 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 certain regulatory indicators of the Group as at the dates indicated:

	Regulatory Requirement	As at 31 December 2017	2016
Capital adequacy indicators			
Core tier-1capital adequacy ratio	≥7.1%	**13.19%**	13.42%
Tier-1 capital adequacy ratio	≥8.1%	**13.19%**	13.42%
Capital adequacy ratio	≥10.1%	**14.10%**	14.03%
Asset quality indicator			
Allowance to non-performing finance lease related assets	≥150%	**215.15%**	164.28%

Gearing Ratio

As of 31 December 2017, the gearing ratio of the Company was 5.72x. 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

Capital expenditures contracted by the Group at 31 December 2017 and 2016 but are not yet to be recognised on the statements of financial position are as follows:

	As at 31 December	
	2017	2016
	RMB in millions	*RMB in millions*
Acquisition of equipment held for operating lease businesses	**71,436.1**	38,552.4
Acquisition of property and equipment held for administrative purposes purposes	**149**	534.3
Total	**71,436.2**	39,086.7

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 2017, the Group had no material investments (31 December 2016: nil).

During the year ended and as at 31 December 2017, there were no material acquisitions, disposal of subsidiaries or associated companies (31 December 2016: nil).

Employees

As at 31 December 2017, the Group had 288 employees in total (31 December 2016: 230).

The Group attached great importance to talents. In 2017, the Group continuously advanced the reform of human resources management marketization, formulated a series rules and regulations in terms of different sectors such as construction of institutional organization, position and title, performance and assessment, remuneration management and talent introduction to effectively lay a sound foundation for human resources management and provide business development with support and protection. Combining market practice and theoretical model, the Group constantly optimized the result-oriented remuneration incentive system of staff, established direct linkage mechanism of front-desk business personnel and result indicators, and increased the frequency of performance assessment. The Group introduced 45 talents throughout the year, organized 50 sessions of internal and external personnel training, and conducted staff training for new employees.

In 2018, the Group will focus on construction of the remuneration incentives and staff training mechanism in respect of human resources. The Group will make reference to market practice, put emphasis on result-orientation, further optimize remuneration incentive reform plan, and develop position value assessment and employee training system to improve the overall human resources management level, and push forward the achievement of operating targets of the Group. The Group will also establish an independent human resources management system in order to strengthen normative, progressive and systematic management.

In 2017, the Group's staff costs amounted to RMB351.6 million, representing 2.9% of the Group's total revenue and other income (2016: RMB229.0 million, 2.0% of the Group's total revenue and other income).

Contingent liabilities

As at 31 December 2017, there were no significant legal proceedings outstanding against the Group (31 December 2016: 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.

C. 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 CBIRC 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-1 capital adequacy ratio	≥6.7%	13.42%	9.54%
Tier-1 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.

D. 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 CBIRC. The Group files the required information to CBIRC quarterly.

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

		As at 31 December	
	Regulatory Requirement	2015	2014
Capital adequacy indicators			
Core tier-1 capital adequacy ratio	≥6.3%	9.54%	10.03%
Tier-1 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 improves 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.

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 aspects and not misleading or deceptive, and there are no other matters omitted which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

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 executive 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 possibly competes 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 was 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 2017 (being the date on 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	Interests of controlled corporation (5)	420,036,000	Long position	12.15	3.32
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

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	Interests of controlled corporation (4)	523,310,000	Long position	15.14	4.14
China Reinsurance (Group) Corporation	H Shares	Beneficial owner (5)	420,036,000	Long position	12.15	3.32
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) Tang Dynasty 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 Co., Ltd. Hence, pursuant to the SFO, each of Tang Dynasty Development (Yangpu) Company Limited and Hainan Traffic Administration Holding Co., Ltd. is deemed to be interested in the 795,625,000 Domestic Shares held by HNA Group Co., Ltd.

(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 420,036,000 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

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 date of this circular.

9. OTHER INFORMATION

(1) The company secretaries of the Company are Mr. Huang Min and Ms. Wong Sau Ping (Associate Member of The Hong Kong Institute of Chartered Secretaries, Associate Member of The Institute of Chartered Secretaries and Administrators).

(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 31/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 Articles of Association;

(2) the 2016 annual report and 2017 annual report of the Company;

(3) the Prospectus; and

(4) this circular.

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CHINA DEVELOPMENT BANK LEASING

國銀金融租賃股份有限公司*
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.*
(A joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 1606)

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2018

NOTICE IS HEREBY GIVEN that the second extraordinary general meeting of 2018 (the "**EGM**") of China Development Bank Financial Leasing Co., Ltd. (the "**Company**") will be held at 10:00 a.m. on Friday, 28 September 2018 at the Meeting Room, CDB Financial Center, No. 2003 Fuzhong Third 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 supplemental agreements to the Boeing Aircraft Purchase Agreements in relation to the purchase of 60 Boeing aircraft and relevant matters.

2. To consider and approve the Interim Measures for Equity Management of China Development Bank Financial Leasing Co., Ltd..

SPECIAL RESOLUTION

3. To consider and approve the issuance of the qualified tier-2 capital bonds and capital bonds with no fixed term.

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

Shenzhen, the PRC
13 August 2018

* *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 Wednesday, 29 August 2018 to Friday, 28 September 2018 (both days inclusive). Shareholders whose names appear on the register of members of the Company on Friday, 28 September 2018 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 Tuesday, 28 August 2018.

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 10:00 a.m. on Thursday, 27 September 2018) 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 Friday, 7 September 2018.

4. CONTACT DETAILS OF THE COMPANY

Contact Address:	CDB Financial Center, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the PRC
Contact Person:	CHEN Zhuo
Contact Telephone:	(86) 180 3818 0252
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 and Mr. HUANG Min; the non-executive Director is Mr. LI Yingbao; and the independent non-executive Directors are Mr. ZHENG Xueding, Mr. XU Jin and Mr. ZHANG Xianchu.