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

2017 Annual Report

Contents

Company Overview

China Development Bank Financial Leasing Co., Ltd., a national non-banking financial institution regulated by CBRC, is the first listed financial leasing company in mainland China and the sole leasing business platform and listing platform of China Development Bank, dedicated to providing comprehensive leasing services to high-quality customers in industries, including aviation, infrastructure, shipping, commercial vehicle and construction machinery. Founded in 1984, CDB Leasing is a pioneer and a leader in the leasing industry in the PRC, and is among the first leasing companies in the PRC. CDB Leasing enjoys higher international credit ratings, namely "A1" by Moody's, "A" by Standard & Poor's and "A+" by Fitch.

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

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

Corporate Information

Board of Directors

Executive Directors

Mr. Wang Xuedong *(Chairman)*
Mr. Peng Zhong[1]
Mr. Huang Min

Non-executive Directors

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

Independent Non-executive Directors

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

Strategy Decision Committee of the Board

Mr. Wang Xuedong *(Chairman)*
Mr. Peng Zhong[1]
Mr. Li Yingbao
Mr. Zheng Xueding
Mr. Xu Jin

Risk Management and Internal Control Committee of the Board

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

Related Party Transaction Control Committee of the Board

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

Audit Committee of the Board

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

Remuneration Committee of the Board

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

Nomination Committee of the Board

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

Board of Supervisors

Mr. Jiang Daozhen *(Chairman)*
Mr. Lei Yanzheng
Mr. Sun Zhikun
Ms. Huang Xuemei
Mr. Ma Yongyi[2]

Notes:

1. The appointment of Mr. Peng Zhong shall take effect upon obtaining the approval of his qualification from Shenzhen CBRC.
2. Mr. Ma Yongyi was appointed as a Supervisor on February 28, 2018 and Mr. Zhuang Ganlang ceased to serve as a Supervisor since the same day.

Corporate Information

Joint Company Secretaries

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

Authorized Representatives

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

Legal Advisors

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

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

Auditor

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

Compliance Advisor

Zhongtai International Capital Limited
19/F
Li Po Chun Chambers
189, Des Voeux Road Central
Hong Kong

H Share Registrar

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

Registered Office

CDB Financial Center
No. 2003 Fuzhong Third Road
Futian District
Shenzhen
Guangdong Province
PRC

Headquarter

CDB Financial Center
No. 2003 Fuzhong Third Road
Futian District
Shenzhen
Guangdong Province
PRC

Principal Place of Business in Hong Kong

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

Website of the Company

http://www.cdb-leasing.com

Stock Code

1606

Listing Date

July 11, 2016

Definitions

"Articles of Association"	Articles of Association of China Development Bank Financial Leasing Co., Ltd.
"Board" or "Board of Directors"	the board of directors of our Company
"Capital Administrative Measures"	Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法》(試行)), issued by the CBRC on June 7, 2012 and being effective from January 1, 2013
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CDB Capital"	CDB Capital Co., Ltd. (國開金融有限責任公司), a wholly-owned subsidiary of China Development Bank, the Controlling Shareholder of the Company
"CDB New Energy"	CDB New Energy Science and Technology Company Limited (國開新能源科技有限公司), which is held as to 30.46% equity interests by CDB Capital
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"China Development Bank" or "CDB"	China Development Bank (國家開發銀行), the Controlling Shareholder and a Connected Person of the Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "CDB Leasing"	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company established in the PRC in 1984 and converted into a joint stock limited company on September 28, 2015, the H Shares of which are listed on the Hong Kong Stock Exchange with stock code of 1606
"Connected Person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
"Director(s)"	director(s) of our Company
"Global Offering"	the Hong Kong Public Offering and the International Offering as mentioned in the prospectus of the Company date June 24, 2016
"Group", "we" or "us"	our Company and its subsidiaries or SPCs, or our Company and any one or more of its subsidiaries or SPCs, as the context may require
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

Definitions

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Latest Practicable Date"	April 23, 2018, being the latest practicable date for the purpose of ascertaining certain information in this annual report prior to its printing
"Listing Date"	the date, being July 11, 2016, on which our Shares were listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"Prospectus"	the prospectus of the Company dated June 24, 2016
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Reporting Period"	from January 1, 2017 to December 31, 2017
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) in the share capital of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen CBRC"	Shenzhen Office of the China Banking Regulatory Commission
"State Council"	State Council of the PRC
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	supervisor(s) of the Company
"US$" or "US dollar(s)"	United States dollar(s), the lawful currency of the United States

Glossary of Technical Terms

"finance lease"	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risks and returns of ownership of the leased assets are transferred from the lessors to the lessees
"finance lease related asset"	leased asset under finance leases, consisting of finance leases receivable and accounts receivable (advances for finance lease projects)
"narrow-body aircraft"	single-aisle aircraft, such as Airbus A320 family and Boeing 737 family
"operating lease"	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risks and returns of the leased assets remain with the lessors
"SPC(s)"	special purpose company(ies)
"wide-body aircraft"	twin-aisle aircraft, such as Airbus A330 family and Boeing 777 family

Financial Highlights

1. Summary of Consolidated Statement of Profit or Loss

	For the year ended December 31,				
(RMB in thousands)	**2017**	2016	2015	2014	2013
Finance lease income	**5,784,289**	5,363,827	5,994,754	7,014,851	6,679,397
Operating lease income	**6,016,001**	5,453,157	4,646,164	4,310,041	4,369,952
Total revenue	**11,800,290**	10,816,984	10,640,918	11,324,892	11,049,349
Net investment gains/(losses)	**176,160**	(52,359)	77,209	(3,769)	15,589
Other income, gains or losses	**338,272**	676,180	263,162	343,949	612,254
Total revenue and other income	**12,314,722**	11,440,805	10,981,289	11,665,072	11,677,192
Total expenses	**(9,506,870)**	(9,373,074)	(9,681,663)	(9,285,513)	(9,178,019)
Of which: Depreciation and amortisation	**(2,701,887)**	(2,476,525)	(2,034,732)	(1,860,301)	(1,988,339)
Interest expense	**(4,984,470)**	(4,400,071)	(5,055,233)	(6,036,064)	(5,700,203)
Impairment losses	**(912,918)**	(1,825,773)	(2,008,170)	(798,412)	(439,803)
Profit before income tax	**2,807,852**	2,067,731	1,299,626	2,379,559	2,499,173
Profit for the year attributable to owners of the Company	**2,130,963**	1,561,339	1,052,506	1,916,061	1,886,761
Earnings per share attributable to owners of the Company *(expressed in RMB Yuan per share)* **– Basic and diluted**	**0.17**	0.14	0.11	0.20	0.20

2. Summary of Consolidated Statement of Financial Position

(RMB in thousands)	As at December 31,				
	2017	2016	2015	2014	2013
Total assets	**187,099,272**	166,512,149	155,695,092	140,365,938	142,378,402
Of which: Cash and bank balances	**16,207,073**	9,336,415	6,313,850	6,010,711	12,747,738
Accounts receivable	**6,610,039**	6,841,777	13,827,135	14,064,541	25,378,695
Finance lease receivables	**98,880,563**	88,464,050	80,945,115	76,911,731	68,754,795
Prepayments	**7,530,238**	7,911,502	6,862,803	4,142,166	1,055,059
Property and equipment	**49,532,281**	47,344,054	42,248,688	36,201,740	32,097,266
Total liabilities	**163,590,303**	144,210,475	140,702,176	126,355,712	130,249,613
Of which: Borrowings	**116,245,105**	106,198,168	102,494,469	93,460,322	100,516,090
Notes payable	**32,326,713**	17,793,886	13,834,811	13,017,025	9,049,532
Total equity	**23,508,969**	22,301,674	14,992,916	14,010,226	12,128,789
Net assets per share *(RMB)*	**1.86**	1.76	1.58	N/A	N/A

3. Selected Financial Ratios

	For the year ended December 31,/ As at December 31,				
	2017	2016	2015	2014	2013
Return on average total assets(1)	**1.21%**	0.97%	0.71%	1.36%	1.33%
Return on average equity(2)	**9.30%**	8.44%	7.26%	14.66%	17.06%
Net interest spread of finance lease business(3)	**1.85%**	2.10%	2.21%	2.49%	2.88%
Net interest margin of finance lease business(4)	**2.33%**	2.70%	2.61%	2.77%	3.09%
Net lease yield of operating lease business(5)	**9.13%**	8.74%	8.56%	7.63%	6.35%
Profit margin before income tax of operating lease business(6)	**23.97%**	21.77%	20.64%	16.55%	9.78%
Cost-to-income ratio(7)	**7.08%**	5.76%	5.05%	4.63%	4.99%
Net profit margin before tax and impairment losses(8)	**31.53%**	35.99%	31.09%	28.06%	26.60%
Net profit margin(9)	**18.06%**	14.43%	9.89%	16.92%	17.08%
Non-performing asset ratio(10)	**0.78%**	0.98%	1.39%	1.09%	0.40%
Non-performing asset ratio of finance lease business(11)	**1.31%**	1.63%	2.21%	1.67%	0.65%
Gearing Ratio(12)	**5.72x**	5.46x	8.03x	7.85x	9.01x
Credit ratings					
Standard & Poor's	**A**	A+	A+	A+	N/A
Moody's	**A1**	Aa3	A1	A1	N/A
Fitch	**A+**	A+	A+	A+	N/A

(1) Calculated by dividing net profit for the year by average balance of total assets at the beginning and the end of the year.

(2) Calculated by dividing net profit for the year by weighted average balance of total shareholders' equity during the year.

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

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

(5) Calculated by dividing net lease income of operating lease business by the average monthly balance of total operating lease assets. Net lease income of operating lease business is calculated as the difference between operating lease income and interest expense of operating lease business.

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

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

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

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

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

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

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

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

	Regulatory requirement	As at December 31,				
		2017	2016	2015	2014	2013
Capital adequacy indicators[1]						
Core tier-one capital adequacy ratio[2]	≥7.1%[3]	**13.19%**	13.42%	9.54%	10.03%	9.01%
Tier-one capital adequacy ratio[4]	≥8.1%[3]	**13.19%**	13.42%	9.54%	10.03%	9.01%
Capital adequacy ratio[5]	≥10.1%[3]	**14.10%**	14.03%	10.23%	10.34%	9.48%
Asset quality indicators						
Allowance to non-performing finance lease related assets[6]	≥150%[3]	**215.15%**	164.28%	150.47%	127.48%	211.51%

(1) Calculated based on the Capital Administrative Measures (《資本管理辦法》) published by the CBRC 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) Indicator requirements to be met by the end of 2017.

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

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

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

Ranking and Awards

In April 2017, the financial leasing project of eight large ore carriers conducted by CDB Leasing and Fortescue Metals Group was awarded the "Annual Transaction Award" in leasing category at the Hong Kong Annual Meeting of Marine Money.

In June 2017, CDB Leasing was named as the "Key Service and Trading Company in Shenzhen for 2016" by Shenzhen Service and Trade Association.

In June 2017, CDB Leasing was awarded the "President's Award" for the year 2016 to 2017 by the Community Chest of Hong Kong.

In July 2017, CDB Leasing was awarded the "Jun Ding Award for Financial Leasing Company in China in 2017" of "Jun Ding Award for Financial Management Institution in China in 2017" by Securities Times.

In September 2017, CDB Leasing was awarded the Fifth China Air Finance Wanhu Award for Leaping Development Award on the Sixth China Air Finance Development (DFTP) Summit.

In November 2017, CDB Leasing won the medal of "2016 Best Green Finance Award in Banking Industry of Shenzhen" awarded by the 11th China (Shenzhen) International Finance Expo.

In December 2017, CDB Leasing won the title of the "Best Leasing Company for the Year" in the selection of "2017 Gold Medal List of Chinese Financial Institutions • Golden Dragon Award" organized by Financial Times.

In December 2017, CDB Leasing won the "Best Corporate Governance Award" in the selection of "2017 China Financial Market Listed Companies Awards" organized by China Financial Market.

In January 2018, CDB Leasing was named the "Most Valuable Financial Stocks Company of Golden Hong Kong Stocks Award 2017" in the Listed Company Selection of "2017 Golden Hong Kong Stocks".

Chairman's Statement

WANG XUEDONG
Chairman
and executive Director

Dear Shareholders,

On behalf of the Board of China Development Bank Financial Leasing Co., Ltd., I am delighted to report to all Shareholders on the annual results for the year ended December 31, 2017.

Chairman's Statement

In 2017, the world's economic growth experienced significant recovery, ending the downward trend. The Chinese economy continued the development trend of stability with steady improvement, with economic strength stepping on a new stage. There has been material transformation of economic structure, resulting in a more energetic and resilient economy, which became a significant driving source and stabilizer of economic development in the world. There has been indicators showing that high-speed growth of the financial industry has been transformed into high-quality development. The development of financial leasing industry showed some new features and new trends.

In 2017, with the unremitting efforts of all colleagues, the Group withstood internal and external pressure and challenges, and overcame a series of problems and difficulties. We achieved fruitful results in areas such as strategic layout, corporate governance, business development, risk prevention and control, and internal management, realizing an overall increase in terms of scale, quality and efficiency.

Firstly, principal operating indicators hit a new high. In 2017, the total assets of the Group at the end of year amounted to RMB187.099 billion and net assets amounted to RMB23.509 billion, representing an increase of 12.4% and 5.4% respectively compared with last year, which shows a trend of steady growth. The total financing amount accumulated throughout the year was RMB207.6 billion, representing an increase of RMB23 billion as compared with last year. The Group completed the issuance of RMB-denominated bonds and US dollar-denominated debts amounting to RMB7 billion and US$1.8 billion, respectively. Both the issuance rates recorded the lowest in the industry in the same period. Net assets amounted to RMB23.509 billion, representing an increase of 5.4% as compared with the beginning of the year, while the return on average equity ("ROE") was 9.30%, representing an increase of 0.86 percentage point as compared with last year. Provision coverage ratio was 215.15%, representing an increase of 50.87 percentage points as compared with the beginning of the year, showing an increasingly robust risk resistance capacity. Secondly, major business layout continued to be optimized. The levels of specialization in business such as aviation, infrastructure, shipping, construction machinery, commercial vehicles and new energy were constantly advanced, while the business model of infrastructure leasing was adjusted to promote steady growth of business, and the annual capital injection reached the highest level in the recent five years. Smooth progress has been achieved in the international development of aircraft leasing, CDB Aviation Lease Finance DAC, was officially established in Ireland. We seized the opportunities to create new operating leasing projects of ships, explored the new blue ocean in operating lease business, deepened the strategic cooperation by agreement with large-scale and high quality enterprises. We jointly initiated the establishment of the first green leasing development community in China to support new energy leading enterprises, and to innovate business model in sectors such as wind power, photovoltaic power and flat-panel display. Thirdly, we achieved impressive results in comprehensive risk prevention and control. We guarded specialized projects from the source, improved the management of project review and process, strengthened the business with audit responsibilities, enhanced the capacity of risk warning in specialized projects, stabilized the quality of leased assets, optimized the internal audit system of the Company and improved the comprehensive risk management system. In 2017, the non-performing assets of the Group amounted to RMB1.482 billion with ratio of 0.78%, representing a decrease of 0.2 percentage point compared with last year. Fourthly, the internal management mechanism was gradually improved, while system establishment and implementation were strengthened. We strengthened the management of information disclosure and investor relations, promoted the planning and development of information technology, managed accounting procedures, facilitated business process and optimized performance management. We promoted the scientific and standardized management of leased assets, and gradually implemented the reform plan of human resource management.

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

The Board has been proactively enhancing the corporate governance level, and continuously improving the governance structure of the Company with the goal of safeguarding Shareholders' interests and maximizing Shareholders' values. In 2017, the Group convened the first annual general meeting since its listing, considering resolutions of the annual report, financial budgets and accounts, performance evaluation of Directors and senior management members, internal risk control, remuneration plan, connected transactions and appointment and dismissal of senior management, etc, which effectively supported the smooth development for the works of the Group. In 2017, the Group completed the relevant approval process relating to the order of 105 aircraft from Boeing and Airbus. The process included the engagement of external financial advisor to issue opinions, and the submission of circular in relation to the substantial acquisition and communication with the Hong Kong Stock Exchange. The Group convened its first extraordinary general meeting and made a resolution, which effectively safeguarded the steady development of aviation business. In 2017, the Group convened a total of 13 Board meetings, and considered 49 resolutions in accordance with the requirements of the Hong Kong Listing Rules, the Articles of Association and actual needs, laying a good foundation for the Company's strategic decision-making. The Group convened a total of 19 meetings of the special committees of the Board, in which 27 resolutions were considered. The Group loyally and diligently performed the rights and responsibilities granted by the Board.

Looking forward to 2018, the world economy is gradually entering a new cycle of recovery. However, various kinds of risks affecting sustainable growth of the world economy have not been fundamentally resolved. Concerns over the tighter global fluidity were intensified due to the hike announced by the United States Federal Reserve and fluctuations were more frequently observed in global market due to the trade protectionist policy implemented by Donald Trump. In addition to the increase of global tariff, acceleration in the hike by the United States Federal Reserve and other direct impacts brought about by trade war, trade protectionism will trigger more long-standing negative impacts on the world economy and undermine the growth potential of global economy. The year 2018 marks the 40th anniversary of the Reform and Opening Policy of China, during which China will make further headway in reform to facilitate the long-term development of the economy and the society, position itself on the center stage of the world in a more open-minded manner, and become a powerful force to stimulate the vitality of the global economy. Under new circumstances, financial leasing companies will enjoy a promising prospect for development and need to grasp the favourable opportunities arising in the economic cyclical upturn to promote long-term economic and social development, so as to make greater contribution to the development of the economy and the society. The Group will adhere to the main theme of achieving growth amid stability, striving to prevent risks, making up shortcomings, increasing efficiency, improving corporate governance, innovating methods of development, deepening the promotion of market-oriented reforms, consolidating core competitiveness, and taking the path of sustainable development. By fully realizing the major goal of operation and development approved by the Board in 2018, we will create greater values for all Shareholders, staff and the society.

President's Statement

Peng Zhong

Vice Chairman,
Executive Director[1]
and President

In 2017, in upholding the long-established philosophy of steady and pragmatic development, CDB Leasing seized the opportunities amid upturns in domestic macro economy, proactively responded to the increasingly intensified competition in the industry, comprehensively strengthened operation management and risk management and control and deepened the reform of internal management mechanism, thus achieving satisfactory results for all works. As at the end of 2017, the amount of total assets reached RMB187.099 billion, the balance of leased assets amounted to RMB154.696 billion, and the net profit for the year was RMB2.131 billion, representing an increase of 36.5% as compared with last year. The Company recorded ROA of 1.21%, ROE of 9.3% and capital adequacy ratio of 14.10%, showing promising development and growth trends.

Note： 1. The appointment of Mr. Peng Zhong as the vice chairman and an executive Director shall take effect upon obtaining the approval of his qualification from Shenzhen CBRC.

Review for 2017

Business development entered a new era. The total business financed to lessees for the year amounted to RMB52.695 billion, representing an increase of 29.9% as compared with last year, which was the best performance achieved in recent five years. We optimized and adjusted the business layout, dedicated to the traditional specialized business, strived to improve the professional level of aircraft, shipping, construction machinery, commercial vehicles, new energy and other businesses, and steadily pushed forward the Infrastructure Leasing business. The international expansion of Aircraft Leasing developed smoothly with the official establishment of the aviation subsidiary in Ireland. We also strengthened the business and product innovation capability, and entered into the purchase agreements of 105 new aircraft with Boeing and Airbus. We initiated and launched the first operating lease project of Cargill International in relation to five 200,000-tonne Newcastle-type dry bulk carriers. In addition, we realized the cooperation mode transformation of the construction machinery and commercial vehicle leasing business from single terminal customer to "terminal + platform". We also made breakthroughs in the direct leasing project of industrial construction, the direct leasing project "PV leader", the distributed photovoltaic project and the electronic information business. We also picked up pace in advancing the research and development on innovative businesses with a key focus on encouraged industries and strategic emerging industries nationwide under the "Thirteen Five-Year Plan" to explore new models for leasing business.

Continuous improvement on operation quality and efficiency. We strengthened the asset and liability management. The Group sold 11 owned aircraft with a gain on disposal of US$27.8 million and sold 8 managed aircraft, which optimized the structure of fleet. We consistently enhanced our financial strength via a wide variety of flexible financial methods and completed the issuance of RMB-denominated financial bonds of RMB7 billion and US dollar-dominated bonds of US$1.8 billion at the issuance rates being the lowest in the industry for the same period, and became the third domestic financial institution to issue "Bond Connect" financial bonds following China Development Bank and Agricultural Development Bank of China. Opening up the direct lending channel with China Development Bank, we completed the first online interbank lending transaction of RMB1 billion at the interest rate of 4.14%; implemented the factoring financing of RMB6.3 billion; obtained the insurance asset management credit of RMB36 billion, withdrew and used the insurance funds of RMB10.4 billion in aggregate, further enriching financing channels of the Company. We also improved the budget management mechanism, facilitated the transformation of financial management from auditing finance to business finance and strategic finance, enhanced the control capability over finance and coordinated and allocated financial resources, which achieved significant results in cost reduction and efficiency enhancement..

Continuous enhancement of risk management and control. We improved the quality and efficiency of the appraisal work and strengthened the functions of the lease business development and review committee, thus gatekeeping the business direction from the very beginning. We strengthened the lending review, strictly implemented the lending procedures to effectively reduce compliance risk and operational risk. By cooperating with the external attorney, we managed to integrate legal review into all aspects of project development appraisal, contract signing, post-lease management and daily operation and management. By deepening the management of "double list", we strengthened the risk monitoring and control over key customers and industries to achieve multi-level risk management with full coverage. We further clarified the risk management responsibilities of the Board, the Board of Supervisors, the management and each line and department, and determined the risk management reporting route. Similar to last year, both the amount and ratio of non-performing assets of the Company decreased again in this year, safeguarding the risk bottom line.

Further improvement on the basic management capability. We combed and standardized the business and management process to improve the efficiency of operation and management. We comprehensively implemented the overall planning and construction of information technology, formulated and issued data standards, and promoted the establishment of data management system to complete the preliminary systematic layout of the management systems of leasing business, human resources and legal affairs, and of the establishment of the cost control system. We drove the construction of IT infrastructure in the new office building, improved the management on the accounting system and formulated a more mature internal fund transfer pricing plan. The overall risk management of the Company to a new level with the results achieved in comprehensive risk management consulting. We also carried out the review of work flow and performance optimization management consultation to standardize and promote the internal operation mechanism. Moreover, we attracted talents both internally and externally, improved the performance appraisal system, optimized the frequency of performance appraisal and strengthened the application of appraisal results so as to enhance the efficiency and capability of talents on an ongoing basis and build a performance-driven team.

Prospect for 2018

In 2018, CDB Leasing will continue to keep a steady development pace with progress. It will take operating results as the guidance, take budget and business operation plan as the goal so as to take a firm grasp on market exploration, adhere to new development concepts, grasp the key points on risk prevention and control in strict compliance with the requirements of high-quality development, thus pushing forward all works to a new level by strict management, strengthening innovation and promoting transformation

Steady expansion of business. Taking the "Thirteenth Five-Year Plan" as the guideline, we will study and make judgement on the situation, grasp the direction of the policy, place emphasis on major fields, strengthen the existing advantageous business, and enhance business model and business variety innovation to crease new business and profit growth driver.

Effective management and control of risks. We will put more efforts on the resolve and disposal of risky and non-performing projects, continue to deepen the management of "double list", and establish the mechanism for the notification, review and coordination of major risky projects. We will strengthen the post-lease management by strictly implementing the post-lease management system to control project risks. We will also improve risk management and oversight over group clients, take a firm grasp on the impairment risk management of the operating lease assets; follow the direction of the policy and avoid the compliance risk and credit risk of backlog government credit projects.

Constantly improving profitability. We will leverage the guidance of asset management to business investment, optimize of asset structure and increase of revenue, expand financing channels. We will put more efforts on the development of financing varieties such as factoring, insurance funds, etc. we will also enrich financing varieties and innovate financing structure, further control the capital cost, and enhance the initiative of the exchange rate risk management.

Pushing forward the construction of basic management capability. We will effectively promote the construction of information system, strengthen the management of finance and capital, optimize the capital allocation, and fully strengthen the function of capital management. We will fully realize the achievements of the work flow combing and the performance optimization management consultation. Focusing on the guidance of market performance, we will constantly drive the construction of incentive mechanism, enabling performance appraisals to fully perform their role in guaranteeing the sustainable development of the Company.

In 2018, the reform and development of CDB Leasing will reach a new level. We will seize the opportunities to promote development, take practical actions to make breakthroughs and strengthen our core competitiveness so as to strive to create excellent operating results and lay a solid foundation for the achievement of the objectives under the "Thirteen Five-Year Plan" and further consolidate the leading position of the Company in the PRC finance leasing industry.

1. Business Situation and Company's Responses

1.1 Business Environment

1.1.1 Macro-Economy

2017 saw the accelerating pace of world economic growth and a sound recovery, which is the best-performing year in recent years. Developed economies gained strong momentum in growth, with Eurozone experiencing the fastest growth in economy, which was closely followed by the economic growth in the US and Japan, coupled with a better-than-expected recovery. The rapid growth of emerging economies and developing countries were the major driving forces for the strong recovery of the world economy. An improvement was seen in the industrial production and real economy worldwide, while an upswing was enjoyed by both the volume and the price of world trade. The international financial market was basically stable, providing favorable economic environment for the recovery of world economy. However, certain deep-rooted structural conflicts were not addressed fundamentally and the world economy will still continue to fluctuate due to factors including downturn of growth in labor productivity, the continuing rise in debt scales and the lack of new drivers for growth.

In 2017, the national economy extended its development trend at a stable and improving pace, along with focusing on supply-side structural reform as our main task, and facilitating the optimization of structure, transformation of driving forces and improvement of quality, which showed a better-than-expected overall development. The Gross Domestic Product (GDP) and Consumer Price Index (CPI) throughout the year increased by 6.9% and 1.6%, respectively. The increasing rate of the industry with the size throughout the country or above recorded an actual increase of 6.6%. Fixed assets investment (excluding rural households) rose 7.2% and the total trade volume of import and export rose 14.2%, ending the continuous drop in the previous two years. With deeply pushing forward of supply-side structural reform, the transformation and upgrading achieved new progress. The annual task on cutting overcapacity in the steel and coal sectors was successfully completed, while continued efforts were put into the innovation of development and new drivers of economy gathered pace in growth. Nevertheless, we should not lose sight of the various problems and challenges we are facing in economic operation and there is no easy path in improving quality and efficiency in the economic performance, preventing and mitigating material risks and reducing the debt of local government, etc.

1.1.2 Industry Environment

In general, leasing industry was encountering favorable opportunities for development. Regarding potential demand, the local leasing business was still in a rapid development stage with less than 10% of market penetration rate of the leasing market, which was far behind developed counties in Europe and the United States that recorded a market penetration rate of 15% to 30%. Regarding policies, the government upgraded the position of the leasing industry to a strategic level of serving the real economy. By promulgating the Guiding Opinions on Accelerating the Development of Finance Lease Industry (《關於加快融資租賃業發展的指導意見》) and the Guiding Opinions on Promoting the Sound Development of Financial Leasing Industry (《關於促進金融租賃行業健康發展的指導意見》), the General Office of the State Council of the PRC proposes to take leasing business into the consideration of overall strategy for the development of national economy. It requires to raise the leasing market penetration rate and leasing business shall assist enterprises in equipment investment and technology upgrade. At the same time, the development of the finance lease industry of the PRC was greatly facilitated under favorable policies on, among others, the market access, taxation and business operation of the leasing market. Regarding leasing business segment, in recent years, the PRC maintained a relatively high growth rate of investment in infrastructures, proactively implemented the strategy of the "Belt and Road Initiative" and made great efforts in the transformation and upgrade of economic structure. With the inherent nature of "financing capitals" and "financial goods" of leasing business, enormous opportunities were provided for market development in leasing business of infrastructures and relevant equipment.

In 2017, the overall leasing industry was characterized by rapid increase in terms of the quantity, registered capital, assets scale and other indicators of leasing companies. As of the end of December 2017, the total number of financial leasing companies nationwide amounted to approximately 9,090 as compared with 7,136 as at the end of last year, representing an increase of 1,954 or 27.4%. Among them, 69 enterprises in the national financial leasing industry were approved to commence operation, increasing by 10 enterprises as compared with that of last year, indicating an increasingly intensified competition in the industry. The registered capital of the industry was equivalent to RMB3,203.1 billion, representing an increase of 25.3% as compared with that at the end of last year. The balance of lease contracts was approximately RMB6,060.0 billion, representing an increase of 13.7% as compared with that in 2016. The lease business basically focused on the sale-and-leaseback and was supported by direct lease, and focused on the finance lease and supported by operating lease, with revenues derived from spreads. Each of the leasing companies shall seek for innovative development regarding product structure design, client resources, market positioning and business model and form advantages with their own characteristics and professionalism to respond to the challenge of the market-oriented competition. At the same time, the continuing standardization and strengthening of industrial regulation will promote an orderly and sound development of the leasing industry in the PRC.[1]

1 Source of data: the report "The Economy in 2017 Showed a Development Trend at a Stable Pace with Good Momentum, which is Better than Expected" (《2017年經濟運行穩中向好，好於預期》) published by the National Bureau of Statistics; and the "2017 China Finance Leasing Industry Development Report" (《2017年中國融資租賃業發展報告》) by China Leasing Union and Tianjin Binhai Financial Leasing Institute.

1.2 Our Responses

In 2017, faced with the steady recovery of the global economy and the rapid development of the leasing industry, the Group focused on operation and management improvements and risk control, and actively conducted various works, such as business exploration, risk management, fund management, and internal management. Meanwhile, leveraging the opportunities of management improvement as a listed company, the Group further rationalized the mechanism and system, accelerated the establishment of the group-based organizational structure and took solid strides on the refinement of a market-oriented operation mechanism so as to improve its competitiveness in the market.

Regarding business development, the Group further optimized its business layout and reinforced its business structure mainly featured by Aircraft Leasing and Infrastructure Leasing. In 2017, the business development reached a new stage. By virtue of the enhanced communication and coordination with existing and new customers by the Company and the gradual completion of projects, the total lease financing to lessees amounted to RMB52.695 billion, representing an increase of 29.9% as compared with that of last year, and recording the best performance in the last five years. The Group put into extensive efforts to raise the professional level of the businesses of aircraft, ship, construction machinery and commercial vehicles, new energy and other business, steadily advancing the Infrastructure Leasing business. We further improved our innovation capability for business and products. The Group entered into agreements to purchase 105 new aircraft with Boeing and Airbus, and breakthroughs have been made in equipment leasing with respect to distributed photovoltaic power generation project and electronic information business. The cooperative model of construction machinery and commercial vehicle leasing business was transformed from collaboration with individual end customers to "end + platform" in full and the construction machinery and commercial vehicle leasing business registered a rapid growth. Meanwhile, the Group adjusted the business model in a timely manner in accordance with the policy requirements imposed by the state on strict regulation on borrowing by local governments to safeguard the sustainable development of infrastructure leasing business. The research and development of medical care for senior, intelligent city and other innovative businesses were pushed forward by the Group.

Regarding risk management, the Group further optimized the comprehensive risk management system and improved the risk management level. The Company gave play to the function and role of the lease business development and review committee, kept a close eye on the projects at the initial stage. The Company also promoted an earlier assessment to improve the procedure management of project assessment and strengthened review regarding release of projects and prevented operational risks. Furthermore, the Company enhanced post-lease management and upgraded the risk alert capability for projects. The Company stepped up efforts in the mitigation and disposal of projects on the "double black lists" to ensure the stabilized quality of leased assets, refined the comprehensive risk management system and strengthened the construction of risk culture. The Company further improved the Basic Provisions on Comprehensive Risk Management (《全面風險管理基本規定》) and indicators for risk preferences, risk limits and alert, so as to put the new accounting standards of IFRS 9 into place, enhance the measurement level for credit risks and build risk management accountability system for achieving a multi-level risk management with full coverage. The ratio of non-performing assets of the Company as at the end of 2017 was 0.78%, achieving another "double decreases" in both the amount and ratio of non-performing assets following 2016, which is the lowest level in the last three years. Meanwhile, in response to both the domestic and overseas regulations upon listing, the Group proactively enhanced and implemented compliance in all aspects so as to prevent compliance risks.

Regarding financing, the Group further expanded financing sources and reduced financing cost. The newly granted credit and actual financing throughout the year witnessed a steady growth. The Company issued RMB7.0 billion financial bonds and US$1.8 billion senior bonds, and succeeded in issuing the new product – "Bond Connect" of financial bonds. The Company also obtained the credit lines from insurance assets management companies, which reduced its essential reliance on inter-bank fundings as in the past. In 2017, Moody's Standard & Poor's Fitch and CCXI affirmed the long-term issuer ratings of CDB Leasing as A1, A, A+ and AAA, respectively, highlighting the high level of credit rating of the Company. Meanwhile, the Group reinforced the market trend analysis and made adjustment to maturity and interest rate structure of liabilities in a timely manner, which enhanced the liquidity management and risk control capability over interest rates and exchange rates.

Regarding internal management, the Group further bolstered the foundation of operation and management. The Group strengthened the establishment and implementation of the system by amending and formulating 85 systems in 2017 and the number of systems amounted to 254 as at the end of the year. The Group also advanced the informatization, management accounting, review of business procedures, optimization of performance management and other consulting projects so as to lay the foundation for the development of the business and the enhancement of management of the Company. It also enacted the Implementation Plan for Cost Reduction and Efficiency Enhancement (《降本增效實施方案》) to increase the profitability and level of gains of the Company comprehensively. With the gradual implementation of implementation plan on reform of the human resources management, the Company's operation and management foundation was further consolidated, thus providing adequate safeguard for the business development.

To sum up, in 2017, the Group achieved a new breakthrough in the reform and development through active and effective responsive strategies, demonstrating a favorable development trend in all respects.

2. Financial Review

2.1 Analysis on Consolidated Statement of Profit or Loss

2.1.1 Overview of Consolidated Statement of Profit or Loss

In 2017, the Group maintained a steady increase in results. Total revenue and other income amounted to RMB12,314.8 million, representing an increase of RMB874.0 million, or 7.6% as compared with that of last year; profit for the year amounted to RMB2,131.0 million, representing an increase of RMB569.7 million, or 36.5% as compared with that of last year, due primarily to increases in operating lease income and finance lease income as well as a decrease in impairment losses. The increase was partially offset by increases in interest expense, other operating expenses as well as depreciation and amortisation.

The following table sets forth the income statement of the Group for the years indicated and the changes:

	For the year ended December 31,		
(RMB in millions, except percentages)	**2017**	2016	Change
Revenue			
Finance lease income	**5,784.3**	5,363.8	7.8%
Operating lease income	**6,016.0**	5,453.2	10.3%
Total revenue	**11,800.3**	10,817.0	9.1%
Net investment gains/(losses)	**176.2**	(52.4)	–
Other income, gains or losses	**338.3**	676.2	(50.0%)
Total revenue and other income	**12,314.8**	11,440.8	7.6%
Depreciation and amortisation	**(2,701.9)**	(2,476.5)	9.1%
Staff costs	**(351.6)**	(229.0)	53.5%
Fee and commission expenses	**(62.0)**	(55.9)	10.9%
Interest expense	**(4,984.5)**	(4,400.1)	13.3%
Other operating expenses	**(494.0)**	(385.8)	28.0%
Impairment losses	**(912.9)**	(1,825.8)	(50.0%)
Total expenses	**(9,506.9)**	(9,373.1)	1.4%
Profit before income tax	**2,807.9**	2,067.7	35.8%
Income tax expense	**(676.9)**	(506.4)	33.7%
Profit for the year	**2,131.0**	1,561.3	36.5%

2.1.2 Total Revenue

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 that of last year, due primarily to the continuous increase of business scale.

2.1.2.1 Finance Lease Income

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

(RMB in millions, except percentages)	For the year ended December 31, 2017	2016	Change
Finance lease income			
Aircraft Leasing	**224.3**	227.1	(1.2%)
Infrastructure Leasing	**3,848.7**	3,315.0	16.1%
Ship, Commercial Vehicle and Construction Machinery Leasing	**1,023.9**	1,004.3	2.0%
Other Leasing Business	**687.4**	817.4	(15.9%)
Total	**5,784.3**	5,363.8	7.8%

In 2017, finance lease income of the Group amounted to RMB5,784.3 million, accounting for 49.0% of total revenue and representing an increase of RMB420.5 million, or 7.8% as compared with that of last year, due primarily to the increase in income from projects of infrastructure finance lease.

With respect to Aircraft Leasing, in 2017, finance lease income from Aircraft Leasing of the Group amounted to RMB224.3 million, representing a decrease of RMB2.8 million, or 1.2% as compared with that of last year, due primarily to the focus on the development of operating lease business of the aircraft segment in 2017, resulting in the decrease in scale of finance lease.

With respect to Infrastructure Leasing, in 2017, finance lease income from Infrastructure Leasing of the Group amounted to RMB3,848.7 million, representing an increase of RMB533.7 million, or 16.1% as compared with that of last year, due primarily to an increase in lease financing to lessees in the Infrastructure Leasing throughout the year.

With respect to Ship, Commercial Vehicle and Construction Machinery Leasing, in 2017, finance lease income from Ship, Commercial Vehicle and Construction Machinery Leasing of the Group amounted to RMB1,023.9 million, representing an increase of RMB19.6 million, or 2.0% as compared with that of last year, due primarily to an increase in lease financing to lessees in the Commercial Vehicle and Construction Machinery segment.

With respect to Other Leasing Business, in 2017, finance lease income from Other Leasing Business of the Group amounted to RMB687.4 million, representing a decrease of RMB130.0 million, or 15.9% as compared with that of last year, due primarily to the Group's proactive control over the lease business scale of this segment and a further reduction of the segment assets resulting from the disposed of certain assets.

2.1.2.2 Operating Lease Income

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

	For the year ended December 31,		
(RMB in millions, except percentages)	**2017**	2016	Change
Operating lease income			
Aircraft Leasing	**5,756.4**	5,227.0	10.1%
Infrastructure Leasing	**104.2**	123.0	(15.3%)
Ship, Commercial Vehicle and Construction Machinery Leasing	**138.9**	86.7	60.2%
Other Leasing Business	**16.5**	16.5	–
Total	**6,016.0**	5,453.2	10.3%

In 2017, operating lease income of the Group amounted to RMB6,016.0 million, accounting for 51.0% of total revenue and representing an increase of RMB562.8 million, or 10.3% as compared with that of last year, due primarily to an expansion of the scale of aircraft fleet for operating lease in light of the expansion of Aircraft Leasing business by the Group and the stable gross lease yield of Aircraft Leasing business.

The operating lease income of the Group is mainly derived from Aircraft Leasing business. In 2017, operating lease income generated by Aircraft Leasing amounted to RMB5,756.4 million, accounting for 95.7% of the total operating lease income. Meanwhile, the Group proactively explored the operating lease for ships with caution, which contributed to substantial increase in operating lease income from Ship, Commercial Vehicle and Construction Machinery Leasing, being RMB138.9 million for 2017, representing an increase of 60.2% than last year.

2.1.2.3 Net Investment Gains/(Losses)

In 2017, net investment gains of the Group amounted to RMB176.2 million, representing an increase of RMB228.6 million as compared with RMB52.4 million of net investment losses in last year, due primarily to investment gains of RMB83.4 million from disposal of certain available-for-sale financial assets in 2017, and due to the investment income of RMB6.3 million generated from disposal of derivative financial instrument, representing an increase of RMB93.5 million as compared with the losses of RMB87.2 million arising from the currency forward delivery last year.

2.1.2.4 Other Income, Gains or Losses

In 2017, other income and gains of the Group amounted to RMB338.3 million, representing a decrease of RMB337.9 million, or 50.0% as compared with that of last year, due primarily to an increase in exchange losses generated from net US dollar assets exposure arising from the decrease in the exchange rate of US dollar to RMB.

2.1.3 Cost Expenses

In 2017, total expenses of the Group amounted to RMB9,506.9 million, representing an increase of RMB133.8 million, or 1.4% as compared with that of last year, due primarily to an increase in interest expense and depreciation and amortisation, which was partially offset by the decrease in impairment losses.

2.1.3.1 Depreciation and Amortisation

In 2017, depreciation and amortisation expenses of the Group amounted to RMB2,701.9 million, representing an increase of RMB225.4 million, or 9.1% as compared with that of last year, due primarily to an increase in operating lease assets, in particular those for Aircraft Leasing. The number of owned aircraft held for operating lease increased from 158 as at the end of 2016 to 184 as at the end of 2017.

2.1.3.2 Staff Costs

In 2017, staff costs of the Group amounted to RMB351.6 million, representing an increase of RMB122.6 million, or 53.5% as compared with that of last year. The increase was mainly because the Group strengthened the high-level talents reserve and construction of professional team, and intensified the role of incentive and restriction mechanism in order to better implement the Company's development strategies and enhance the market competitiveness. Therefore, the Group accordingly expanded the size of professional team, strengthened the strategic sector and layout of aviation, further introduced and expanded the international and professional aeronautical team and established a more market-oriented remuneration and incentive system.

2.1.3.3 Fee and Commission Expenses

In 2017, fee and commission expenses of the Group amounted to RMB62.0 million, which remained basically unchanged as compared with that of last year.

2.1.3.4 Interest Expense

In 2017, interest expense of the Group amounted to RMB4,984.5 million, representing an increase of RMB584.4 million, or 13.3% as compared with that of last year, due primarily to (1) the increase of comprehensive financing costs in 2017 resulting from the increase in the market interest rates, (2) the corresponding increase in the interest expense as a result of the growth of the overall financing scale along with the expansion of business scale.

2.1.3.5 Other Operating Expenses

In 2017, other operating expenses of the Group amounted to RMB494.0 million, representing an increase of RMB108.2 million, or 28.0% as compared with that of last year, due primarily to the corresponding increase in disposal expenses as a result of a larger number of disposed aircraft in 2017.

2.1.3.6 Impairment Losses

In 2017, impairment losses of the Group amounted to RMB912.9 million, representing a decrease of RMB912.9 million, or 50.0% as compared with that of last year, due primarily to the Group's effective risk control over leased assets by virtue of its prudent risk management, as well as the disposal and resolving of non-performing assets by the Group through multiple channels during the year.

2.1.4 Profit before Income Tax

In 2017, profit before income tax of the Group amounted to RMB2,807.9 million, representing an increase of RMB740.2 million, or 35.8% as compared with that of last year, due primarily to an increase in operating lease income and finance lease income as well as a decrease in impairment losses.

2.1.5 Income Tax Expense

In 2017, income tax expense of the Group amounted to RMB676.9 million, representing an increase of RMB170.5 million, or 33.7% as compared with that of last year, due primarily to an increase in profit before income tax.

2.1.6 Profit for the Year

In 2017, profit for the year of the Group amounted to RMB2,131.0 million, representing an increase of RMB569.7 million, or 36.5% as compared with that of last year.

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

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

	For the year ended December 31,	
(RMB in millions, except percentages)	**2017**	2016
Finance lease business		
Interest income[1]	**5,784.3**	5,363.8
Interest expense[2]	**3,429.2**	2,805.6
Net interest income	**2,355.1**	2,558.2
Average balance of finance lease related assets[3]	**101,040.3**	94,713.3
Average balance of interest-bearing liabilities[4]	**88,593.9**	78,779.7
Average yield[5]	**5.72%**	5.66%
Average cost[6]	**3.87%**	3.56%
Net interest spread of finance lease business[7]	**1.85%**	2.10%
Net interest margin of finance lease business[8]	**2.33%**	2.70%

(1) Interest income represents finance lease income.

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

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

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

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

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

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

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

In 2017, net interest spread of finance lease business of the Group was 1.85%, representing a decrease of 0.25 percentage point as compared with that of last year, due primarily to the narrowing of net interest spread of finance lease business of the Group against an upward financing interest rate in the market and increasingly intensive industrial competition. Net interest margin of finance lease business was 2.33%, representing a decrease of 0.37 percentage point as compared with that of last year, due primarily to the increase in financing interest rate in the market, which in turn increased interest expense and reduced net interest revenue.

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

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

	For the year ended December 31,	
	2017	2016
Operating lease business		
Net lease yield of operating lease business[1]	**9.13%**	8.74%
Profit margin before income tax of operating lease business[2]	**23.97%**	21.77%

(1) Calculated by dividing the net lease income of operating lease business by the monthly average balance of total operating lease assets. Net lease income of operating lease business is calculated as the difference between operating lease income and the interest expense of operating lease business.

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

In 2017, net lease yield and profit margin before income tax of operating lease business of the Group were 9.13% and 23.97%, respectively, representing an increase of 0.39 percentage point and 2.20 percentage points as compared with those of last year, respectively. As the financing of the Group's operating lease business is mainly denominated in US dollar, the increase is due primarily to the adjustment of financing structure by additional issue of US-dollar denominated bonds in 2017 and the adequate use of proceeds from listing, resulting in a better control on interest cost of operating lease.

2.2 Analysis on Consolidated Statement of Financial Position

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

	As of December 31,		
(RMB in millions, except percentages)	**2017**	2016	Change
Assets			
Cash and bank balances	**16,207.1**	9,336.4	73.6%
Placement to banks and other financial institutions	**–**	1,100.0	(100.0%)
Financial assets at fair value through profit or loss	**1,857.9**	2,133.7	(12.9%)
Derivative financial assets	**27.7**	9.7	185.6%
Accounts receivable	**6,610.0**	6,841.8	(3.4%)
Finance lease receivables	**98,880.6**	88,464.1	11.8%
Prepayments	**7,530.2**	7,911.5	(4.8%)
Available-for-sale financial assets	**279.6**	274.6	1.8%
Fixed assets held-for-sale	**2,697.5**	994.0	171.4%
Investment properties	**984.7**	356.6	176.1%
Property and equipment	**49,532.3**	47,344.1	4.6%
Deferred tax assets	**642.5**	591.0	8.7%
Other assets	**1,849.2**	1,154.6	60.2%
Total assets	**187,099.3**	166,512.1	12.4%
Liabilities			
Borrowings	**116,245.1**	106,198.2	9.5%
Due to banks and other financial institutions	**–**	4,000.0	(100.0%)
Financial assets sold under repurchase agreements	**2,030.0**	3,136.0	(35.3%)
Derivative financial liabilities	**69.1**	199.3	(65.3%)
Accrued staff costs	**160.5**	94.2	70.4%
Tax payable	**433.5**	132.3	227.7%
Notes payable	**32,326.7**	17,793.9	81.7%
Deferred tax liabilities	**540.1**	441.6	22.3%
Other liabilities	**11,785.3**	12,215.0	(3.5%)
Total liabilities	**163,590.3**	144,210.5	13.4%
Total equity	**23,509.0**	22,301.6	5.4%

2.2.1 Total Assets

The principal components of the Group's assets were cash and bank balances, accounts receivable, finance lease receivables, prepayments and property and equipment, collectively representing 95.5% of the Group's total assets as at December 31, 2017. As at December 31, 2017, total assets of the Group amounted to RMB187,099.3 million, representing an increase of RMB20,587.2 million, or 12.4% as compared with that as at the end of last year, due primarily to further expansion of the Group's business scale.

2.2.1.1 Accounts Receivable

The Group's accounts receivable includes operating lease receivables, advances for finance lease projects and other accounts receivable. Operating lease receivables refer to lease rentals receivable provided as at December 31, 2017, advances for finance lease projects refer to the payments in advance for those finance lease projects which were contracted but had not yet met all leasing conditions, and other accounts receivable refers to the accounts receivable incurred by the sale of leased assets. As at December 31, 2017, accounts receivable of the Group amounted to RMB6,610.0 million, representing a decrease of RMB231.8 million, or 3.4% as compared with that as at the end of last year, due primarily to the transfer of the Group's advances for finance lease projects to finance lease receivables when leasing conditions were met upon conclusion and handover of finance lease assets.

2.2.1.2 Finance Lease Receivables

	As of December 31,		
(RMB in millions, except percentages)	**2017**	2016	Change
Finance lease receivables – gross	**125,760.3**	114,536.2	9.8%
Less: Unearned finance income	**(24,075.6)**	(23,676.0)	1.7%
Finance lease receivables – net	**101,684.7**	90,860.2	11.9%
Less: Allowance for impairment losses	**(2,804.1)**	(2,396.1)	17.0%
Finance lease receivables – carrying value	**98,880.6**	88,464.1	11.8%

As at December 31, 2017, finance lease receivables of the Group amounted to RMB98,880.6 million, representing an increase of RMB10,416.5 million, or 11.8% as compared with that as at the end of last year, due primarily to the continuous increase in finance lease business of the Group.

2.2.1.3 Prepayments

As at December 31, 2017, prepayments of the Group amounted to RMB7,530.2 million, representing a decrease of RMB381.3 million, or 4.8% as compared with that as at the end of last year. On the one hand, it was due to the decrease in prepayments resulting from the delivery of projects; on the other hand, it was due to the impact of decrease in exchange rate of US dollars to RMB.

2.2.1.4 Property and Equipment

Property and equipment is composed of equipment held for operating lease and property and equipment held for administrative purpose. As at December 31, 2017, equipment held for operating lease of the Group amounted to RMB48,691.9 million, representing an increase of RMB1,834.1 million, or 3.9% as compared with that as at the end of last year, due primarily to the expansion of scale of aircraft for operating lease.

As at December 31, 2017, property and equipment held for administrative purpose of the Group amounted to RMB840.4 million, representing an increase of RMB354.1 million, or 72.8% as compared with that as at the end of last year, due primarily to the increase in the investment in new office building of the Group.

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

(RMB in millions, except percentages)	**As of December 31,**		
	2017	2016	Change
Property and equipment			
Equipment held for operating lease	**48,691.9**	46,857.8	3.9%
Property and equipment held for administrative purpose	**840.4**	486.3	72.8%
Property and equipment – carrying value	**49,532.3**	47,344.1	4.6%

2.2.1.5 Cash and Bank Balances

As at December 31, 2017, cash and bank balances of the Group amounted to RMB16,207.1 million, representing an increase of RMB6,870.7 million, or 73.6% as compared with that as at the end of last year, due primarily to the increase in liquidity reserve of the Group.

2.2.1.6 Placement to Banks and Other Financial Institutions

As at December 31, 2017, placement to banks and other financial institutions of the Group amounted to zero, representing a decrease of RMB1,100.0 million as compared with that as at the end of last year, due primarily to the non-existence of additional placement to banks and other financial institutions upon the completion of existing business at the end of the year.

2.2.1.7 Financial Assets at Fair Value through Profit or Loss

As at December 31, 2017, financial assets at fair value through profit and loss of the Group amounted to RMB1,857.9 million, representing a decrease of RMB275.8 million, or 12.9% as compared with that as at the end of last year, due primarily to the disposal of certain share of the third-party agency fixed-income investment of the Group.

2.2.1.8 Other Assets

Other assets primarily included interest receivable, other receivables, prepaid expenses, deductible value-added tax and land use rights. As at December 31, 2017, other assets of the Group amounted to RMB1,849.2 million, representing an increase of RMB694.6 million, or 60.2% as compared with that as at the end of last year, due primarily to the increase in accounts receivable brought by disposal of aircraft.

2.2.2 Leased Assets

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

	As of December 31,		
(RMB in millions, except percentages)	**2017**	2016	Change
Finance lease related assets			
Finance lease receivables	**98,880.6**	88,464.1	11.8%
Accounts receivable – advances for finance lease projects	**6,139.1**	6,499.0	(5.5%)
Total	**105,019.7**	94,963.1	10.6%

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

	As of December 31,		
(RMB in millions, except percentages)	**2017**	2016	Change
Operating lease assets			
Investment properties	**984.7**	356.6	176.1%
Property and equipment – equipment held for operating lease	**48,691.9**	46,857.8	3.9%
Total	**49,676.6**	47,214.4	5.2%

Finance lease assets of the Company represented a year-on-year increase of 10.6%, higher than the growth rate of 5.2% of operating lease assets. In 2017, while maintaining steady growth of lease assets, the Company further laid a solid foundation of leased property and pledge management, optimized lease asset management system and valuation system, and strengthened the structural adjustment to asset quality. The Company optimized asset distribution structure, improved asset profitability quality, advanced its transformation from pursuing the scale to pursuing the quality and efficiency of the Company. By conducting systematic analysis on multi-dimensions such as the industry, regions, customers and business segments, the Company laid a foundation for continually healthy development.

2.2.3 Total Liabilities

As at December 31, 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 the end of last year, due primarily to the increases in borrowings and notes payable.

2.2.3.1 Borrowings

As at December 31, 2017, balance of borrowings of the Group amounted to RMB116,245.1 million, representing an increase of RMB10,046.9 million, or 9.5% as compared with that as at the end of last year, due primarily to the increase in financing for development of business scale.

2.2.3.2 Due to Banks and Other Financial Institutions

The Group is a member of the interbank lending market in China and is able to obtain interbank lending with a term within three months. As at December 31, 2017, the balance of the due to banks and other financial institutions of the Group amounted to zero, representing a decrease of RMB4,000.0 million as compared with that as at the end of last year, due primarily to repayment of outstanding due to banks and other financial institutions matured at the end of the year with no additional due to banks and other financial institutions.

2.2.3.3 Notes Payable

As at December 31, 2017, notes payable of the Group amounted to RMB32,326.7 million, representing an increase of RMB14,532.8 million, or 81.7% as compared with that as at the end of last year, due primarily to the increase in scale of issuance of onshore and offshore bonds arising from optimization of financing structure by the Group in 2017.

2.2.3.4 Other Liabilities

As at December 31, 2017, other liabilities of the Group amounted to RMB11,785.3 million, representing a decrease of RMB429.7 million, or 3.5% as compared with that as at the end of last year, due primarily to the decrease in related liabilities resulting from conclusion of certain leasing transactions.

2.3 Analysis on Statement of Cash Flows

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

	For the year ended December 31,		
(RMB in millions, except percentages)	**2017**	2016	Change
Net cash flows from operating activities	**103.6**	4,085.3	(97.5%)
Net cash flows from investing activities	**(8,732.7)**	(8,908.5)	(2.0%)
Net cash flows from financing activities	**14,089.1**	7,796.7	80.7%
Net increase in cash and cash equivalents	**5,460.0**	2,973.5	83.6%

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 of last year, 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 of last year, due primarily to the decrease in the amount of asset management plan invested by the Group as compared with that of last year. Furthermore, in 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 of last year, due primarily to the increase in scale of issuance of domestic and foreign bonds by the Group.

3. Business Operation

The major business segments of the Group include Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business. The Group achieved stable growth in business scale and revenue by accurately capturing the economic situation and effectively and consistently implementing development strategies. In 2017, the Group further facilitated development of Aircraft Leasing and Infrastructure Leasing business with mature business operation models, high asset quality and strong growth potential. The Group carried out ship and commercial vehicle lease business, and advanced healthy development of construction machinery leasing business in a prudent manner. The Group also proactively controlled the scale of Other Leasing Business and gradually exited from industries with higher credit risk exposure, thereby further optimized its business layout. In 2017, the total lease financing to lessees amounted to RMB52.695 billion, among which the lease financing to lessees in Aircraft Leasing, Infrastructure Leasing, Ship, Commercial Vehicle and Construction Machinery Leasing and Other Leasing Business were RMB12.582 billion, RMB25.247 billion, RMB14.476 billion and RMB390 million, respectively.

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

(RMB in millions, except percentages)	**As of December 31,**			
	2017		2016	
Segment assets	**Amount**	**Percentage**	Amount	Percentage
Aircraft Leasing	**71,110.6**	**38.1%**	62,606.3	37.7%
Infrastructure Leasing	**77,423.2**	**41.5%**	68,676.6	41.4%
Ship, Commercial Vehicle and Construction Machinery Leasing	**26,588.3**	**14.3%**	20,246.1	12.2%
Other Leasing Business	**11,334.7**	**6.1%**	14,392.1	8.7%
Total	**186,456.8**	**100.0%**	165,921.1	100.0%

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

(RMB in millions, except percentages)	**For the year ended December 31,**			
	2017		2016	
Segment revenue and other income	**Amount**	**Percentage**	Amount	Percentage
Aircraft Leasing	**6,373.1**	**51.8%**	5,896.5	51.5%
Infrastructure Leasing	**4,163.8**	**33.8%**	3,535.2	30.9%
Ship, Commercial Vehicle and Construction Machinery Leasing	**1,052.7**	**8.5%**	1,116.3	9.8%
Other Leasing Business	**725.2**	**5.9%**	892.8	7.8%
Total	**12,314.8**	**100.0%**	11,440.8	100.0%

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

	For the year ended December 31,	
(RMB in millions)	**2017**	2016
Segment profit/(loss) before income tax	**Amount**	Amount
Aircraft Leasing	**1,602.1**	1,359.1
Infrastructure Leasing	**971.0**	1,503.8
Ship, Commercial Vehicle and Construction Machinery Leasing	**333.4**	(207.5)
Other Leasing Business	**(98.6)**	(587.7)
Total	**2,807.9**	2,067.7

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

	For the year ended December 31,	
	2017	2016
Segment profit margin before income tax[1]		
Aircraft Leasing	**26.79%**	24.92%
Infrastructure Leasing	**24.56%**	43.74%
Ship, Commercial Vehicle and Construction Machinery Leasing	**28.67%**	(19.02%)
Other Leasing Business	**(14.00%)**	(70.48%)

(1) Segment profit margin before income tax is calculated by dividing the segment profit before income tax by the segment leasing revenue. The leasing revenue includes finance lease income and operating lease income.

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

	For the year ended December 31,	
	2017	2016
Segment return on assets before income tax[1]		
Aircraft Leasing	**2.40%**	2.30%
Infrastructure Leasing	**1.33%**	2.33%
Ship, Commercial Vehicle and Construction Machinery Leasing	**1.42%**	(1.03%)
Other Leasing Business	**(0.77%)**	(3.58%)

(1) Segment return on assets before income tax is calculated by dividing the segment profit before income tax by the average balance of segment assets at the beginning and the end of the year.

3.1 Aircraft Leasing

Aircraft Leasing is one of the two core business segments of the Group. 2017 represented a transformational year as a new leadership team was finalized and a highly experienced, professional team across all functions required to operate a full-service international aircraft lessor was established. The global footprint was significantly expanded, with the team now based in three geographic regions to ensure proximity to the customer base. Headcount of Aircraft Leasing segment reached 79 as at the end of 2017.

The Group was active in 2017, delivering 38 new aircraft, selling 19 and re-leasing and extending a further 13 aircraft. Customers have been identified for all aircraft with delivery or lease end dates in 2018. In addition, new orders for 105 aircraft from the manufacturers were finalized. The Group raised all necessary financing for the year, including establishment of a US$3 billion medium term note programme, under which US$0.8 billion of bonds were issued.

The Aircraft Leasing platform is supported by five pillars: establishment of personnel and team; corporate governance and structure; comprehensive risk management; systems and infrastructure construction; and policies and procedures construction. Risk management is one of the key focuses, with all transactions assessed on expected loss, calculated by a combination of probability of default and loss given default. Significant investment has also been made in IT systems to enhance efficiency and automation and to allow for the business to scale rapidly to a growing fleet.

As of December 31, 2017, the Group owned and managed a well-diversified portfolio of 215 aircraft on lease to 52 lessees in 27 jurisdictions. As of December 31, 2017, total assets of the Aircraft Leasing segment of the Group amounted to RMB71,110.6 million, representing an increase of 13.6% as compared with that as of December 31, 2016, and the total revenue and other income of the Aircraft Leasing segment amounted to RMB6,373.1 million, representing an increase of 8.1% as compared with that at the same period last year. The assets of the Aircraft Leasing segment accounted for 38.1% of the overall Group, basically in line with December 31, 2016. The revenue and other income of the Aircraft Leasing segment accounted for 51.8% of the overall Group, again basically in line with the same period of last year.

In 2017, the Group delivered 38 new aircraft, all of which were leased to airlines under operating leases. As of December 31, 2017, the Group had a portfolio of 403 aircraft, consisting of 210 owned aircraft, five managed aircraft and 188 committed aircraft, with committed aircraft comprised of 184 direct orders with manufacturers and four sale-and-leaseback transactions. As of December 31, 2017, 184 owned aircraft of the Group were held for operating leases and 26 owned aircraft of the Group were under finance leases. The Group also had three flight simulators under finance lease. As of December 31, 2017, the weighted average age by net book value of the Group's owned aircraft on operating lease was 4.3 years, the weighted average remaining lease term by net book value of the Group's owned aircraft held for operating lease was 6.2 years, and the weighted average remaining lease term by net book value of all of the Group's owned aircraft (including those under finance lease) was 6.3 years.

The Group's owned and in-service fleet mainly includes narrow-body types such as Airbus A320 family and Boeing 737 NG family aircraft, and wide-body aircraft types such as the Airbus 330 and the Boeing 777-300ER. Weighted by net book value the aircraft portfolio consists 67% narrow-body aircraft, 26% wide-body aircraft and 7% regional, cargo and other aircraft. The Group's orderbook contains next-generation, liquid, narrow-body types including the Airbus A320neo and Boeing 737 Max families, as well as the latest widebody technology aircraft the Boeing 787 Dreamliner.

The following table shows the composition of the Group's fleet and committed aircraft as of December 31, 2017:

	Owned aircraft	Managed aircraft	Committed aircraft	Total
Airbus				
A319-100	7	–	–	7
A320-200	54	–	–	54
A321-200	15	–	1	16
A330-200	8	–	–	8
A330-300	17	–	–	17
A320neo	12	–	62	74
A321neo	–	–	32	32
Airbus Total	**113**	**–**	**95**	**208**
Boeing				
737-700	3	–	–	3
737-800	56	3	7	66
747-400SF	3	–	–	3
777-300ER	3	2	–	5
737 Max 8	–	–	68	68
737 Max 10	–	–	10	10
787-9	–	–	8	8
Boeing Total	**65**	**5**	**93**	**163**
Embraer				
E190-100LR	20	–	–	20
Embraer Total	**20**	**–**	**–**	**20**
Other	**12**	**–**	**–**	**12**
Total	**210**	**5**	**188**	**403**

In the above table, all other aircraft, all 747-400SF, seven A320-200, three 737-800 and one A330-200 aircraft were held under finance lease.

As of December 31, 2017, the number of committed aircraft scheduled for delivery was 16 (including 4 sale-and-leaseback aircraft) in 2018, 25 in 2019, 32 in 2020, 29 in 2021, 32 in 2022 and 54 after 2022.

As of December 31, 2017, of the 184 aircraft ordered directly from manufacturers, 15 were committed for lease. All 12 new aircraft ordered directly from manufacturers scheduled for delivery in 2018 have been committed for lease.

In September 2017, the Group entered into committed orders with Boeing to purchase 60 aircraft with an aggregate list price of approximately US$7,400 million and with Airbus to purchase 45 aircraft with an aggregate list price of approximately US$5,200 million, respectively. In addition, the Group has 65 potential orders of aircraft on non-binding letters of intent, comprised of 20 ARJ21 and 15 C919 aircraft from The Commercial Aircraft Corporation of China, Ltd., and 30 MA700 aircraft from AVIC Aircraft Co., Ltd.

The following table shows the breakdown of the number of leases and percentage of net book value balance as of December 31, 2017 of those owned aircraft under operating lease with leases expiring in the future, excluding any aircraft for which the Group has a sale or lease commitment.

	2018	**2019**	**2020**	**2021**	**2022**	**2023 & beyond**
Number of aircraft with leases expiring	2	33	23	11	15	92
% of aircraft NBV with leases expiring	1.1%	13.1%	11.6%	4.7%	9.4%	55.6%

During 2017, the Group completed lease extensions for 10 aircraft and lease transitions for 3 aircraft. As of December 31, 2017, all owned and managed aircraft were subject to lease.

The Group also continued trading aircraft in 2017, selling 11 owned aircraft with a gain on disposal of US$27.80 million and a total net book value of US$510.90 million, and selling 8 managed aircraft. In 2017, the leases for 6 aircraft under finance lease expired and the Group's owned aircraft under operating lease maintained a 98.9% fleet utilization.

In 2017, the annualized pre-tax return on Aircraft Leasing assets was 2.4%, representing an increase of 0.1 percentage point from 2.3% in full year 2016.

The following table sets forth a breakdown of the Group's revenue and assets of Aircraft Leasing by region of lessee for 2017:

Region	Percentage of lease revenue for 2017	Percentage of net book value as of December 31, 2017
The PRC	55.0%	56.6%
Asia Pacific (excluding the PRC)	18.0%	16.5%
Europe	16.7%	17.2%
Middle East and Africa	4.2%	3.1%
Americas	6.1%	6.7%
Total[2]	**100.0%**	**100.0%**

The following table provides a breakdown of the Group's owned aircraft by manufacturer:

Manufacturer	Percentage by net book value as of December 31, 2017
Airbus	61.7%
Boeing	32.0%
Others	6.4%
Total[2]	**100%**

2 Figures may not add up to 100% due to rounding.

3.2 Infrastructure Leasing

2017 was a crucial year for the implementation of the "Thirteenth Five-Year" Plan when China consistently promoted the supply-side structural reform in infrastructure sector and innovated the investment and financing system, and directed more funds to weaker sectors, including transportation, municipal facilities and energy, etc., indicating the huge potential for infrastructure market. The "13th Five-Year Plan for the National Municipal Infrastructure Construction" (《全國城市市政基礎設施建設「十三五」規劃》) was jointly published by Ministry of Housing and Urban-Rural Development and National Development and Reform Commission in May 2017, through which the development goals, planned tasks and major projects for the "13th Five-Year" period were put forward, promoting the well-ordered development of municipal infrastructure construction across the country. This is the first national-level five-year plan for municipal infrastructure which mainly targeted to solve the current problems including underinvestment in municipal infrastructure, low-quality facilities, imbalanced development among eastern, central and western China and incompetency and insufficiency in terms of industrial service. The plan highlights a promising future for the infrastructure sector under key support of the state. In light of the features of huge market potential and assets with premium quality and favourable profitability in Infrastructure Leasing, the Group still considers Infrastructure Leasing as one of its core business segments. By making full use of its strengths of extensive financing channels, ample capital and low capital costs and leveraging the long-term accumulated experience in Infrastructure Leasing, the Group has been continuously increasing investments in selected regions and promoting business development.

In 2017, the Group continued to increase its investments in Infrastructure Leasing segment. Lease financing to lessees for such business segment represented 47.9% of the total lease financing to lessees of the Group. With regard to the strategy of business development, the Group provided relatively flexible comprehensive financial services to its clients, mainly through the business collaboration with branches of China Development Bank, by leveraging the extensive clients base and the infrastructure projects experience of China Development Bank, as well as its first-mover advantage of medium- and long-term loan projects in the infrastructure financing. The Group developed its business with a focus on China Development Bank's clients through improvement of on-site service capability by virtue of establishment of project teams and strategic cooperation agreements.

The Group had established a relatively mature business model for the Infrastructure Leasing segment, accumulated extensive experience and gradually enhanced business scale and profitability. As of December 31, 2017, the total assets of the Infrastructure Leasing segment of the Group amounted to RMB77,423.2 million, representing an increase of RMB8,746.6 million, or 12.7%, as compared with that as at the end of last year. In 2017, such business segment realized revenue and other income of RMB4,163.8 million, representing an increase of RMB628.6 million, or 17.8%, as compared with that of last year.

A majority of the Infrastructure Leasing business of the Group was under finance leases, while a minority was under operating leases. Currently, Infrastructure Leasing of the Group is carried out primarily through sale-and-leaseback transactions, which effectively helps enterprises activate the existing infrastructure assets. The Group maintained the sound asset quality of this business sector through entering into long-term contracts with lessees to secure stable future cash flows as well as leveraging our strong risk management capability.

The Group continued to expand its business network and accumulate client resources, and has currently built up a broad client base nationwide. As of December 31, 2017, clients of Infrastructure Leasing reached throughout 25 provinces, autonomous regions and direct-controlled municipalities in the PRC.

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

3.2.1 Transportation Infrastructure Leasing

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

As of December 31, 2017, the existing leasing projects of the Group include toll roads in 11 provinces and rail transit equipment in 7 provinces in the PRC.

3.2.2 Urban Infrastructure Leasing

Urban Infrastructure Leasing business primarily comprises the leasing of municipal facilities. The lessees of municipal facilities paid their rent by revenues from the operation service of municipal facilities. In addition, the Group typically requires companies owned or controlled by the government to provide joint liability guarantee in order to reduce business risks.

Business models such as the original government procurement service encountered difficulties in proceeding due to the impact on the urban infrastructure leasing business exerted by the macro policies during the year. As a result, the Group promptly adjusted its business model according to changes of the market and policies, resulting in fruitful achievements. Meanwhile, the Group proactively explored business innovation and carried out sub-leasing business with other finance leasing companies so as to expand sources of business and income. In addition, part of the original existing urban infrastructure leasing customers repaid the loans in advance to be in compliance with the latest compliance requirements as a result of the tightening of financing policies imposed by local governments.

As of December 31, 2017, the Group provided leasing services for municipal roads, water, gas, heating, pipelines and other municipal facilities in 16 provinces, autonomous regions and direct controlled municipalities in the PRC.

3.2.3 Energy Infrastructure Leasing

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

In 2017, the Group reinforced the market trend analysis and industry research, and primarily promoted clean energy and electric power equipment businesses. The Group put greater efforts on the business development with leading enterprises in the industry and entered into cooperation framework agreements with several key clients, and also reserved, decided and invested a batch of leasing projects of clean energy and electric power equipment with promising future. Meanwhile, the Group explored diversified leasing models, promoted cooperation on subleasing within the same industry, and carried out direct leasing transactions of clean energy power stations, which enhanced market competitiveness of the Group. In 2017, the clean energy projects exploited by the Group mainly involved power equipment leasing of nuclear power, wind power and solar power, etc., such as the ongoing cooperation with CGN Group during the year.

As of December 31, 2017, the Group mainly provided energy and electric power equipment leasing services to a number of enterprises in 17 provinces, autonomous regions and direct-controlled municipalities in the PRC.

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

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

(RMB in millions, except percentages)	**Net carrying amount of subsegment's assets related to leasing business as of December 31, 2017**	**Percentage of net carrying amount of subsegment's assets related to leasing business as of December 31, 2017**
Transportation Infrastructure Leasing	**30,569.7**	**39.5%**
Urban Infrastructure Leasing	**36,937.1**	**47.7%**
Energy Infrastructure Leasing	**9,916.4**	**12.8%**
Total	**77,423.2**	**100.0%**

In 2018, on the premise of risk prevention and control, the Group will proactively probe into innovative business model, continue to promote Infrastructure Leasing business, closely follow the changes in national policies, and reinforce researches on supply-side structural reform, new urbanization, regional development, interconnection and other policies. Specifically, the Group will mainly choose to cooperate with regions with promising economic environment and clients with stable cash flow for projects by proactively developing various leasing projects on metro, inter-city railway, municipal roads, underground comprehensive pipeline network, nuclear power, wind power and other aspects of transportation infrastructure, urban infrastructure and clean energy.

Regarding the operational strategies and business model, on the one hand, the Group will evaluate the risks of government-based projects under the market-oriented principle in a strict manner and shall not support borrowings in disguised form by local governments. On the other hand, the Group will actively seek for business opportunities and provide focused support to leasing projects with stable operating cash flows as the source of repayment or with legal pledges and collaterals.

3.3 Ship, Commercial Vehicle and Construction Machinery Leasing

In 2017, the Group focused on optimizing its business layout, selected quality leased assets and quality clients with a prudent approach for ship and commercial vehicle lease business and advanced healthy development of construction machinery leasing business. As of December 31, 2017, total assets of the Ship, Commercial Vehicle and Construction Machinery Leasing segment amounted to RMB26,588.3 million, representing an increase of RMB6,342.2 million, or 31.3%, as compared with that as at the end of last year. In 2017, total revenue and other income of the Ship, Commercial Vehicle and Construction Machinery Leasing segment amounted to RMB1,052.7 million, representing a decrease of RMB63.6 million, or 5.7%, as compared with that of last year, due primarily to the influence of a lower exchange rate between US dollars and RMB on the ship business.

Ship Leasing

Benefited from the global economic recovery and the solid implementation of structural reform in supply side of China, the international shipping market showed a turnaround in 2017, and both the shipping costs and market transactions prices increased. The Baltic Dry Index (BDI) rose steadily from 953 points at the beginning of the year to 1,366 points at the end of the year, representing an increase of 43%. The Clarkson 5-year-old Second-hand Vessel Price Index rose steadily from 18.19 points at the beginning of the year to 20.68 points at the end of the year, representing an increase of 14%.

Although there is certain improvement in the shipping market, the excess capacity in the shipping market has not been fundamentally improved. In 2017, the Group continued to conduct Ship Leasing business with a prudent approach and seized the low level in the market to innovate the operating lease of ships and invest in ship assets. It also tailor made numerous ships with advanced technology in key ship plants in mainland China, and entered into long-term leasing contracts with top-tier operating companies in the country and overseas, so as to safeguard operating income and continuously optimize the asset structure of vessel fleet. The Group deployed vessel fleet based on the market condition and has established a diversified composition of vessel fleet. As of December 31, 2017, the Group owned and leased 41 vessels of different types, consisting of 14 bulk carriers, 13 container ships, five oil tankers, three chemical tankers, two LNG carriers, two LPG carriers and two dredgers.

In 2018, it is estimated that the global shipping market will remain at the digesting stage of the previously accumulated excessive shipping capacity and therefore the fundamentals of the overcapacity in general will be unlikely to improve significantly. However, due to the fact that new ship orders have remained at historically low levels in recent years, with the recovery of the global economy, the contradiction in oversupply of shipping capacity is expected to improve gradually and the market atmosphere for the operation of ship leasing business will also gradually improve. The Group will constantly keep an eye on the market changes, steadily push forward the development of shipping business, and continue to advance the innovation of operating mode in shipping business in order to improve the profitability of assets in shipping business.

Commercial Vehicle Leasing

Along with the steady growth of China's economy, the demand for commercial vehicles increased rapidly. According to the statistics of China Association of Automobile Manufactures, the sales volume of commercial vehicle in China in 2017 was 4.16 million, representing a year-on-year increase of 14%. The national policies have been promulgated consecutively in recent years to encourage the development of new energy vehicles, and put emphasis on accelerating the replacement of electrical power for operating vehicles in the field of urban public transportation. The replacement of electrical power for logistic vehicles within urban area and region was enhanced in an orderly manner, leading to strong development trend of new energy vehicles. As an important financing channel for transportation companies, there is a broad market for leasing. By combining the market demand and the policy orientation, the Group vigorously developed the new-energy bus business in 2017 and carried out in-depth cooperation with various large bus companies in China. The Group increased the overall credit model with new energy vehicle manufacturers to constantly expand the cooperation scope and influence on new energy. Meanwhile, by matching the actual demand of major manufacturers, the Group selectively developed other types of commercial vehicle leasing business. Upon in-depth discussion with numerous manufacturers and distributors, the Group has successfully promoted asset portfolio cooperation model to better satisfy the demands of manufacturers for different products and further enhanced the cooperative relationship with major manufacturers.

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

In 2018, the Group will enhance the innovation of business variety, expand the scope of cooperation, and further improve professional expertise in order to satisfy various financing needs of the market under the new situation. At the same time, the Group will pay close attention to the policy orientation relating to new energy so as to capture opportunities in new energy industry, emphatically study and develop businesses relating to new energy vehicles, deepen cooperation with high-quality public transport companies, and press forward energy conservation and emission reduction of urban transportation.

Construction Machinery Leasing

Facing the steady growth of macro-economy, the recovery in construction machinery market was significant. Sales continued to grow at a high speed, and hence the demand for end-consumer financing continued to increase. As one of the professional segments, the construction machinery leasing business gained popularity among numerous leasing companies and as a result, the competition of such market was relatively fierce. In this regard, the Group adhered to the principle of "seeking progress while ensuring stability" in 2017, put emphasis on strengthening and enhancing cooperation with key manufacturers, formed a variety of business cooperation models, improved financial comprehensive service level, and improved comprehensive financial service awareness, so as to greatly support the development of natural persons and small and medium enterprises.

All Construction Machinery Leasing business of the Group is under finance leases. Similar to commercial vehicles, such business is mainly carried out through the cooperation with manufacturers and distributors under wholesale business model, including two models of sale-and-leaseback transactions and direct leasing transactions after procuring from manufacturers. Meanwhile, such business is also carried out through asset portfolio sale-and-leaseback model with leasing platforms under key manufacturers.

In 2017, the Group seized the good momentum of recovery in the construction machinery market, strengthened the strategic cooperation with leading enterprises in the industry to vigorously promote business development and business scale on the basis of effective control of risks. Business investment represented an increase of 80.61% as compared with that in the same period of last year. In 2018, the Group will deepen the cooperation with key manufacturers on the basis of continuous improvement of risk management and control, innovate business models and enrich leasing products to form a comparative advantage in competitions. Meanwhile, on the basis of continuously optimizing business management process, the Group will focus on the national strategy, extend its business cooperation to the entire industrial chain and explore overseas business cooperation, so as to enhance the capabilities in financial services.

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

(RMB in millions, except percentages)	**Net carrying amount of subsegment's assets related to leasing business as of December 31, 2017**	**Percentage of net carrying amount of subsegment's assets related to leasing business as of December 31, 2017**
Ship Leasing	**14,070.2**	**52.9%**
Commercial Vehicle Leasing	**2,942.7**	**11.1%**
Construction Machinery Leasing	**9,575.4**	**36.0%**
Total	**26,588.3**	**100.0%**

3.4 Other Leasing Business

Owing to the slowdown of China's economy in recent years, certain traditional manufacturing industries face challenges of overcapacity, which resulted in poor operating performance of many companies. The proportion of small and medium enterprises in traditional manufacturing industries is relatively large and the fluctuations in operating results of such enterprises are highly volatile. Affected by the overall environment of lessees' industries, assets of Other Leasing Business invested by the Group are exposed to relatively higher credit risk. In 2017, the Group continued to control the scale of Other Leasing Business segment, reduced the balance of leased assets in the industries with relatively high credit risks, and shifted the business focus of such segment to strategic emerging industries, environmental protection industry and manufacturing sectors supported by national policies, and explored business in wind power, nuclear power, photovoltaic and other industries. The Group further enhanced risk management by strengthening the research in macro-economy and industry, improving credit enhancement measures, consolidating post-lease management and collateral management, as well as mitigating risks through the whole process of the business. The Group has achieved sound results in adjustment initiatives in Other Leasing Business segment.

As of December 31, 2017, total assets of Other Leasing Business segment amounted to RMB11,334.7 million, representing a decrease of RMB3,057.4 million, or 21.2%, as compared with that as at the end of last year, indicating an overall shrinking trend. In terms of the percentage by net carrying amount of leased assets, finance leases and operating leases accounted for 90.3% and 9.7%, respectively.

4. Financing

Due to its high credit ratings ("A1" by Moody's, "A" by Standard & Poor's, and "A+" by Fitch), the Group continuously enhanced its funding capability and diversified its financing channels. The Group continued to deepen its cooperation with domestic and overseas banks and other financial institutions to ensure that there would be sufficient funds available for business development. As of December 31, 2017, the Group had established business relationships with 106 banks and was granted uncommitted credit facilities amounting to a total of approximately RMB520.3 billion including unused uncommitted credit facilities of approximately RMB393.6 billion. Meanwhile, the Group continued to explore financing options including onshore and offshore debt financing, domestic insurance fund financing, non inter-bank financing to get financed by more diversified financial instruments. Regarding the onshore debt financing, the Group obtained the approval for the issuance of RMB10 billion financial bonds from the Shenzhen CBRC and the PBOC in February and September 2016, respectively, and successfully issued RMB-denominated financial bonds of four tranches with an aggregate amount of RMB7.0 billion on May 5, August 24, and October 24, 2017, achieving a full issuance under the limit of approval. At the same time, the Group obtained access to the issuance of "Bond Connect" financial bonds, with RMB5.0 billion of "Bond Connect" financial bonds issued and RMB1.1 billion of overseas investors' fund raised, which further expanded scope of offshore investors for onshore bonds. Regarding offshore debt financing, the Group launched two offshore MTN programme for US dollar-denominated notes with an individual amount of US$3.0 billion on July 18, and October 10, 2017, respectively, which provided medium-to long-term channels of US dollar-denominated debt financing for the offshore non-aircraft leasing business and aircraft leasing business of the Group, respectively. The Group successfully issued senior bonds denominated in US dollar of US$400 million and US$600 million through book-building with terms of three years and five years, respectively on July 25, 2017, and completed the determination and issuance of senior bonds denominated in US dollar of US$400 million and US$400 million through book-building with terms of 5.5 years and 10 years, respectively, on October 17, 2017. Regarding insurance fund financing, a total of RMB36.0 billion of credit lines was granted to the Group by insurance assets management companies in 2017 and RMB10.4 billion of insurance fund was utilised.

In 2017, in light of the complex and ever-changing domestic and international macro economy and financial market condition, the Group actively implemented corresponding measures regarding financing activities in response to the changes in macro environment. Through proactive adjustment of financing strategies and optimization of financing structure, the increase of financing costs of the Group was under effective control. In 2017, the average cost of interest-bearing liabilities of the Group was 4.09%, which increased by 34 basis points as compared with that of last year against the backdrop of the general upward trend in the market interest rates. In respect of interest structure, the Group actively extended the duration of liabilities denominated in US dollar to match with that of leased assets denominated in US dollar to ensure the stability of interest spread during the period of US dollar hike. In respect of exchange rates, the Group continued to implement its existing strategy on exchange rate risk management and maintained basically matching of assets and liabilities in terms of currency type.

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 December 31, 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.

5. Risk Management

The Group is exposed to various risks in its ordinary course of business, including credit risk, market risk, liquidity risk, operational risk, information technology risk and reputation risk. The Group has established and continually improved a comprehensive risk management system with a feature of "all round and comprehensive process with participation of all personnel". This actively promotes and nurtures the philosophy and culture that "everyone shall be responsible for risk management and equity treated under risk-bearing", in which it forms an impeccable risk management framework and system with a detail-defined division among all business segments, risk management department and internal audit department to constantly identify, evaluate and monitor the risks in the ordinary course of the Group's operation, so as to achieve an appropriate balance between risks and benefits while reducing the potential negative impact on the Group's financial performance. The Group deploys the abundant data resources and credit experience of CDB to enhance its risk management and carries out post-lease management under the assistance of the branches of CDB, allowing it to identify and defuse risks.

The Group has established a comprehensive risk management system with "three layers of defence" consisting of the business departments, relevant risk management departments and internal audit department. All business departments, which act as the first layer of defence, are responsible for the direct management of the risks in the leasing business and operation segment in accordance with the business operation process and risk management system formulated by the Company, taking the first responsibility for the management of the comprehensive risks. The relevant risk management departments (including the Appraisal Department, Risk Management Department, Legal Affairs Department and Compliance Department), which act as the second layer of defence, are responsible for the establishment of the comprehensive risk management system and the organization, coordination and support of comprehensive risk management. The Internal Audit Department (Audit Department), which acts as the third layer of defence, is responsible for independent supervision and evaluation of the operation of the comprehensive risk management system. In particular, the Risk Management Department is the overall planning and management department of the Company's comprehensive risk management, which is responsible for the management of the credit risk, market risk, operational risk, country risk and information technology risk, The Board Office is responsible for the management of strategic risk, the Appraisal Department is responsible for the review and assessment of credit risk management, the Compliance Department is responsible for the management of the compliance risk, connected transaction risk and internal control, the General Office is responsible for the management of reputation risk, and the Legal Affairs Department is responsible for the management of legal risk.

At present, the Group adopts a stable and prudent strategy in relation to risk preference. With regard to the selection of industries, the Group prefers industries and fields with mature business models, generating economies of scale and equipped with excellent asset quality. In terms of customer selection, the Group prefers large enterprises, leading enterprises in the industry or listed companies with high quality. In terms of leased assets operation, the Group will conduct scientific classification, value analysis and professional management of leased assets by combining business strategies, market environment and the features of leased properties. While realizing the steady growth of the business, the Group receives a return on its earnings that matches the risks, and controls its risks within an acceptable range.

With the transformation of the Group's business from the traditional "debt financing" to "operating assets" and "value chain extension" and the trend of globalization, the Group identifies, evaluates, monitors, warns, controls, mitigates and reports on various risks based on the characteristics of the leasing industry. The Group continues to deepen its understanding of the risks of industry in which it operates, and actively promotes the construction of risk measurement system. Meanwhile, it also strengthens the proactive monitoring, warning and response management of risks. The Group reduces the overall business risks through the asset portfolio management in different countries, regions and industries. The Group proactively adjusts the business strategies of the industry, strengthens the customer admission criteria, improves the risk pricing system and strives for the maximization of risk-return. By enhancing the Group's business quality and efficiency of resource allocation, the value of risk management can be achieved.

In 2017, the Group strengthened the establishment of comprehensive risk management system, and improved risk preference, limitation and warning management system. The Group further optimized comprehensive risk management, constantly optimized credit rating model and pricing plan, improved the measurement level of credit risk, enhanced the accuracy of risk management and control, gradually improved the precise level of after-lease management, carried out various special risk troubleshooting work to improve forward-looking of risk management and control, preliminary established risk management responsibility system, strengthened special training of risks, and enhanced the effectiveness of risk management and control.

5.1 Credit Risk

Credit risk refers to the risk of loss incurred by the Group due to the failure of fulfilment of contractual obligations by counterparties when due.

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 risk-bearing 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 Group's maximum credit risk before collateral held and other credit enhancement as of the dates indicated:

	As of December 31,	
(RMB in millions)	**2017**	2016
Financial assets		
Cash and bank balances	**16,207.0**	9,336.4
Placement to banks and other financial institutions	**–**	1,100.0
Financial assets at fair value through profit and loss	**1,857.9**	2,133.7
Derivative financial assets	**27.7**	9.7
Accounts receivable	**6,610.0**	6,841.8
Finance lease receivables	**98,880.6**	88,464.1
Available-for-sale financial assets	**266.6**	152.1
Other financial assets	**705.8**	262.3
Total	**124,555.6**	108,300.1

Asset quality

The Group evaluates asset quality and adjusts asset categories quarterly based on the asset risk, and adopts measures to mitigate risks for the projects with overdue rent and material risks in a timely manner. The Group's asset quality classification system is based on Governing Principles on the Risk-based Classification of Assets of Non-banking Financial Institutions (Provisional) (《非銀行金融機構資產風險分類指導原則(試行)》) issued by the CBRC on February 5, 2004, the Guidelines on the Risk-based Classification of Loan (《貸款風險分類指引》) issued by the CBRC on April 4, 2007, and Operation Guidelines on the Five Category Asset Quality Classification of Non-banking Financial Institutions in Shenzhen (Provisional) (《深圳市非銀行類金融機構資產質量五級分類操作指引(試行)》) issued by the Shenzhen CBRC in November 2004. In addition, the Group formulated its provisioning policies for financial assets in accordance with the statutory requirements relating to the asset quality classification of the China banking industry, international accounting standards and the accompanying guidance.

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

	As of December 31,	
(RMB in millions, except percentages)	**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]	**1,482.0**	1,654.7
Non-performing asset ratio[2]	**0.78%**	0.98%

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

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

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

	As of December 31,	
(RMB in millions, except percentages)	**2017**	2016
Five-category		
Normal	**101,843.8**	92,548.8
Special mention	**4,807.8**	3,436.3
Substandard	**372.0**	1,096.4
Doubtful	**1,044.7**	493.0
Loss	**0.6**	0.6
Finance lease related assets before allowance for impairment losses	**108,068.9**	97,575.1
Non-performing finance lease related assets[(1)]	**1,417.3**	1,589.9
Non-performing asset ratio of finance lease business[(2)]	**1.31%**	1.63%

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

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

As of December 31, 2017, the non-performing assets of the Group was RMB1,482.0 million, representing a decrease of RMB172.7 million as compared with that as at the end of last year, while the non-performing asset ratio was 0.78%, representing a decrease of 0.20 percentage point as compared with that as at the end of last year. As of December 31, 2017, the non-performing finance lease related assets of the Group were RMB1,417.3 million, representing a decrease of RMB172.6 million as compared with that as at the end of last year, while the non-performing asset ratio of finance lease business was 1.31%, representing a decrease of 0.32 percentage point as compared with that as at the end of last year. The significant improvement in asset quality was primarily due to the enhanced credit risk management and control by the Group in 2017, as well as the disposal and mitigation of risky assets and non-performing assets. For new businesses, the Group 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.

The following table sets forth, the distribution of the Group's finance lease related assets by segments and the five-category asset quality classification as of December 31, 2017:

(RMB in millions, except percentages)	**Aircraft Leasing**	**Infrastructure Leasing**	**Ship, Commercial Vehicle and Construction Machinery Leasing**	**Other Leasing Business**	**Total**
Five-category					
Normal	2,163.7	69,550.7	22,919.4	7,210.0	101,843.8
Special mention	380.2	1,946.1	–	2,481.5	4,807.8
Substandard	–	372.0	–	–	372.0
Doubtful	–	10.1	511.2	523.4	1,044.7
Loss	–	–	–	0.6	0.6
Finance lease related assets before allowance for impairment losses	2,543.9	71,878.9	23,430.6	10,215.5	108,068.9
Non-performing finance lease related assets	–	382.1	511.2	524.0	1,417.3
Non-performing asset ratio of finance lease business	–	0.53%	2.18%	5.13%	1.31%

Through joint efforts contributed to the aircraft leasing business for mainstream models between the Group and high-quality aviation companies, the Aircraft Leasing segment maintained good asset quality. As of December 31, 2017, the non-performing asset ratio of the finance lease business for the segment was zero. The Group cooperated with large state-owned enterprises and enterprises under local governments to conduct infrastructure leasing business, while the credit risk of such segment increased in 2017, resulting a corresponding increase of non-performing asset ratio of the finance lease business for such segment. By enhancing risk prevention and control as well as disposal of non-performing assets, the non-performing asset ratios of finance lease business under Ship, Commercial Vehicle and Construction Machinery Leasing segment and Other Leasing Business segment decreased significantly as compared with that of last year.

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

	As of December 31,	
(RMB in millions)	**2017**	2016
Neither overdue nor impaired	**100,267.4**	88,184.9
Overdue but not impaired	**–**	1,085.4
Impaired	**1,417.3**	1,589.9
	101,684.7	90,860.2
Less: Allowances for impairment losses	**(2,804.1)**	(2,396.1)
Total	**98,880.6**	88,464.1

Concentration of credit risks

The Group proactively implemented the requirements of the regulatory authorities and timely monitored the financing concentration of a single client through project inspection. Besides, the Group has established a client's ledger to carry out quarterly monitoring over the financing concentration of group clients in order to prevent credit concentration risk. As of December 31, 2017, the balance of finance lease transactions for the largest single client accounted for 17.66% of the net capital while the balance of finance lease transactions for the largest single group client accounted for 18.53% of the net capital.

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

	As of December 31,	
Concentration indicator	**2017**	2016
Degree of concentration of single client financing[1]	**17.66%**	12.48%
Degree of concentration of single group client financing[2]	**18.53%**	23.46%

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

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

As of December 31, 2017, in terms of finance lease related assets before allowance for impairment losses, the total financing raised by the top ten single clients amounted to RMB22,902.4 million, accounting for 21.2% of finance lease related assets.

The following table sets forth the financing amount raised by the top ten clients of the Group as of December 31, 2017:

(RMB in millions, except percentages)	**Business segment**	**Financing amount**	**Percentage of finance lease related assets before allowance for impairment losses**
Client A	Infrastructure	3,214.9	3.0%
Client B	Infrastructure	2,959.8	2.7%
Client C	Infrastructure	2,609.5	2.4%
Client D	Transportation and Construction Machinery	2,357.7	2.2%
Client E	Infrastructure	2,337.4	2.2%
Client F	Infrastructure	2,200.0	2.0%
Client G	Infrastructure	1,937.8	1.8%
Client H	Infrastructure	1,812.9	1.7%
Client I	Infrastructure	1,761.2	1.6%
Client J	Infrastructure	1,711.2	1.6%
Total		22,902.4	21.2%

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

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

(RMB in millions, except percentages)	As of December 31, 2017 Amount	2017 Percentage	2016 Amount	2016 Percentage
Aircraft Leasing	**2,543.9**	**2.5%**	3,824.1	4.2%
Infrastructure Leasing	**66,236.0**	**65.1%**	56,835.2	62.6%
Transportation Infrastructure	**27,047.3**	**26.6%**	21,293.8	23.4%
Urban Infrastructure	**33,518.1**	**33.0%**	31,576.2	34.8%
Energy Infrastructure	**5,670.6**	**5.5%**	3,965.2	4.4%
Ship, Commercial Vehicle and Construction Machinery Leasing	**23,430.4**	**23.1%**	18,269.5	20.1%
Ship	**11,346.3**	**11.2%**	9,645.0	10.6%
Commercial Vehicle	**2,931.8**	**2.9%**	1,611.6	1.8%
Construction Machinery	**9,152.3**	**9.0%**	7,012.9	7.7%
Other Leasing Business	**9,474.4**	**9.3%**	11,931.4	13.1%
Commercial Property	**3,239.8**	**3.2%**	3,725.2	4.1%
Other Sectors	**6,234.6**	**6.1%**	8,206.2	9.0%
Total	**101,684.7**	**100.0%**	90,860.2	100.0%

5.2 Market Risk

5.2.1 Interest Rate Risk

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

5.2.2 Exchange Rate Risk

Exchange rate risk refers to the risk of losses in the Group's overall income and economic value resulting from an adverse movement in exchange rates. The exchange rate risk exposure primarily arises from the profits of some of the Group's overseas 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 December 31, 2017, the Group's net exposure for US dollar-denominated assets that affect profit or loss amounted to US$856.3 million. In 2017, the Group recorded exchange loss of RMB234.3 million due to the depreciation of US dollar against Renminbi.

5.3 Liquidity Risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The 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 December 31, 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.

5.4 Other Risks

5.4.1 Operational Risk

Operational risk refers to the risk of losses resulting from imperfect or problematic internal process, personnel and system or external events.

In 2017, the overall management of operational risks of the Group was improved. Firstly, the Group formulated the Administrative Measures for Business Continuity (Provisional) (《業務連續性管理辦法(試行)》), the Administrative Measures of Outsourcing Risks (《外包風險管理辦法》), the Administrative Measures for Responsibility Identification of Operational Risk Events (Provisional) (《操作風險事件責任認定管理辦法(試行)》) and other regulations, and established a management mechanism for daily management of business continuity and emergency handling to ensure the continuity of crucial businesses. Secondly, the information system was launched and tested to provide technical support for further prevention of operational risks. Thirdly, the corresponding accountability mechanism for operational risk management was established to strengthen the staff's responsibility awareness, risk awareness and compliance awareness. The overall situation of the operational risk of the Group for the year was relatively stable with no major operational risk incidents.

5.4.2 Information Technology Risk

Information technology risks refer to the risks of operation, law and reputation arising from natural and human factors, technical loopholes and management flaws in the course of the application of information technology.

The CBRC attaches great importance to the risk management of information technology in the banking industry, requires financial leasing companies to establish effective mechanism to identify, measure, test and control information technology risks so as to promote safe, sustainable and stable operation, promote business innovation to enhance application of information technology, strengthen core competitiveness and sustainable development capability to constantly enhance the risk resistance capability.

In 2017, the Group upgraded its management level of information technology risk in a comprehensive way. Firstly, the Group put efforts in building business system including launching the leasing business management system of new generation to push forward the information system establishment so as to strengthen the risk control capability; secondly, the Group reinforced the data management through formulating data standards, putting the main data management platform into place and enhancing data quality; thirdly, the Group improved disaster prevention works, carried out emergency exercises for recovery of important application system in case of accidents and initiated the construction of data backup platform to improve efficiency of data backup.

5.4.3 Reputational Risk

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

In 2017, the Group enhanced its reputational risk management and focused on the reputational risk prevention and control as well as brand building. It issued the Administrative Measures for the Responsibility Identification of Reputational Risks Management (Trial) (《聲譽風險管理責任認定管理辦法(試行)》) to further strengthen reputational risk management. According to the Measures for the Management of Reputational Risks (《聲譽風險管理辦法》), through regular self-inspection and investigation of reputational risk and timely handling of reputational incidents of the Group, the capability of responding to the public sentiment and guiding public opinion was effectively improved. In addition, the Group facilitated the brand building with great efforts through authoritative newspapers, magazines and mainstream media, and improved the operational quality of the Group's new media channels with expansion of the new media channels by adapting to the features of new media, while strengthening positive advertising through accumulating positive energy and guiding public opinions in an active manner. The reputational risk management of the Group was improved stably for the year, effectively safeguarding the sound corporate image and reputation.

6. Capital Management

The Group's major objectives of capital management activities are to comply with the capital requirements set by the regulatory authorities of the banking industry where the Group operates its businesses, to safeguard the Group's ability of sustainable operation so as to continuously provide returns for Shareholders, and to maintain a strong capital base to support its business development. In accordance with relevant regulations promulgated by the CBRC, capital adequacy ratio, leverage ratio and the utilization of regulatory capital are closely monitored by the management of the Group.

In 2017, the Group continuously enhanced development of basic capability of asset management, optimized asset transmission and restriction mechanism, actively promoted capital intensification operating transformation. At the same time, by enhancing development of core competitiveness for improvement of asset profitability, by configuration of capital optimization for enhancement of efficiency of usage, and by increasing the ratio of provision for impairment loss of assets for replenishment second-tier capital, the Group significantly improved the capability of accumulating internal capital. Moreover, the Group sought for long-term development, improved asset management and planning capability, completed formulation of asset planning proposal, and developed mechanism for long-term asset replenishment to lay an asset foundation for sustainable and healthy development of the Group.

On June 7, 2012, the CBRC issued the Capital Administrative Measures. which came into effect on January 1, 2013. In order to ensure the successful implementation of the Capital Administrative Measures, the CBRC issued the Notice on Arranging Related Matters in the Transitional Period of Carrying out the Administrative Measures for the Capital of Commercial Banks (Provisional) (《關於實施〈商業銀行資本管理辦法(試行)〉過渡期安排相關事項的通知》) on November 30, 2012, which stipulates the requirement on annual capital adequacy ratio during the transitional period. As of December 31, 2017, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 13.19%, 13.19% and 14.10%, respectively, which were all above the regulatory requirements of the CBRC.

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

(RMB in millions, except percentages)	Regulatory requirement	As of December 31, **2017**	2016
Net capital:			
Net core tier-one capital		**23,502.8**	22,290.9
Net tier-one capital		**23,502.8**	22,290.9
Net capital		**25,134.8**	23,312.9
Capital adequacy ratio:			
Core tier-one capital adequacy ratio	≥7.1%[1]	**13.19%**	13.42%
Tier-one capital adequacy ratio	≥8.1%[1]	**13.19%**	13.42%
Capital adequacy ratio	≥10.1%[1]	**14.10%**	14.03%

(1) The indicating requirement to be fulfilled before the end of 2017.

7. Capital Expenditures

The capital expenditures of the Group principally comprise expenditures for the purchase of property, equipment and aircraft leasing assets and construction of office building, etc. In 2017, the capital expenditures of the Group amounted to RMB14,019.4 million, which were mainly used for the purchase of aircraft. The Group financed the capital expenditures through cash from operating activities, bank borrowings, issuance of bonds and net proceeds from the Global Offering.

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

(RMB in millions)	For the year ended December 31, **2017**	2016
Capital expenditures	**14,019.4**	9,182.1

8. Pledge of Assets

As of December 31, 2017, finance leases receivable (net), properties and equipment for operating lease (net), properties and equipment for finance lease (net), properties and equipment for pre-paid operating lease (net) of the Group amounted to RMB2,603.3 million, RMB22,002.8 million, RMB3,077.8 million and RMB426.0 million were pledged to banks for bank borrowings, respectively. Bank deposits (net) of RMB519.1 million were paid to the bank for bank borrowings, and nothing was pledged to banks for bank borrowings. The total collateral assets as aforesaid accounted for 15.3% of total assets in aggregate.

9. Human Resources

The Group proactively implemented the strategy of "reviving the Company by talents" and valued talents as the precious resources to achieve tremendous operating results by the top notch talents.

As of December 31, 2017, the Group had 288 employees in total, 209 of which were domestic employees, 79 were overseas employees; 174 were in the business facilitation segment which accounted for 60% of the total, 66 were in the business support segment which accounted for 23% of the total, and 48 were in the business assurance segment which accounted for 17% of the total. The Group has a team of high-quality talents with good academic qualifications. As of December 31, 2017, approximately 95% of the Group's employees had bachelor's degrees or above, while approximately 56% of employees had master's degrees and above.

The Group attaches 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 frontdesk 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.

10. Industrial Regulation

In 2017, under the guidance of policies of further enhancement of regulation in financial industry, firmly defense of and solving financial risks and maintenance of systematic financial stability, the Group constantly improved and optimized its compliance and risk management work by regarding sound development as a main principal and deepening reform as support to adhere to the concept of legitimate operation, compliant operation, safe operation for creation of efficiency, adequately leveraging on the use of "three layers of defence". On the one hand, the Group developed sound compliance risk management structure, realized effective identification and management of compliance risk, ensuring that various compliance risk indicators met the regulatory requirements. On the other hand, the Group enhanced building of compliance culture, established effective accountability mechanism on prevention and control of incidents and mechanism for troubleshooting of employees' behavior, improved awareness of compliance of all employees, and promoted effective interaction between self-compliance and external regulations of the Group under the promotion of occupational ethics and values of honesty and integrity of the Group, leading to further enhancement of compliance risk prevention and control capability.

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

	Regulatory requirement	As of December 31, 2017
Capital adequacy ratio	Above 10.1%	14.10%
Tier-one capital adequacy ratio	Above 8.1%	13.19%
Core tier-one capital adequacy ratio	Above 7.1%	13.19%
Degree of concentration of single client financing	Not more than 30%	17.66%
Degree of concentration of single group client financing	Not more than 50%	18.53%
Ratio of a single related client(1)	Not more than 30%	1.02%
Ratio of all related parties(2)	Not more than 50%	1.86%
Ratio of a single related shareholder(3)	Not more than 100%	32.33%
Ratio of interbank lending(4)	Not more than 100%	–
Allowance to non-performing finance lease related assets	Above 150%	215.15%
Allowance to total finance lease related assets(5)	Above 2.5%	2.82%
Investment in fixed-income securities(6)	Not more than 20%	8.51%

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

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

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

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

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

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

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

11. Prospects

In 2018, the global economic development are still facing many uncertainties, yet it will generally go along the trend of recovery. In spite of certain conflicts and problems in the economy of China, the economic growth will show strong potential and its features of strong resilience, great potential and ample room for maneuver will remain unchanged, thus being able to maintain a relatively high growth rate. Opportunities and challenges exist side by side for the leasing industry. On the one hand, the favorable policies will propel the industrial development. On the other hand, the uncertainties in the economic and financial environments, the general trend of "strengthened regulation and stringent oversight" on financial regulation and the increasing competition in the industry have also imposed higher requirements on leasing companies in terms of business development model, compliance operation, risk prevention and control and other aspects.

Countering with the domestic and overseas economic environments, regulatory policies and industrial conditions as aforesaid, the Group will continue to consolidate the development foundation, optimize the business layout, enhance the capability of risk management and control as well as compliance management, and improve the management efficiency. Meanwhile, the Group will take the further improvement of corporate operating mechanism as an opportunity to accelerate the refinement of the market-oriented operation mechanism and improve the corporate governance. Besides, adapting to the requirements of the new policies under the new situations, the Group will strengthen the professional abilities, facilitate the innovation of varieties and models of business and enhance the vitality and motivation of development, so as to enhance the core competitiveness, push forward the long-term and sustained development of the Group and create greater values for all Shareholders.

Directors, Supervisors and Senior Management

1. Biographies of Directors, Supervisors and Senior Management

1.1. Directors

1.1.1 Executive Directors

Mr. Wang Xuedong (王學東), aged 54, joined the Company in August 2014. He is currently the chairman of the Board and an executive Director. Mr. Wang Xuedong successively held positions in the former State Planning Commission (currently known as National Development and Reform Commission) and the National Transportation Investment Corporation (國家交通投資公司) from August 1983 to March 1994. He served as the deputy head and head of the second division of water transportation under the transportation credit bureau of CDB successively from March 1994 to January 1997, and was the head of the first division under the eastern China credit bureau of CDB from January 1997 to December 1999. He served as the vice president of the Shanghai Branch of CDB from December 1999 to March 2008, and was the president of the Hunan Branch of CDB from March 2008 to August 2014. Mr. Wang Xuedong has served as the chairman of the Board and an executive Director since October 2014.

Mr. Wang Xuedong graduated from Dalian College of Technology (大連工學院) in Dalian, Liaoning Province, the PRC, majoring in port construction engineering, and obtained a bachelor's degree in engineering in July 1983. He graduated from Central University of Finance and Economics in Beijing, the PRC, majoring in money and banking, and obtained a master's degree in economics (part-time) in August 1999. Mr. Wang Xuedong obtained the qualification of senior engineer issued by CDB in November 1994. Mr. Wang also won the "National May 1st Labor Medal" (全國五一勞動獎章) in 2011, and was a representative of the 12th National People's Congress.

Mr. Peng Zhong (彭忠), aged 49, joined the Company in October 2017. He is currently the president of the Company. He is also appointed as an executive Director and the vice chairman of the Board, which shall take effect upon obtaining the approval of his qualification from Shenzhen CBRC. He worked for the National Transportation Investment Corporation in July 1993 and joined China Development Bank in April 1994. He worked successively for the transportation credit bureau, the Chengdu Office, the southwest credit bureau, the second assessment bureau and the first assessment bureau. He worked for the China Development Bank (Sichuan Branch) from August 2003 to September 2017, during which he served as the deputy general manager and a committee member of the Communist Party of China.

Mr. Peng Zhong graduated from Renmin University of China in Beijing, the PRC, in July 1993, majoring in industrial enterprise management and obtained a master's degree.

Mr. Huang Min (黃敏), aged 34, joined the Company in March 2015. He is currently an executive Director, a vice president of the Company and the secretary to the Board. He served as the head of cadre appointment and removal at Hainan Airlines Co., Ltd. (海南航空股份有限公司) from October 2004 to October 2005. He served as the business head and the manager of the comprehensive management department in Chang Jiang Leasing Co., Ltd. (長江租賃有限公司) successively from May 2006 to July 2009, and was the acting manager of the human resources management department, the general manager of the comprehensive management department and the general manager of the fourth business department in Tianjin Bohai Leasing Co., Ltd. (天津渤海租賃股份有限公司) from September 2008 to November 2012. He held several positions in Wanjiang Financial Leasing Co., Ltd. (皖江金融租賃有限公司) successively from November 2012 to March 2015, including the secretary to the board of directors, the general manager of the strategic innovation department and general aviation department, and assistant to the president. Mr. Huang Min has served as the vice president and an executive Director since April and June 2015, respectively, and has served as the secretary to the Board since January 2016.

Mr. Huang Min graduated from Renmin University of China in Beijing, the PRC, majoring in international politics, and obtained a bachelor's degree in laws in July 2004. He graduated from Tsinghua University School of Economics and Management in Beijing, the PRC, and obtained a master's degree in business administration in June 2016.

1.1.2 Non-Executive Directors

Mr. Geng Tiejun (耿鐵軍), aged 57, joined the Company in April 2008. He is currently a non-executive Director. Mr. Geng Tiejun served as an assistant researcher in the research department of the China Enterprise Management Association (中國企業管理協會) from July 1987 to April 1992. He held several positions in China International Engineering Consulting Corporation (中國國際工程諮詢公司) successively from April 1992 to November 1997, including a principal staff member of the general manager office, an assistant to the general manager and the deputy head of the office research division. From November 1997 to April 2008, he held several positions in CDB successively, including the head of the business department of Chengdu office, the deputy head of the Sichuan division and the deputy head of the equity management division under the southwest credit bureau, and the head of the equity management division and securitization business division under the investment business bureau. He has served as an executive Director from April 2008 to March 2017, vice president of the Company from April 2008 to November 2016 and the chairman of the labor union of the Company from December 2013 to November 2016. He has served as the senior customer service manager in Beijing branch and Canadian team leader of China Development Bank since November 2016. He has served as a non-executive Director of the Company since March 2017.

Mr. Geng Tiejun graduated from Hunan University in Changsha, Hunan Province, the PRC, majoring in chemical and analytical chemistry, and obtained a bachelor's degree in science in July 1985. He graduated from a class for postgraduates under the theory department in the Party School of the Central Committee in Beijing, the PRC in July 1987, majoring in economic management, and obtained a master's degree, and graduated from Stevens Institute of Technology in Hoboken, New Jersey, the U.S., majoring in project management and obtained a master's degree in management (part-time) in May 2007. Mr. Geng Tiejun obtained the qualification of associate researcher issued by the former State Planning Commission (currently known as the National Development and Reform Commission) of China in October 1994.

Ms. Liu Hui (劉暉), aged 47, joined the Company in September 2015. She is currently a non-executive Director of the Company, as well as a deputy director of the market and investment bureau in CDB. Ms. Liu Hui has held several positions in CDB successively since July 1996, including a cadre of the finance and accounting bureau of CDB, a cadre in the finance and accounting division of Wuhan Branch, a clerk at deputy section level and clerk at section level of the general division of the financial and accounting bureau, a clerk at section level, the deputy head and head of the equity business division of the investment business bureau, head of the investment business division of the marketing and investment bureau and the deputy director of the marketing and investment bureau. Ms. Liu Hui has served as a non-executive director of Upper Chance Group Ltd. (浩迅集團公司) since May 2014, a non-executive director of Pak China Investment Company Limited (巴基斯坦－中國投資公司) since December 2012, a non-executive director of China-Africa Development Fund Co., Ltd. (中非發展基金有限公司) since July 2016 and a non-executive Director of the Company since September 2015.

Ms. Liu Hui graduated from the accounting department of Renmin University of China in Beijing, the PRC, majoring in international accounting, and obtained a bachelor's degree in economics in July 1993. She then graduated from the accounting department of Renmin University of China in Beijing, the PRC, majoring in accounting, and obtained a master's degree in economics in June 1996. Ms. Liu Hui obtained the qualification of senior accountant issued by CDB in November 2005.

Mr. Li Yingbao (李英寶), aged 54, joined the Company in September 2015. He is currently a non-executive Director of the Company, as well as a senior appraisal manager of the first assessment bureau in CDB. Mr. Li Yingbao served as an engineer of the transportation project department in China International Engineering Consulting Corporation from August 1991 to February 1998, and held several positions in CDB successively from February 1998 to June 2012, including a clerk at section level of the transportation environmental assessment bureau, a clerk at section level and the head of division of the second assessment bureau, and the deputy head and head of division of the first assessment bureau. Mr. Li Yingbao has served as the senior assessment manager of the first assessment bureau of CDB since June 2012, and has served as a non-executive Director of the Company since September 2015.

Mr. Li Yingbao graduated from Xi'an College of Highway (西安公路學院) in Xi'an, Shaanxi Province, the PRC, majoring in highways and urban roads, and obtained a bachelor's degree in engineering in July 1985. He then graduated from Xi'an College of Highway in Xi'an, Shaanxi Province, the PRC, majoring in highways and urban roads and obtained a master's degree in engineering in April 1991. Mr. Li Yingbao obtained the qualification of senior engineer issued by CDB in November 1998. In May 2004, the research on the "Evaluation Methods of the Civil Airport Construction Project" led and completed by Mr. Li Yingbao was awarded the Second Prize for Civil Aviation Science and Technology Progress in 2001 by the Civil Aviation Administration of China. In December 2009, the "Feasibility Study Report on the Acquisition of Light Rail Airport Line Project by Capital Airport Holding Company" led and completed by Mr. Li Yingbao was awarded the Third Prize for National Excellent Engineering Consulting Achievement in 2009 by the China National Association of Engineering Consultants.

1.1.3 Independent Non-Executive Directors

Mr. Zheng Xueding (鄭學定), aged 54, joined the Company in January 2016. He is currently an independent non-executive Director of the Company, and has been a partner of Shenzhen Branch of Da Hua Certified Public Accountants (大華會計師事務所深圳分所) since January 2012. Mr. Zheng Xueding was a teacher in the department of accounting of Jiangxi College of Finance and Economics (currently known as Jiangxi University of Finance and Economics) from July 1984 to July 1988, and was a cadre of the accounting division under Shenzhen Municipal Bureau of Finance from January 1991 to January 1992. He served as the deputy secretary general and secretary general of Shenzhen Institute of Certified Public Accountants from January 1992 to December 2005 and a partner of Shenzhen Branch of Pan-China Certified Public Accountants (天健會計師事務所深圳分所) from January 2006 to December 2011. Mr. Zheng Xueding has been an independent director of Shenzhen Institute of Building Research Co., Ltd. (深圳市建築科學研究院股份有限公司) since September 2013 and an independent director of Shenzhen Glacier Network Technology Co. Ltd. (深圳冰川網絡技術股份有限公司) since September 2012 and an independent director of Shenzhen Jintian Industry (Group) Co., Ltd. (深圳金田實業(集團)股份有限公司) from January 2014 to March 2017. Mr. Zheng Xueding has served as a director of Jintian Industry since January 2014. Mr. Zheng Xueding confirmed that he is not in any way related to the loss of Jintian Industry. Mr. Zheng Xueding served as an independent director of Ping An UOB Fund Management Co., Ltd. (平安大華基金公司) from January 2011 to January 2016 and has been an independent director of Shenzhen Infogem Technologies Co., Ltd. (深圳市銀之傑科技股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 300085) since April 2014, an independent director of Qinhuangdao Tianye Tolian Heavy Industry Co., Ltd. (秦皇島天業通聯重工股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002459) from May 2014 to May 2017 and an independent director of Guosen Securities Co., Ltd. since December 2017. Mr. Zheng Xueding has been a member of the sixth Standing Committee and the Planning and Budget Committee of the People's Congress of Shenzhen since June 2015, and has served as an independent non-executive Director of the Company since January 2016.

Mr. Zheng Xueding graduated from the department of accounting of Jiangxi University of Finance and Economics in Nanchang, Jiangxi Province, the PRC, majoring in industry accounting, and obtained a bachelor's degree in economics in July 1984. He then graduated from the financial accounting department of Jiangxi University of Finance and Economics in Nanchang, Jiangxi Province, the PRC, majoring in accounting, and obtained a master's degree in economics in July 1991. Mr. Zheng Xueding was granted with the qualification of certified public accountant by the Chinese Institute of Certified Public Accountants in August 1995 and the qualification of senior accountant by the Personnel Department of Guangdong Province in January 1998.

Mr. Xu Jin (徐進), aged 59, joined the Company in January 2016. He is currently an independent non-executive Director, and has been a professor of the School of Economics of Shenzhen University since October 2001. He has been a member of the Academic Committee of the Finance Society of Shenzhen, the Budget and Accounting Research Society of Shenzhen, and the Accounting Society of Shenzhen since July 2013, as well as a specialist of the Advisory Committee for Policy Decision of Shenzhen since January 2016. Mr. Xu Jin was a tutor and lecturer in the finance department of Jilin Institute of Finance and Trade (吉林財貿學院, currently known as the finance department of Changchun Taxation College (長春稅務學院)) from July 1986 to August 1995, and served as an associate professor of the finance department of Changchun Taxation College (長春稅務學院, currently known as the Institute of Taxation of Jilin University of Finance and Economics (吉林財經大學稅務學院)) from July 1998 to October 2001. He has served in several positions successively at Shenzhen University since October 2001, including as an associate professor and professor of the School of Economics, the dean of the finance department, the director of the Fiscal and Taxation Research Institute and the head of Community Finance Research Centre of China Minsheng Bank Shenzhen Branch (民生銀行深圳分行小區金融研究中心). Meanwhile, Mr. Xu Jin served as a visiting professor majoring in finance in Tianjin College of Commerce (天津商學院) from November 2002 to July 2004, and a standing director of the Shenzhen Certified Tax Agents Association from August 2003 to July 2011. He was a standing director of Shenzhen Local Taxation Research Academy (深圳地方稅收研究會) and Shenzhen International Taxation Research Academy (深圳國際稅收研究會) from November 2007 to September 2011. Mr. Xu Jin served as an external director of Shenzhen Guangming New District Urban Construction & Investment Co., Ltd. (深圳光明新區城投公司) from January 2011 to November 2015, and an independent director of Guangdong Baolilai Investment Co., Ltd. (廣東寶利來投資股份有限公司, currently known as China High-Speed Railway Technology Co., Ltd. (神舟高鐵技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000008)) from May 2013 to August 2015. He has served as an independent non-executive Director of the Company since January 2016.

Mr. Xu Jin graduated from Jilin Institute of Economics and Trade (吉林經貿學院, currently known as the Jilin University of Finance and Economics) in Changchun, Jilin Province, the PRC, majoring in finance and obtained a bachelor's degree in economics in July 1986, and graduated from the tutor course of the Central Institute of Finance and Economics (中央財政金融學院, currently known as the Central University of Finance and Economics) in Beijing, the PRC, majoring in finance, and completed his postgraduate course in July 1988. He graduated from Renmin University of China in Beijing, the PRC, majoring in finance, and obtained a doctoral degree in economics in July 1998. Mr. Xu Jin obtained the qualification of professor in December 2004 and was appointed as professor by Shenzhen University at the same time. He obtained the qualification of finance professor issued by the Personnel Department of Guangdong Province in March 2005.

Mr. Zhang Xianchu (張宪初), aged 63, joined the Company in January 2016. He is currently an independent non-executive Director of the Company, and has been a teacher, tenured professor at the Faculty of Law in the University of Hong Kong since July 1997, and deputy dean at the Faculty of Law in the University of Hong Kong from 2001 to 2004. He has served as a trustee of the Hong Kong Legal Education Trust Fund (香港法律教育信託基金) since May 2002 and a visiting professor of Fudan University since September 2003. He has served as an independent director of Jiangsu Nantong Xinhaixing (Group) Company (江蘇南通新海星(集團)公司) since 2004 and a visiting professor of Shantou University since 2006. He has been as a member of the Foreign Specialities Commission under the Trial Theory Study Committee of China Law Society (the Supreme People's Court) (中國法學會(最高人民法院)審判理論研究會涉外專業委員會) since March 2011 and an arbitrator of the Shanghai International Economic and Trade Arbitration Commission since May 2012. He has served as one of the three editors of the series of books of Asian commercial laws, financial laws and economic laws, and Asian commercial laws and practices published by Edward Elgar Publishing in the UK since June 2012, and has been an arbitrator of the South China International Economic and Trade Arbitration Commission since December 2012 and the director of the Chinese Judicial Studies Academy (中華司法研究會) under the Supreme People's Court since July 2015. He has also been a member of the editorial committee of the British Journal of Interdisciplinary Studies since September 2015 and an arbitrator of the Arbitration Commission of Tianjin Free Trade Zone in China since October 2015. He has served as a member of the editorial committee of University of Bologna Law Review since November 2015 and a visiting scholar of University of Michigan Law School since January 2016. Mr. Zhang Xianchu was a teacher at City University of Hong Kong from January 1995 to June 1997 and a senior researcher at Queen Mary University of London from May 1999 to May 2002. He served as a visiting professor of the Asian Transnational Program of Duke University-University of Hong Kong from June 1999 to June 2005 and a visiting professor of WTO Asia-pacific Trade Policy Training Program from June 2003 to June 2009. He was also a visiting scholar of Academia Sinica (中央研究院) in Taiwan from December 2008 to March 2009. Mr. Zhang Xianchu has been an independent non-executive Director of the Company since January 2016.

Mr. Zhang Xianchu graduated from China University of Political Science and Law in Beijing, the PRC, majoring in law, and obtained a bachelor's degree in law in July 1983. He graduated from the Law School of Indiana University (Bloomington) in Bloomington, Indiana, the U.S., majoring in comparative law, and obtained a master's degree in law in May 1988. He graduated from the Law School of Indiana University (Bloomington) in Bloomington, Indiana, the U.S., and obtained a doctoral degree in law in August 1992.

1.2. Supervisors

Mr. Jiang Daozhen (蔣道振), aged 51, joined the Company in March 2015. He is currently the chairman of the Board of Supervisors of the Company. Mr. Jiang Daozhen held several positions in CDB from April 1995 to March 2015 successively, including a staff member and a clerk at section level of the international financial organization loan division under the international finance bureau, a clerk at section level of the international business loan division and the foreign exchange credit management division under the international finance bureau, the deputy head of the foreign exchange credit management division under the international finance bureau, the secretary at deputy division level of the president office under the general office, the head of the second customer division under the business department of the head office, the deputy general manager of the business department of the head office and vice president of the Beijing Branch. Mr. Jiang Daozhen has served as the chairman of the Board of Supervisors since June 2015.

Mr. Jiang Daozhen graduated from Tsinghua University in Beijing, the PRC, majoring in water conservancy and hydropower engineering, and obtained a bachelor's degree in engineering in July 1990. He then graduated from Beijing Postgraduate Department of North China College of Water Resources and Electric Power (華北水利水電學院) in Beijing, the PRC, majoring in hydraulics and river dynamics and obtained a master's degree in engineering in April 1995.

Mr. Lei Yanzheng (雷閻正), aged 52, joined the Company in December 2013. He is currently a Supervisor of the Company. Mr. Lei Yanzheng has been the secretary of the board of directors of AVIC Aircraft Co., Ltd. (中航飛機股份有限公司) from December 2012 to September 2016 and a deputy general manager of AVIC Aircraft Co., Ltd. since September 2016. Mr. Lei Yanzheng served in several positions successively in Xi'an Aircraft Industry (Group) Company Ltd. from July 1986 to July 2011, including a technician of the power section, the manager of the 56th Factory, the secretary of the board of directors, the head of the planning department and deputy general manager of Xi'an Aircraft International Corporation (西安飛機國際航空製造股份有限公司). Mr. Lei Yanzheng has been a Supervisor of the Company since December 2013.

Mr. Lei Yanzheng graduated from Xi'an Metallurgy and Architecture College (西安冶金建築學院) in Xi'an, Shaanxi Province, the PRC, majoring in heating and ventilating, and obtained a bachelor's degree in engineering in July 1986. He then graduated from Northwestern Polytechnical University in Xi'an, Shaanxi Province, the PRC, majoring in management engineering, and obtained a master's degree in engineering in May 1998.

Mr. Sun Zhikun (孫志坤), aged 40, joined the Company in June 2015. He is currently a Supervisor. Mr. Sun Zhikun successively held several positions in the human resources department of HNA Group, the comprehensive management department of China Xinhua Airlines Co., Ltd. (中國新華航空有限責任公司), the service department of Hainan Airlines Co., Ltd. (海南航空股份有限公司), the human resources department of HNA Capital Holding Co., Ltd. (海航資本控股有限公司) and Tianjin Yanshan Investment Management Company Limited (天津燕山投資管理有限公司) from July 2001 to December 2013. He successively served as the general manager and the director of the office of the human resources department, and the director and general manager of the human resources department of HNA Capital Holding Co., Ltd. from 2014 to 2016, and November 2016 till now, respectively. Mr. Sun Zhikun has consecutively served as a director of Yangtze River Insurance Brokers Co., Ltd. (揚子江保險經紀有限公司), and a director of HNA Futures Ltd. (海航期貨股份有限公司) (formerly known as HNA Topwin Futures Ltd. (海航東銀期貨有限公司)/HNA Topwin Futures Co., Ltd.(海航東銀期貨股份有限公司)) and a director of Bohai International Trust Co. Ltd. (渤海國際信託股份有限公司) since August 2017. He has been a Supervisor of the Company since June 2015.

Mr. Sun Zhikun graduated from Northwest University (西北大學) in Xi'an, Shaanxi Province, the PRC, majoring in management science, and obtained a bachelor's degree in management in July 2001. He then graduated from Beihang University in Beijing, the PRC, majoring in business administration, and obtained an MBA degree in July 2008. In August 2005, Mr. Sun Zhikun was granted the qualification of enterprises human resources manager by the Occupational Skill Testing Authority of the Ministry of Labor and Social Security.

Ms. Huang Xuemei (黃雪梅), aged 44, joined the Company in March 2000. She is currently an employee representative Supervisor of the Company, the general manager of the Compliance Department, a member of the labor union and a director of the Women Workers' Committee of the Company. Ms. Huang Xuemei has served in several positions successively in the Company since March 2000, including an assistant to the director of the Capital Department, the director of the Finance Department and Capital Department, the general manager of the Treasury Department, the general manager of the Risk Management Department and the general manager of the Compliance Department. Ms. Huang Xuemei has served as a director in 20 domestic SPCs of the Company since July 2013, a Supervisor of the Company since May 2015, and a director in other 13 domestic SPVs of the Company since October 2015.

Ms. Huang Xuemei graduated from Capital University of Economics and Business in Beijing, the PRC, majoring in finance and insurance, and obtained a bachelor's degree in economics in July 1997. She graduated from the Chinese University of Hong Kong in Hong Kong, majoring in business administration and obtained an MBA degree in business administration in December 2010. In October 1998, Ms. Huang Xuemei was granted with the qualification of intermediate economist by Ministry of Personnel of the PRC (now known as Ministry of Human Resources and Social Security of the PRC).

Mr. Ma Yongyi (馬永義), aged 53, joined the Company in February 2018. He is currently an external Supervisor of the Company. Mr. Ma Yongyi has been serving as a postgraduate mentor of Tsinghua University and Research Institute for Fiscal Science under the Ministry of Finance since July 2012. He has been working successively as the director of the distance education centre, the director of the academic department and the director of teacher management committee of Beijing National Accounting Institute (北京國家會計學院) since February 2004. Mr. Ma was an independent director of Glodon Software Co., Ltd. (廣聯達軟件股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002410) from April 2008 to April 2014, an independent director of Inner Mongolia Yuanxing Energy Co., Ltd. (內蒙古遠興能源股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 000683) from April 2009 to April 2013, an independent director of Xiamen Comfort Science & Technology Group Co., Ltd. (廈門蒙發利科技(集團)股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002614) from November 2010 to March 2012, an independent director of San'an Optoelectronics Co., Ltd. (三安光電股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600703) from July 2011 to December 2013, an independent director of Cachet Pharmaceutical Co., Ltd. (嘉事堂藥業股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002462) from August 2012 to August 2014. He has been an independent supervisor of Chanjet Information Technology Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1588) since April 2014, and an independent director of Zhejiang Dun'an Artificial Environment Co., Ltd. (浙江盾安人工環境股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002011) since April 2016.

Mr. Ma Yongyi has been recognised as a professor by the Ministry of Finance since October 2009. He has also been a director of the Accounting Society for Foreign Economic Relations and Trade of China (中國對外經濟貿易會計學會) since November 2010, a committee member of the education and training committee of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會教育培訓委員會) since December 2010 and a director of the Accounting Society of China (中國會計學會) since March 2014, respectively. Mr. Ma obtained a doctorate degree in management from Central University of Finance and Economics (中央財經大學) in July 2003.

1.3. Senior Management

Mr. Wang Xuedong (王學東) – for details of his biography, please refer to "– Directors – Executive Directors" in this section.

Mr. Peng Zhong (彭忠) – for details of his biography, please refer to "– Directors – Executive Directors" in this section.

Mr. Ai Yang (艾陽), aged 47, joined the Company in March 2015. He is currently a vice president of the Company. Mr. Ai Yang was a cadre in the highway project department of National Transportation Investment Corporation from July 1993 to March 1994. He served in several positions successively in CDB from March 1994 to November 2002, including a staff member of the transportation credit bureau, a clerk at deputy section level of the transportation credit bureau and the Southwest credit bureau, and a clerk at section level of the Southwest credit bureau and the second assessment bureau. From November 2002 to March 2011, he served in several positions successively in CDB Shanghai Branch, including the deputy head of the project appraisal division, the head of the business innovation division, the head of the financial market division and the head of the international cooperation division. He was a vice president of CDB Ningbo Branch from March 2011 to March 2015. Mr. Ai Yang has been a vice president of the Company since April 2015.

Mr. Ai Yang graduated from Beijing University of Technology in Beijing, the PRC, majoring in transportation engineering, and obtained a bachelor's degree in engineering in July 1993.

Mr. Li Jungang (李駿罡), aged 52, joined the Company in March 2015. He is currently a vice president of the Company. Mr. Li Jungang was a staff member of the Nantong Planning Committee from July 1990 to May 1993. He served as a deputy manager in Shenzhen Qingshuihe Industry Company Limited (深圳清水河實業公司) and its subsidiaries from May 1993 to February 1994. He was a principal staff member in China Southern Securities Company Limited (中國南方證券有限公司) from November 1994 to October 1996. He served in several positions successively in Shenzhen City Commercial Bank (深圳市商業銀行) from October 1996 to November 2007, including the deputy general manager of the corporate business department, the general manager of the credit and loan department, and the general manager of the asset and risk management department. From November 2007 to March 2015, he successively served as the head of client division III and client division I of CDB Shenzhen Branch. Mr. Li Jungang has been a vice president of the Company since April 2015.

Mr. Li Jungang graduated from Hefei University of Technology (合肥工業大學) in Hefei, Anhui Province, the PRC, majoring in industrial management engineering, with a bachelor's degree in engineering in July 1987. He then graduated from Jiangxi College of Finance and Economics in Nanchang, Jiangxi Province, the PRC, majoring in industrial economics, with a master's degree in economics in June 1990. He graduated from Xiamen University in Xiamen, Fujian Province, the PRC, majoring in world economy with a doctoral degree in economics in June 2008. In May 1996, Mr. Li Jungang was granted with the qualification of accountant by the Ministry of Personnel of the PRC (currently known as the Ministry of Human Resources and Social Security of the PRC).

Mr. Gu Zhonghui (顧仲輝), aged 44, joined the Company in August 2016. He currently serves as a vice president of the Company. Mr. Gu Zhonghui held various positions successively in CDB from July 1997 to July 2016, including a cadre of Shandong division under East China credit bureau, a cadre of Wuhan Branch, a clerk at deputy section level of the loan management bureau, a clerk at section level of the treasury bureau, the deputy head, the head of the monetary market division of the capital trading department under the treasury bureau, head of the trading division of the capital trading department under the treasury bureau and the deputy general manager of the capital trading department of the treasury bureau.

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

Mr. Huang Min (黃敏) – for details of his biography, please refer to "– Directors – Executive Directors" in this section.

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

2.1. Directors

On March 29, 2017, Mr. Geng Tiejun, was re-designated from an executive Director to a non-executive Director. The tenure of his appointment shall end when the term of the first session of the Board expires.

On August 30, 2017, Mr. Wang Xuedong ceased to be the chairman of the Nomination Committee of the Board but remained to be its member. On the same date, Mr. Xu Jin was appointed as the chairman of the Nomination Committee of the Board.

On October 26, 2017, due to work adjustments, Mr. Fan Xun resigned as the vice chairman of the Board, the executive Director, the president of the Company, the member of the Risk Management and Internal Control Committee and the member of the Remuneration Committee of the Board.

On November 16, 2017, Mr. Peng Zhong was nominated as the candidate of an executive Director and was approved at the general meeting on February 28, 2018, he was also appointed as the vice chairman of the Company on March 26, 2018 and the above-mentioned appointment shall take effect upon obtaining the approval of his qualification from Shenzhen CBRC.

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

2.2. Supervisors

On January 10, 2018, due to work arrangements, Mr. Zhuang Ganlang resigned as an employee representative Supervisor, with effect from February 28, 2018. On January 10, 2018, Mr. Ma Yongyi has been nominated as a candidate for external Supervisor, and his appointment was approved in the general meeting on February 28, 2018.

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

2.3. Senior Management of the Company

On November 16, 2017, Mr. Peng Zhong was appointed as the president of the Company, and his appointment became effective on December 29, 2017 upon the approval by the Shenzhen CBRC.

On March 26, 2018, Ms. Hu Xiaoyun resigned as a chief financial officer of the Company upon consideration and approval by the Board.

During the Reporting Period and as of the Latest Practicable Date, save as disclosed above, there was no change of senior management of the Company or their information.

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

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

Details regarding the remuneration of the Directors, Supervisors and Chief Executive of the Company are set out in Note 45 to the financial statements. The range of remuneration of Senior Management in the Group is set out as follows:

Range of remuneration	**Number of persons**
RMB0 to RMB500,000	1
RMB500,001 to RMB1,000,000	–
RMB1,000,001 to RMB1,500,000	–
RMB1,500,001 to RMB2,000,000	4
RMB2,000,001 to RMB2,500,000	1

1. Overview

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2017.

Corporate Governance Practice

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

2. Shareholders' General Meetings

2.1 Duties of Shareholders' General Meetings

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

2.2 Details of Shareholders' General Meetings

During the Reporting Period, the Company held 2 Shareholders' general meetings, the attendance of Directors at Shareholders' general meetings is set out in the table below:

Directors	No. of meetings attended/ No. of meetings eligible to be attended
Mr. Wang Xuedong	2/2
Mr. Fan Xun [1]	1/1
Mr. Huang Min	1/2
Mr. Geng Tiejun	1/2
Ms. Liu Hui	0/2
Mr. Li Yingbao	0/2
Mr. Zheng Xueding	0/2
Mr. Xu Jin	1/2
Mr. Zhang Xianchu	1/2

Note: 1. Due to change of his work arrangements, Mr. Fan Xun resigned as an executive Director on October 26, 2017.

3. Board

3.1 Duties of the Board

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

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

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

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

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

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

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

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

3.2 Composition of the Board

As of the Latest Practicable Date, the Board consists of 8 Directors, including 2 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors, details of which are as follows:

Executive Directors:
Mr. Wang Xuedong
Mr. Peng Zhong[1]
Mr. Huang Min

Non-executive Directors:
Mr. Geng Tiejun *(re-designated as a non-executive Director on March 29, 2017)*
Ms. Liu Hui
Mr. Li Yingbao

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

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

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

Note: 1. the appointment of Mr. Peng Zhong shall take effect upon obtaining the approval of his qualification from the Shenzhen CBRC.

3.3 Board Meetings

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

During the Reporting Period, the Board held 13 Board meetings, the attendance of Directors is set out in the table below:

Directors	No. of meetings attended/ No. of meetings eligible to be attended
Mr. Wang Xuedong	13/13
Mr. Fan Xun [1]	9/10
Mr. Geng Tiejun	10/13 (3 other meetings were attended by proxy)
Ms. Liu Hui	13/13
Mr. Li Yingbao	13/13
Mr. Huang Min	13/13
Mr. Zheng Xueding	13/13
Mr. Xu Jin	12/13 (1 other meeting was attended by proxy)
Mr. Zhang Xianchu	13/13

Note: 1. Due to change of his work arrangements, Mr. Fan Xun resigned as an executive Director on October 26, 2017.

3.4 Chairman of the Board and President

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

The positions of chairman and president of the Company were previously held by Mr. Wang Xuedong and Mr. Fan Xun, respectively, and the two different positions are clearly defined by their respective functions. On October 26, 2017, Mr. Fan Xun resigned as an executive Director and president of the Company and Mr. Wang Xuedong, the chairman of the Company, temporarily assumed the responsibilities of the president. On December 29, 2017, Mr. Peng Zhong was appointed as the president of the Company. The chairman is responsible for providing strategic recommendations and advice in respect of the Group's development, while the president is responsible for the day-to-day operations of the Group.

Details of the above changes were disclosed in the announcements of the Company dated October 26, 2017 and November 16, 2017.

3.5 Duties of the Board and the Management

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

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

3.6 Independent Non-executive Directors

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

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

3.7 Non-executive Directors

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

3.8 Directors' Responsibility for the Financial Statements

The Board has acknowledged its responsibility for preparing the financial statements of the Company for the year ended December 31, 2017.

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

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

3.9 Training for Directors

All newly-appointed Directors are provided with necessary entry training and information to ensure their certain level of understanding of the operation and business of the Company and their responsibilities under relevant regulations, laws, rules and ordinance. The Company also arranges seminars for Directors on a regular basis to provide them with updated information regarding the latest development and changes of the Hong Kong Listing Rules and other relevant laws and regulatory requirements from time to time. Directors also receive updated information regarding the performance, status and outlook of the Company for the Board and all Directors of the Board to perform their duties. During the Reporting Period, all Directors (namely Mr. Wang Xuedong, Mr. Fan Xun, Mr. Huang Min, Mr. Geng Tiejun, Ms. Liu Hui, Mr. Li Yingbao, Mr. Huang Min, Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu) have gone through the training sessions about the responsibilities of the Directors and senior management after listing in 2017.

3.10 Model Code for Securities Transactions by Directors and Supervisors

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

4. Special Committees under the Board

4.1 Strategy Decision Committee

The Board approved the establishment of the Strategy Decision Committee on March 26, 2018. The Strategy Decision Committee consists of five members including two executive Directors Mr. Wang Xuedong (chairman) and Mr. Peng Zhong[1], one non-executive Directors Mr. Li Yingbao and two independent non-executive Directors Mr. Zheng Xueding and Mr. Xu Jin.

The primary duties of the Strategy Decision Committee are as follows:

(1) to study the long-term development plan, operating objectives and development direction of the Company and make proposals;

(2) to study the operating strategies of the Company, including but not limited to product strategies, market strategies, marketing strategies, R&D strategies and talent strategies, and propose recommendations;

(3) to study material investment and financing plans which are subject to approval of the Board according to the Articles of Association and propose recommendations;

(4) to study the material capital operation and assets operating projects which are subject to approval of the Board according to the Articles of Association and propose recommendations;

(5) to study other significant matters that have impact on the development of the Company and propose recommendations;

Note: 1. the appointment of Mr. Peng Zhong shall take effect upon obtaining the approval of his qualification from the Shenzhen CBRC.

(6) to conduct inspection on the implementation of matters (1) to (5);

(7) other functions and powers as required by the laws, regulations, the Hong Kong Listing Rules and the Articles of Association or authorized by the Board.

4.2 Risk Management and Internal Control Committee

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

The primary duties of the Risk Management and Internal Control Committee are as follows:

(1) to supervise senior management's control on credit risk, liquidity risk, market risk, operational risk, compliance risk, reputational risk and other risks;

(2) to make a regular assessment of the Company's risk policies, management status and risk tolerance capacity;

(3) to make recommendations on the optimization of risk management and internal control of the Company; and

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

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

During the Reporting Period, two meetings of Risk Management and Internal Control Committee were held by Risk Management and Internal Control Committee for discussing and considering the follow matters:

- considered and approved the "Basic Provisions on Comprehensive Risk Management", with a view to establish a scientific and effective comprehensive risk management system so as to achieve a comprehensive, continuous and systematic control over risks and to keep the risks within the company's limits and maximize the operating returns.

- familiarized with the situation of the 2016 compliance risk and internal control of the Company, and to propose recommendation in relation to the interfacing between internal control and risk management.

- considered and approved the "Administrative Measures for Risk Appetite and Risk Limit", discussed and researched on the 2017 risk appetite and risk limit of the Company, to ensure that the Company established and maintained a suitable and effective risk management and internal control system.

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

Directors	**No. of meetings attended/ No. of meetings eligible to be attended**
Mr. Wang Xuedong *(chairman)*	2/2
Mr. Fan Xun [1]	1/1
Mr. Geng Tiejun	2/2
Ms. Liu Hui	2/2
Mr. Li Yingbao	2/2
Mr. Huang Min	2/2
Mr. Zheng Xueding	2/2

Note: 1. Due to change of his work arrangements, Mr. Fan Xun resigned as a member of Risk Management and Internal Control Committee on October 26, 2017.

4.3 Related Party Transaction Control Committee

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

The primary duties of the Related Party Transaction Control Committee are as follows:

(1) to manage related party transactions;

(2) to review and approve related party transactions;

(3) to control the risks of related party transactions; and

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

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

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

Directors	**No. of meetings attended/ No. of meetings eligible to be attended**
Mr. Xu Jin *(chairman)*	7/7
Mr. Geng Tiejun	3/7 (1 other meeting was attended by proxy)
Mr. Huang Min	7/7
Mr. Zheng Xueding	7/7
Mr. Zhang Xianchu	7/7

4.4 Audit Committee

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

The primary duties of the Audit Committee are as follows:

(1) to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;

(2) to review the financial information and relevant disclosures of the Company;

(3) to consider and approve the internal control evaluation proposal of the Company, and supervise and evaluate the internal control of the Company;

(4) to ensure adequate resources for the operation of internal auditing with appropriate position; supervise and evaluate the internal auditing of the Company; consider and approve the mid- and long-term auditing plan, annual work plan and internal auditing system setting plan of the Company, and report to the Board;

(5) to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;

(6) to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;

(7) to monitor the non-compliance of the Company in respect of the financial reports and internal control; and

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

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

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

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

During the Reporting Period, four meetings of Audit Committee were held by Audit Committee for discussing and considering the following matters:

- reviewed the annual results of the Company and its subsidiaries for the year ended December 31, 2016 and interim results for the six months ended June 30, 2017;

- considered and approved the profit distribution plan for the year 2016, the audit work for the year 2016 and the audit work plan for the year 2017, the internal control status for the year 2016 of the Company;

- discussed and approved the "Basic Rules for Internal Audit of China Development Bank Financial Leasing Co., Ltd."and "Administrative Measures for Internal Audit of China Development Bank Financial Leasing Co., Ltd.";

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

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

Directors	No. of meetings attended/ No. of meetings eligible to be attended
Mr. Zheng Xueding *(chairman)*	4/4
Ms. Liu Hui	4/4
Mr. Li Yingbao	4/4
Mr. Xu Jin	3/4
Mr. Zhang Xianchu	4/4

4.5 Remuneration Committee

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

The primary duties of the Remuneration Committee are as follows:

(1) to organize and formulate the remuneration plans of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and

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

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

During the Reporting Period, two meetings of Remuneration Committee were held by Remuneration Committee to consider and approve the remuneration packages for Directors and senior management, deeply understand, study and analyze the 2017 remuneration implementation of the Company, and propose the initial concept for optimization of the remuneration incentive system.

Remuneration Committee analyzed and formulated the remuneration policies (including non-pecuniary interests, pension rights and compensation payments (including any compensation payable for the loss or termination of office or appointment)), and remuneration plan for Directors and senior management members, conducted review by integrating the Company's directions and goals confirmed by the Board and made recommendations to the Board.

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

Directors	No. of meetings attended/ No. of meetings eligible to be attended
Mr. Zhang Xianchu *(chairman)*	2/2
Mr. Fan Xun [1]	1/1
Mr. Li Yingbao	2/2
Mr. Zheng Xueding	2/2
Mr. Xu Jin	2/2

Note: 1. Due to change of his work arrangements, Mr. Fan Xun resigned as an executive Director on October 26, 2017.

4.6 Nomination Committee

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

The primary duties of the Nomination Committee are as follows:

(1) to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board;

(2) to make recommendations to the Board on the nomination of candidates for Directors, presidents and secretary of the Board;

(3) to preliminarily examine the eligibility of candidates for Directors and senior management;

(4) to make recommendations to the Board on the nomination of candidates for chairmen and members of special committees of the Board;

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

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

Nomination Committee evaluates the candidates and people in position in accordance with their integrity, experience, skills and time spent and effort in executing duties. The recommendation of Nomination Committee will be passed to the Board for making decision. The written terms of reference of the Nomination Committee can be viewed on the websites of the Hong Kong Stock Exchange and the Company.

Board Diversity Policy

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

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

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

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

Nomination Policies of Directors and Standard for Selection and Recommendations

According to the Articles of Association, the methods and procedure for nomination of Directors are as follows:

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

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

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

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

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

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

During the Reporting Period, four meetings of Nomination Committee were held by Nomination Committee for review and consideration of the following:

- change of chairman of Nomination Committee;
- removed Mr. Fan Xun from the positions of vice chairman, executive Director, president of the Company and member of the Risk Management and Internal Control Committee and Remuneration Committee of the Board;
- carried out a preliminary review regarding the qualification, experience, professional skills and knowledge of Mr. Peng Zhong for acting as the president of the Company and agreed to submit to the Shareholders' general meeting to elect Mr. Peng Zhong as the executive Director of the first session of the Board; and
- considered the "Amendments to the Rule of Procedures of the Nomination Committee of the Board of Directors of China Development Bank Financial Leasing Co., Ltd." and the "Implementation Rules for Qualification, Election and Appointment Procedures of Directors and Senior Management of China Development Bank Financial Leasing Co., Ltd.".

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

Directors	**No. of meetings attended/ No. of meetings eligible to be attended**
Mr. Xu Jin *(chairman)*	3/4
Mr. Wang Xuedong	4/4
Ms. Liu Hui	4/4
Mr. Zheng Xueding	4/4
Mr. Zhang Xianchu	4/4

5. Risk Management and Internal Control

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Joint Company Secretaries

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

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

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

7. Auditor and its Remuneration

Since July 2016, in accordance with the relevant rules of rotation of auditors in the Notice on Issuing Administrative Measures on Tendering Procedures for the Election and Appointment of Accounting Firms by Financial Enterprises (Provisional) (Cai Jin [2010] No. 169) (《關於印發〈金融企業選聘會計師事務所招標管理辦法(試行)〉的通知》(財金[2010] 169)) issued by the Ministry of Finance, the Company has replaced the auditor Deloitte Touche Tohmatsu with PricewaterhouseCoopers to be the auditor of the Group. Other than that, there was no change in auditor of the Company in the past three years.

The declaration of PricewaterhouseCoopers, the auditor of the Company, regarding its responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on page 124 of this annual report.

For the year ended December 31, 2017, the remuneration of the auditor for the provision of auditing and non-auditing services are set out below:

Service Category	**Amount** *(RMB)*
Auditing service	6,875,379
Non-auditing service regarding taxation consultation	–
Total	6,875,379

8. Rights of Shareholders

8.1 Procedure of Convening Extraordinary Shareholders' General Meeting

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

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

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

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

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

8.2 Procedures of Making Inquiries to the Board by Shareholders

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

8.3 Procedures of Proposing Proposals at Shareholders' General Meetings

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

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

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

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

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

9. Investor Relations

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

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

10. Amendment of the Articles of Association

During the Reporting Period, there were no material changes of the Articles of Association. After approval at the extraordinary general meeting convened by the Company on February 28, 2018, the Company proposed to amend the Articles of Association, the contents of which mainly include: (1) incorporation of Party-building work into the Articles of Association; (2) revision from "China Development Bank Corporation" to "China Development Bank" due to the change of Controlling Shareholder's name; (3) change of the Company's registered address in the PRC; (4) adjustments to the contents of chapters in relation to the Board of Supervisors; and (5) change of titles of certain senior management members. The above amendments are subject to the approval of Shenzhen CBRC. For details, please refer to the announcements of the Company dated January 11, 2018 and January 12, 2018 and the circular dated January 31, 2018.

Report of the Board of Directors

The Board is pleased to present its report and audited consolidated financial statements of the Group for the year ended December 31, 2017.

Directors and Supervisors

Executive Directors:

Mr. Wang Xuedong *(Chairman of the Board)*
Mr. Peng Zhong[1]
Mr. Huang Min

Non-executive Directors:

Mr. Geng Tiejun *(re-designated as a non-executive Director on March 29, 2017)*
Ms. Liu Hui
Mr. Li Yingbao

Independent Non-executive Directors:

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

Supervisors:

Mr. Jiang Daozhen *(Chairman of the Board of Supervisors)*
Mr. Lei Yanzheng
Mr. Sun Zhikun
Ms. Huang Xuemei
Mr. Ma Yongyi *(appointed on February 28, 2018)*[2]

Details of the biographies of Directors, Supervisors and senior managements of the Company are set out in page 64 to 74 of this annual report.

Note: 1. The appointment of Mr. Peng Zhong shall take effect upon obtaining the approval of his qualification from Shenzhen CBRC.
2. M. Zhuang Ganlang ceased to serve as a Supervisor since February 28, 2018.

1. Business Review

1.1 Principal Business

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

1.2 Business Review and Analysis of Key Indicators of Financial Performance

For business review and analysis of key indicators of financial performance of the Group for the year ended December 31, 2017, please refer to the sections of "Financial Highlights" and "Management Discussion and Analysis" in this annual report.

1.3 Environmental, Social and Governance Performance

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

(1) Actively performing environmental, social and governance responsibilities

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

In 2017, by performing duties proactively, the Group was awarded the highest credit in the first "Corporate Social Responsibility Evaluation in Shenzhen" and the "2016 Best Green Financial Award in Banking Industry in Shenzhen" issued by Shenzhen Banking Association.

(2) Proactively disclosing environmental, social and governance information

On the basis of active performance of responsibility, the Group also actively carries out disclosure of environmental, social and governance information. Pursuant to the requirements of ESG Reporting Guidelines from the Hong Kong Stock Exchange, the Group is about to issue the environmental, social and governance report, disclosing the environmental, social and governance information of the Company for the year of 2017. During the preparation process of the environmental, social and governance report, the Group consistently attached great importance to the expectations of stakeholders, and carried out communication with important stakeholders such as government regulatory authorities, investors, business partners, customers, staff, suppliers and industry associations specifically on environmental, social and governance issues of the Group by means of questionnaires and interviews. The results thereof will be the strong evidence of the environmental, social and governance report to be disclosed by the Group. For more information regarding environment, society and governance of the Group for the year 2017, please refer to the environmental, social and governance report to be issued by the Group. Upon issuance of the report, the report can be accessed or downloaded through the Company's official website.

1.4 Compliance with Relevant Laws and Regulations

The Group is able to comply with relevant requirements of laws, regulations, rules and provisions of the Companies Ordinance, the Hong Kong Listing Rules, the SFO, the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Basic Norms of Enterprise Internal Control (《企業內部控制基本規範》) etc., including information disclosure, corporate governance and standard industry operation, etc. The Group is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 75 to 95 of this annual report.

As of December 31, 2017, the target total amount of pending litigation involving the Company as defendant was RMB9.13 million. Details of which, please refer to Note 41 to the financial statements: Contingent liabilities. The Company expects that such pending litigations will not have a material adverse effect on the business, financial position or results of operations of the Company.

1.5 Major Risks and Uncertainties

For major risks and uncertainties during the Group for the year ended December 31, 2017, please refer to the section "Management Discussion and Analysis" in this annual report.

1.6 Future Development of the Group

For future development of the Group during the year ended December 31, 2017, please refer to the section "Management Discussion and Analysis" in this annual report.

1.7 Subsequent Event

There was no any significant subsequent event occurred from January 1, 2018 to the Latest Practicable Date.

2. Share Capital

Details of the share capital of the Company are set out in Note 32 of the consolidated financial statement.

2.1 Public Shareholding

Based on the information publicly available to the Company and to the best of Directors' knowledge, at any time during the Reporting Period and up to the date of this annual report, at least 25% of the total issued Shares, being the minimum public float as required by the Stock Exchange and the Hong Kong Listing Rules, are held by the public.

3. Debentures Issued

On May 31, 2017, the Shareholders approved and authorized the Company to issue foreign currency-denominated or Renminbi-denominated debt securities with a maximum principal amount of RMB44.0 billion within one year.

On May 5, 2017, the Company publicly issued the 2017 first tranche of financial institution bonds with an issuance scale of RMB2.0 billion in the National Inter-Bank Bond Market. Nominal value of the bonds was RMB100, and the issue price was RMB100/hundred nominal value. The bond type was fixed-rate interest-bearing bond with a term of one year, carrying a fixed coupon rate of 4.25% with no security. On August 24, 2017, the Company publicly issued the 2017 second tranche of "Bond Connect" financial institution bonds in the National Inter-Bank Bond Market. The issuance scale was RMB2 billion, with nominal value of RMB100 and issue price of RMB100/hundred nominal value, and the bond type was fixed-rate interest-bearing bond with a term of 3 years, carrying a fixed coupon rate of 4.55% with no security. On October 24, 2017, the Company publicly issued the 2017 third tranche of "Bond Connect" financial institution bonds in two types in the National Inter-Bank Bond Market. The issuance scale of Type 1 was RMB1.5 billion, with nominal value of RMB100 and issue price of RMB100/hundred nominal value, and the bond type was fixed-rate interest-bearing bond with a term of one year, carrying a fixed coupon rate of 4.50% with no security. The issuance scale of Type 2 was RMB1.5 billion, with nominal value of RMB100 and issue price of RMB100/hundred nominal value. The bond type was fixed-rate interest-bearing bond with a term of three years, carrying a fixed coupon rate of 4.65% with no security. China Chengxin International Credit Rating Company Limited (中誠信國際信用評級有限責任公司), an independent credit rating agency, issued an AAA corporate credit rating to the issuer of the bonds, while the credit rating of each tranche of the bond was AAA. Proceeds from the issuance of bonds will be mainly used for optimizing the liability structure of the Company and supporting development of leasing business of the Company. The bonds will be traded in the National Inter-Bank Bond Market in accordance with relevant regulatory requirements.

The Group launched two overseas mid-term schemes for US dollar-denominated notes with an individual amount of US$3.0 billion on July 18, 2017 and October 10, 2017, respectively, which provided medium-to long-term channels of US dollar-denominated debt financing for the overseas Non-aircraft Leasing Business and Aircraft Leasing Business of the Group, respectively. The Group issued high-grade bonds denominated in US dollar of US$400 million and US$600 million through book-building with terms of three years and five years, respectively, on July 25, 2017, carrying a coupon rate of 2.625% and 3.0%, respectively, and issued high-grade bonds denominated in US dollar of US$400 million and US$400 million through book-building with terms of 5.5 years and 10 years, respectively, on October 17, 2017, carrying a coupon rate of 3.0% and 3.5%, respectively.

4. Profit Distributions

4.1 Final Dividend

The Board recommended to distribute a final dividend of RMB0.7585 per 10 Shares (inclusive of tax) for the year ended December 31, 2017. The net profit of the Group for the year of 2017 amounted to RMB2,130,963,543, and the total amount of profit distribution amounted to RMB958,924,523, which accounted for 45% of the net profit of the Group for the year 2017. In principle, payments will be made to holders of Domestic Shares in Renminbi and to holders of H Shares in Hong Kong dollars. The exchange rate of HK$ will be the average closing price of RMB against HK$ announced by the PBOC for the five working days prior to the date of profit distribution. The proposed final dividend for the year is subject to the approval of the Shareholders at the annual general meeting on May 30, 2018 and is currently expected to be paid on July 10, 2018 to the Shareholders whose names appear on the register of members of the Company on June 11, 2018.

4.2 Taxation

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), Notice on the Issues Concerning the Collection and Administration of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and Announcement of the State Administration of Taxation on Promulgation of the "Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties" (Announcement No. 60 [2015] of the State Administration of Taxation) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告2015年第60號)) and relevant laws, regulations and regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the Individual H Shares holders in respect of the 2017 H Shares final dividend to be distributed to them. Overseas resident individual shareholders of stocks issued by domestic non-foreign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or to the tax arrangements between mainland China and Hong Kong and Macau. Accordingly, 10% of the dividends to be distributed to the individual H Shares holders are generally withheld as individual income tax unless otherwise specified by the relevant tax laws, regulations and agreements.

For H Shares holders who are non-resident enterprises, in accordance with the provisions of the Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Shares holders who are Overseas Non-resident Enterprises (Guoshuihan [2008] No. 897) published by the State Administration of Taxation of PRC (國家稅務總局《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), the enterprise income tax shall be withheld at a uniform rate of 10% by the Company. Non-resident enterprise Shareholders may apply for tax refund for the difference in accordance with relevant requirements including tax agreements (arrangements).

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

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

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

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

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

5. Connected Transactions

5.1 Non-Exempt Continuing Connected Transactions

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

No.	Continuing connected transactions	Connected Person(s)	Annual cap for the year 2017 *(RMB in thousands)*
(1)	**Business Collaboration and Service Framework Agreement**		
	Service fees to be paid by the Group to CDB and/or its associates	CDB and/or its associates	**72,000**
	Service fees to be paid by CDB and/or its associates to the Group		**7,500**
(2)	**Bond Underwriting Service Framework Agreement**		
	Commissions to be paid by the Group to CDB and/or its associates	CDB and/or its associates	**51,000**
(3)	**Operating Lease Framework Agreement**		
	Lease income to be paid by CDB and/or its associates to the Group	CDB and/or its associates	**140,000**
(4)	**Lease Service Framework Agreement**		
	Aggregate lease principal to be paid by CDB New Energy to the Company under the specific agreements concerned	CDB New Energy	**900,000**
	Comprehensive interests to be paid by CDB New Energy to the Company under the specific agreements concerned		**100,000**
(5)	**Financing Service Framework Agreement**		
	Maximum daily balance of financing to be provided by CDB to the Group with collaterals	CDB	**33,000,000**
	Interests to be paid by the Group to CDB		**1,519,000**
(6)	**Deposit Service Framework Agreement**		
	Maximum daily balance of deposits to be placed by the Group with CDB	CDB	**3,000,000**
	Interest to be paid by CDB to the Group		**28,000**
(7)	**Debt Financing Instruments Investment Framework Agreement**		
	Amount of debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group	CDB and/or its associates	**1,000,000**
	Bond interests to be paid by CDB and/or its associates to the Group		**37,000**

Notes:

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

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

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

(1) Business Collaboration and Service Framework Agreement

Parties to the agreement

The Group and CDB

Principal terms

The Group entered into a Business Collaboration and Service Framework Agreement with CDB on June 13, 2016, pursuant to which the Company and CDB and/or its associates will mutually provide business referral, project development, customer management, project consulting and bonds issue guarantee services to each other, and service fees will be paid to the other party in respect of such services.

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

Hong Kong Listing Rules Implications

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

In respect of the transactions under the Business Collaboration and Service Framework Agreement, as the highest applicable percentage ratio for the three years ended December 31, 2016, 2017 and 2018 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules is more than 0.1%, but less than 5% on an annual basis, such transactions are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but are exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

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

Brief description of the transactions and their purposes

The business collaboration and mutual provision of services between us and CDB and/or its associates will enable us to take advantage of the high quality and broad customer base and information resources of CDB and/or its associates, and further develop our leasing business and maximize the interests of the Company and our Shareholders as a whole. In addition, CDB and/or its associates have been providing business referral, project development, customer management and bonds issue guarantee services to the Group during the three years ended December 31, 2013, 2014 and 2015, and have developed a deep understanding of our business model and business needs. Meanwhile, the provision of the above services by CDB and/or its associates to the Group is able to satisfy our business needs for project development and customer management, including the management of our rental account at CDB. In addition, our provision of business referral, project development, customer management and project consulting services to CDB and/or its associates will help to further increase our income.

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

(2) Bond Underwriting Service Framework Agreement

Parties to the agreement

The Group and CDB

Principal terms

We entered into a Bond Underwriting Service Framework Agreement with CDB on June 13, 2016, pursuant to which CDB and/or its associates (such as its subsidiary CDB Securities) will act as one of the underwriters for our bonds issuance, and in turn we will pay commissions (including sales commissions and underwriting fees) to them based on our mutually agreed commission rates.

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

Hong Kong Listing Rules Implications

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

As the highest applicable percentage ratio of the transactions under the Bond Underwriting Service Framework Agreement for the three years ended December 31, 2016, 2017 and 2018 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules is more than 0.1%, but less than 5% on an annual basis, such transactions are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but will be exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

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

Brief description of the transactions and their purposes

We propose to issue one-off or multiple domestic bonds during the three years ended December 31, 2016, 2017 and 2018, including but not limited to our issuance of Renminbi denominated financial institution bonds as approved by or filed with the CBRC and/or other relevant regulatory authorities in accordance with the relevant PRC laws and regulations. As major underwriters in the PRC bond market, CDB and CDB Securities have extensive underwriting experience and strong sales and investment capacities. It is expected that CDB and/or its associates, acting as our underwriters, will greatly benefit the issuance, sale and pricing of our bonds.

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

(3) Operating Lease Framework Agreement

Parties to the agreement

The Group and CDB

Principal terms

We, as the lessor, entered into an Operating Lease Framework Agreement with CDB, as the lessee, on June 13, 2016, pursuant to which we will provide operating lease services to CDB and/or its associates, including but not limited to property leases and electronic equipment leases. In turn, we will receive lease income from CDB and/or its associates for the provision of such operating lease services.

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

Hong Kong Listing Rules Implications

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

In respect of the transactions under the Operating Lease Framework Agreement, as the highest applicable percentage ratio for the three years ended December 31, 2016, 2017 and 2018 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules is more than 0.1%, but less than 5% on an annual basis, such transactions are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but will be exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

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

Brief description of the transactions and their purposes

The operating lease is a major part of our leasing business. Our provision of operating lease service to CDB and/or its associates is able to satisfy the business needs of both parties. On the one hand, as our quality customers, CDB and/or its associates have a strong capital background and solid financial strength. Engaging in operating lease business with CDB and/or its associates will help us obtain stable and low-risk income from our leasing business; and on the other hand, by providing operating lease services, we are able to meet the financing demand for property, electronic equipment and other fixed assets of CDB and its associates, such as CDB Capital and China-Africa Development Fund, etc.

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

(4) Lease Service Framework Agreement

Parties to the agreement

(1) CDB New Energy, as lessee

(2) The Company, as lessor

Principal terms

Agreement period

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

Lease term

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

Lease target

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

Lease approach

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

Guarantee

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

Arrangements for leased properties

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

Hong Kong Listing Rules Implications

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

In respect of the transactions under the Lease Service Framework Agreement, as the highest applicable percentage ratio for the three years ended December 31, 2016, 2017 and 2018 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules is more than 0.1%, but less than 5% on an annual basis, such transactions are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but will be exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

Brief description of the transactions and their purpose

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

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

(5) Financing Service Framework Agreement

Parties to the agreement

The Group and CDB

Primary terms

We entered into a Financing Service Framework Agreement with CDB on June 13, 2016, pursuant to which CDB will provide financing service to the Group, and in turn we will pay interest to CDB. We will also provide our leased assets, rental balances in our account with CDB or bonds, as collateral. Financing facilities provided by CDB will be used to carry out our leasing business, including but not limited to aircraft leasing, ship leasing and infrastructure leasing, in order to meet our funding needs for our daily business.

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

Hong Kong Listing Rules implications

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

As the highest applicable percentage ratio for the transactions under the Financing Service Framework Agreement for the three years ended December 31, 2016, 2017 and 2018 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules is more than 5% on an annual basis, such transactions are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, and the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

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

Brief description of the transactions and their purposes

CDB has been providing financing facilities to the Group during the Track Record Period, thus it has developed a deep understanding of the leasing industry as well as our capital needs and business model. Its financing products are able to meet the diversified financing needs of our leasing business.

In addition, our financing from CDB is mainly medium- to long-term loans to support our financing needs in our leasing business. CDB enjoys a market leading position in China in domestic and overseas medium- to long-term loans with extensive industry experience in areas such as aviation, infrastructure and shipping, which are consistent with the scope of our core business. Therefore, the strength of CDB in medium- to long-term loans in the above areas will greatly benefit our leasing business, and its provision of financing service is able to meet the medium to long-term loan needs of our business.

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

(6) Deposit Service Framework Agreement

Parties to the agreement

The Group and CDB

Primary terms

We entered into a Deposit Service Framework Agreement with CDB on June 13, 2016, pursuant to which CDB will provide deposit service to the Group, including but not limited to demand deposits, term deposits and agreement deposits. In particular, we deposit cash balances into our bank accounts at CDB's various branches, including: (a) cash generated from our daily business operations, including lease income and security deposits received from our leasing business; and (b) cash from financing facilities provided by CDB to the Group. In turn, CDB pays interests to the Group for such deposits.

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

Hong Kong Listing Rules implications

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

As the highest applicable percentage ratio of the transactions under the Deposit Service Framework Agreement for the three years ended December 31, 2016, 2017 and 2018 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules is more than 5% on an annual basis, such transactions are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

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

Brief description of the transactions and their purposes

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

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

(7) Debt Financing Instruments Investment Framework Agreement

Parties to the agreement

The Group and CDB

Primary terms

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

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

Hong Kong Listing Rules implications

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

In respect of the transactions under the Debt Financing Instruments Investment Framework Agreement, as the highest applicable percentage ratio for the three years ended December 31, 2016, 2017 and 2018 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules is more than 5% on an annual basis, such transactions are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

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

Brief description of the transactions and their purposes

We were approved by the PBOC to participate in the interbank bond market on June 23, 2015, based on which we are allowed to purchase debt financing instruments issued in the nationwide bond market. In addition, according to the Measures on Financial Leasing Companies (《金融租賃公司管理辦法》) issued by the CBRC, a financial leasing company is allowed to invest in fixed-income financial products, including debt financing instruments. The debt financing instruments issued by CDB and/or its associates will be our principal investments in fixed-income financial products. CDB is the largest bond issuer in the domestic bond markets. The debt financing instruments issued by CDB are among the main investment products in the interbank market with high ratings, leading market share and ample liquidity. The investment in the debt financing instruments to be issued by CDB and/or its associates will help us to improve our investment returns and to function as one of our liquidity management reserve tools.

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

5.2 Non-Exempt One-off Connected Transaction

Finance Lease Transaction

Parties to the agreement

(1) a state-owned enterprise located in Qianjiang City, Hubei Province, the PRC, as Lessee

(2) the Company, as Lessor

Primary terms

The Company (as the Lessor) entered into the Finance Lease Agreement with the Lessee dated December 26, 2017, pursuant to which (i) the Lessee has agreed to transfer the ownership of the Leased Assets under the name of the Lessor for a consideration of RMB800,000,000; and (ii) the Lessor has agreed to lease back the Leased Assets to the Lessee with the lease principal of RMB800,000,000, with the lease interest of approximately RMB121,910,861 (tax inclusive) and the total rent (lease principal and lease interest) of approximately RMB921,910,861.

The lease period shall be five years commencing from the date of payment of the transfer consideration to the Lessee by the Lessor.

Pursuant to the Finance Lease Agreement, the Lessor agreed to lease back the Leased Assets to the Lessee. The total rent, including value-added tax, comprises lease principal and lease interest. The lease interest is calculated based on the number of days, of which the calculation method is: lease interest = outstanding lease principal x actual days of the lease period x lease interest ÷ 360. The total rent is calculated and payable in RMB. After each quarter ends, the parties determine the rent amount (non-equivalent amount) for the corresponding quarter and the rent shall be payable by the Lessee to the Lessor and divided into 20 consecutive periods. The payment date for the first installment of rent is March 10 2018, and on March 10, June 10, September 10 and December 10 of every subsequent year, the rest rent will be paid respectively. The last payment of rent is settled on the expiry date of the lease period.

Upon the expiration of the lease period, the Lessee may purchase back the Leased Assets from the Lessor at nominal value of RMB100.

Hong Kong Listing Rules implications

Given that CDB is the Controlling Shareholder of the Company, and holds approximately 32.02% equity interest in the Lessee through its wholly-owned subsidiary CDB Development Fund Corporation, the Lessee constitutes a Connected Person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the Finance Lease Agreement entered into between the Company and the Lessee constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

In respect of the transaction contemplated under the Finance Lease Agreement, as the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules is over 0.1% but less than 5%, such transaction is subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, and the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules, but exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

Brief description of the transaction and its purposes

The Finance Lease Agreement is entered into by the Company during its ordinary course of business. Entering into the Finance Lease Agreement with the Lessee is beneficial for the Company to increase the income of its finance lease business and is consistent with the Company's business development strategy.

For details of the above transaction, please refer to the announcement published by the Company on the websites of the Hong Kong Stock Exchange and the Company on December 26, 2017.

5.3 Confirmation from Independent Non-Executive Directors

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

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

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

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

5.4 Confirmation from the Auditors

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

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

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

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

d. with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to the auditor's attention that causes the auditor to believe that such continuing connected transactions have exceeded the applied maximum aggregate annual caps for the year 2017.

Related party transactions as described in note 47 of the consolidated financial statements constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules, and comply with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules.

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

6. Major Customers and Suppliers

6.1 Major Customers

For the year ended December 31, 2017, the transaction volume of the five largest customers of the Group accounted for 22.86% (2016: 22.52%) of the Group's total revenue and the transaction volume of the Group's single largest customer accounted for 9.93% (2016: 10.20%) of the total revenue of the Group.

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

6.2 Major Suppliers

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

6.3 Relations with Customers

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

6.4 Relations with Employees

The Company recognizes the importance of staff to the Company and considers that better employee development strengthens competitiveness of the Company and promotes sustainable development of the Company. Therefore, the Company actively establishes a good employee training system, facilitates career development for employees and promotes work-life balance of employees so as to enhance employees' satisfaction in work. Moreover, the Company is currently striving to construct mid- and long-term incentive mechanism to encourage employees to put efforts on innovative development so as to create a good environment of result-sharing. As of the Latest Practicable Date, there were not any labour disputes of the Company affecting ordinary business operation.

In addition, the Company provides safe and healthy working environment to employees of the Company through regular checking and maintenance of office equipment, as well as cleaning carpets and air-conditioning systems regularly. As of the Latest Practicable Date, there were not any reports of serious work injuries received by the Company.

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

As at December 31, 2017, 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 of the Company (%)	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
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

Name	Class of Shares	Capacity/Nature of interest	Number of Shares	Long position/ Short position	Approximate shareholding percentage in the relevant class of Shares of the Company (%)	Approximate percentage in the Company's total shareholdings (%)
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 in the 8,141,332,869 domestic Shares held by China Development Bank.

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

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

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

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

Save as disclosed above, as at December 31, 2017, to the knowledge of the Directors, no other persons (not being Directors, Supervisors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at December 31, 2017, 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 were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors, chief executives or their respective associates are deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

9. Directors' Right to Acquire Shares or Debentures

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

10. Directors' Interests in Competing Business

Save as disclosed in this annual report, as at December 31, 2017, none of the Directors or their respective associates had interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

11. Controlling Shareholders' Non-Competing Undertaking

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

12. Service Contracts of Directors and Supervisors

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

13. Indemnities of Directors and Supervisors

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

14. Directors' and Supervisors' Interests in Material Transactions, Arrangement or Contracts

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

15. Purchase, Redemption or Sale of Listed Securities

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

16. Pre-Emptive Rights

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

17. Share Option Arrangements

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

18. Administration Contract

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

19. Distributable Reserves

As at December 31, 2017, the distributable reserves of the Group amounted to RMB5,385,159,251 (as at December 31, 2016: RMB4,479,624,348), and the distributable reserves of the Company was RMB1,789,087,662 (as at December 31, 2016: RMB872,598,995).

20. Houses, Equipment and Investment Properties

Details of changes in houses, equipment and investment properties of the Company and the Group during the year ended December 31, 2017 are set forth in Note 24 to the consolidated financial statements.

21. Retirement and Benefits

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

22. Donations

For the year ended December 31, 2017, there were no charity donations and other donations made by the Group.

23. Loan Agreements

During the Reporting Period, the Company entered into loan agreements with specific banks, of which loans in a total amount of approximately RMB6,180 million include a condition requiring that CDB, the Controlling Shareholder, shall remain as the single largest Shareholder, and/or maintain, directly or indirectly, no less than 50% of the Shares. The term of such loan agreements ranges from two months to five years.

24. Audit of Annual Results

The accounting principles and practices adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2017 have been jointly reviewed by the Audit Committee of the Company together with the management and the external auditor of the Company.

PricewaterhouseCoopers was appointed as the auditor of the Company for the year ended December 31, 2017. PricewaterhouseCoopers has audited the annexed financial statements prepared in accordance with the IFRS.

By order of the Board of Directors

王学东

Wang Xuedong
Chairman
Shenzhen, PRC, March 26, 2018

Report of the Board of Supervisors

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

1. Convening of Meetings of the Board of Supervisors

In 2017, the Board of Supervisors convened six meetings in total, including four ordinary meetings and two extraordinary meetings, in which 25 resolutions were considered and approved and 38 reported matters were heard.

1. On March 29, 2017, the 2017 first ordinary meeting of the first session of the Board of Supervisors was convened in which the nine resolutions such as 2016 Results Announcement (《2016年度業績公告》), Profit Distribution Proposal for the Year 2016 (《2016年利潤分配方案》), Work Report for the Year 2016 and Work Plan for the Year 2017 of the Board of Supervisors (《監事會2016年度工作報告及2017年工作計劃》), Remuneration Plan of Supervisors for the Year 2017 (《監事2017年薪酬方案》), Performance of Directors for the Year 2016 (《董事2016年度履職情況》), Performance of the Board of Directors for the Year 2016 (《董事會2016年度履職情況》), Performance of Senior Management Members for the Year 2016 (高級管理人員2016年度履職情況》), Performance of Senior Management for the Year 2016 (《高級管理層2016年度履職情況》) and Performance of Supervisors for the Year 2016 (《監事2016年度履職情況》) were considered; and 17 matters such as Report on Operation for the Year 2016 and Work Plan for the Year 2017 (《2016年度經營情況及2017年工作計劃情況報告》), Report on Financial Status for the Year 2016 (《2016年度財務情況報告》), Report on Establishment of Management Mechanism on Consolidated Statements of the Company and Effectiveness in Management and Operation of Consolidated Statements of the Company (《公司併表管理機制建設情況及公司併表管理運行的有效性情況報告》), Report on Risk Management for the Year 2016 (《2016年度風險管理情況報告》), Report on Compliance of Internal Control Management for the Year 2016 (《2016年度合規內控管理情況報告》), Report on Asset Disposal for 2015 and 2016 (《2015、2016年資產處置情況報告》), Report on Connected Transactions for the Year 2016 (《2016年度關聯交易情況報告》), Report on Issuance of 10 Billion Financial Bonds (《發行100億金融債事項情況報告》), Report on Use of Proceeds for the Year 2016 (《2016年度募集資金使用情況報告》) and Report on Management System and Policy for Remuneration and Remuneration Plan of Senior Management Members (《薪酬管理制度和政策及高級管理人員薪酬方案情況報告》) were heard.

2. On April 12, 2017, the 2017 first extraordinary meeting of the first session of the Board of Supervisors was convened, in which three resolutions such as Financial Report for the Year 2016 (《2016年度財務報告》), Final Accounts Report for the Year 2016 (《2016年度財務決算報告》) and Report on Financial Budget for 2017 (《2017年度財務預算報告》) were considered.

3. On June 23, 2017, the 2017 second ordinary meeting of the first session of the Board of Supervisors was convened, in which seven resolutions such as Administrative Measures on Financial Regulation of the Board of Supervisors (《監事會財務監督管理辦法》), Administrative Measures on Risk Regulation of the Board of Supervisors (《監事會風險監督管理辦法》) and Administrative Measures on Regulation of Internal Control of the Board of Supervisors (《監事會內部控制監督管理辦法》) were considered and approved; five matters such as Report on Operation for the First Quarter of 2017 (《2017年1季度經營情況報告》), Report on Financial Status for the First Quarter of 2017 (《2017年1季度財務情況報告》), Report on Risk Management for the First Quarter of 2017 (《2017年1季度風險管理情況報告》), Report on Compliance of Internal Control Management for the First Quarter of 2017 (《2017年1季度合規內控管理情況報告》) and Report on Employees Benefits for the First Half of 2017 (《2017年上半年職工福利情況報告》) were heard; and three matters such as Amendments to the Articles of Association, Amendments to the Rule of Procedures of the Board of Supervisors (《監事會議事規則》) and addition of Supervisors were discussed.

4. On August 29, 2017, the 2017 third ordinary meeting of the first session of the Board of Supervisors was convened, in which five resolutions such as Articles of Association (Amendments), Rule of Procedures of the Board of Supervisors (Amendments) (《監事會議事規則》(修正案)), Administrative Measures on Allowances for Supervisors (《監事津貼管理辦法》) and 2017 Interim Financial Report (《2017年中期財務報告》) were considered; and seven reports such as Reporting on Operation and Management for the First Half of 2017 (《2017年上半年經營管理情況彙報》), Report on Financial Status for the First Half of 2017 (《2017年上半年財務情況報告》), Report on Risk Management for the First Half of 2017 (《2017年上半年風險管理情況報告》), Report on Compliance of Internal Control for the First Half of 2017 (《2017年上半年合規內控情況報告》), Report on Performance for the First Half of 2017 and Report on Procurement of Aircraft of Subsidiaries from the Aviation Sector (《航空子公司2017年上半年工作情況及採購飛機事項報告》) and Report on Analysis on Capital Costs for 2017, Issuance of Bonds for the First Half of 2017 and Work Plan for the Second Half of 2017 (《2017年資金成本分析、上半年發債及下半年工作計劃報告》) were heard.

5. On November 15, 2017, the 2017 fourth ordinary meeting of the first session of the Board of Supervisors was convened, in which the resolution on Audit Plan on 2017 Financial Report of the Board of Supervisors (《監事會2017年度財務報告審核計劃》) was considered; and seven matters such as Report on Risk Management for the Third Quarter of 2017 (《2017年3季度風險管理情況報告》), Reporting on Operation for the Third Quarter of 2017 (《2017年3季度經營情況彙報》), Report on Financial Status for the Third Quarter of 2017 (《2017年3季度財務情況報告》), Report on Compliance of Internal Control for the Third Quarter of 2016 (《2016年3季度內控合規情況報告》), Report on Portfolio Disposal of Non-Performing Assets for 2017 (《2017年不良資產打包轉讓情況報告》), Report on Investigation and Research of Remuneration and Benefits by Human Resources Department (《人力資源部薪酬福利調研情況報告》) and Report on Equity Transfer of Non-Bank Leasing Subsidiaries – Yintai Securities (《非銀租賃子公司銀泰證券股權轉讓情況報告》) were heard.

6. On December 26, 2017, the 2017 second extraordinary meeting of the first session of the Board of Supervisors was convened in which Report on Preparation Plan of Financial Report for the Year 2017 (《2017年度財務報告編制計劃情況報告》) and Report on Special Financial Investigations on Tendering and Bidding for 2015–2016 (《2015–2016年招投標財務專項檢查情況報告》) were heard.

2. Conducting Performance Supervision and Evaluation

The supervision and evaluation on the performance of nine directors and seven senior management members of the Company in 2017 were conducted by the Board of Supervisors. Meanwhile, the Board of Supervisors also conducted the evaluation on the performance of five Supervisors. Evaluation on performance included evaluation dimensions such as self-evaluation, mutual-evaluation, evaluation by the Board and the Board of Supervisors. The evaluation results have been prudently studied and formed correspondingly and the evaluation on the performance have been reported to the general meeting and regulatory departments in accordance with the requirements.

3. Organising and Conducting Financial Supervision

The Board of Supervisors regularly listened to the financial work report and work plan including major financial indicators, asset and liabilities, gain or loss status, profits, overdue lease payment, fees and implementation of budget. With respect to the annual reports and interim reports prepared by the Company, the Board of Supervisors communicated with the external auditors for several times, reminding them of the key audit matters of the annual report, seriously considered the periodic report, proposed corresponding improvement comments and recommendations on delicacy management, capital usage, management account and operating efficiency of the Company. In the fourth quarter of 2017, the Board of Supervisors also conducted the special financial investigations on the tendering and bidding of the Company for 2015–2016.

4. Earnestly Conducting Supervision on Internal Control

The Board of Supervisors regularly debriefed the work report of compliance and internal control, understood and followed up the issues such as the supervision updates, compliance risks and internal control management, monitored and assessed of our compliance exposures and rectified deficiency in compliance, and proposed the comments and recommendations on the relevant reports. The Board of Supervisors recommended that the Company should continuously build up and optimise the internal control system, actively complete the rectification on the discovered deficiency and disparity in internal control, and meanwhile, ensure the compliance with laws and regulations of operating activities of the Company that are newly commenced in recent years; the Company shall increase its efforts in building a compliance team and introducing measures to foster the culture of compliance. The Company shall pay close attention to the changes of the supervisory policies for enhancing the management standard of internal control of the Company.

5. Continuously Reinforcing Supervision on Risk Management

The Board of Supervisors regularly listened to the work report of comprehensive risk analysis and management, including asset structure, risk indicators and analysis of profit indicators, analysis of credit risk, industry risk, market risk, liquidity risk, operational risk and other risks and further work arrangements for risk management. The Board of Supervisors recommended the Company to conduct better risk prediction and predetermination, perform scheduled risk management, dispose of risks in compliance with laws and regulations, conduct comprehensive risk management, reinforce the introduction and application of information technology, speed up the establishment of information system on risk management, focus on risks of different countries and exchange rate risk, and strengthen the establishment of the talent team in risk management branches.

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

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

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

To further improve the corporate governance structure and give full play to the supervision function of the Board of Supervisors, the Board of Supervisors led the amendment of relevant measures such as Articles of Association and Rule of Procedures of the Board of Supervisors, and formulated Administrative Measures on Financial Regulation of the Board of Supervisors (《監事會財務監督管理辦法》), Administrative Measures on Risk Regulation of the Board of Supervisors (《監事會風險監督管理辦法》), Administrative Measures on Regulation of Internal Control of the Board of Supervisors (《監事會內部控制監督管理辦法》), Administrative Measures on Allowances for Supervisors (《監事津貼管理辦法》) and Audit Method of Financial Report of the Company by the Board of Supervisors (《監事會對公司財務報告審核程序》), and considered other relevant systems and measures to further optimize the corporate governance system.

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

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

By order of the Board of Supervisors of China Development Bank Financial Leasing Co., Ltd.
Jiang Daozhen
Chairman of the Board of Supervisors
March 26, 2018

Independent Auditor's Report

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

Opinion

What we have audited

The consolidated financial statements of China Development Bank Financial Leasing Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 129 to 236, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

Key audit matters identified in our audit are impairment of finance lease receivables and equipment held for operating lease business, and disclosure of estimated impact upon initial application of IFRS 9.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of finance lease receivables and equipment held for operating lease business	
Refer to Note 3, 19 and 24 to the consolidated financial statements. As at 31 December 2017, the net carrying amounts of the Group's finance lease receivables and equipment held for operating lease business were RMB98,881 million and RMB48,692 million, respectively, in which accumulated allowance for impairment losses of RMB2,804 million and RMB241 million were recorded. Specific provision is made for finance lease receivables with objective evidence of impairment. The specific provision is measured as the difference between the finance lease receivables' carrying amount and the estimated future cash flows discounted at the original effective interest rate, by considering the lessee's or the guarantor's future payment ability and the estimated disposal value of the leased assets. Finance lease receivables for which no specific provision is made are grouped by credit risk characteristics and collectively assessed for impairment. Management uses models based on the similarity of credit risk. Key assumptions applied in the models include historical loss experience and loss emergence period. Management identifies operating lease equipment with impairment indicators and measures the recoverable amount of these assets at the higher of: • fair value based on the market pricing data, less costs of disposal, and • the estimated value in use based on the present value of the expected future cash flows from the lease. We focused on the impairment assessment of finance lease receivables and equipment held for operating lease businesses because management exercises significant judgements during impairment identification and assessment process.	We evaluated and tested the relevant controls, including those over the timely identification of impairment indicators and the calculation of allowance for impairment losses. We performed independent credit reviews of finance lease receivables on a sample basis, considering the credit profiles of the related lessees, guarantors and the collateral, as well as external evidence and factors, to assess whether management's identification of impaired finance lease receivables was appropriate. For finance lease receivables with specific provision, we examined, on a sample basis, the forecasts of future cash flows prepared by management, including assessment of the lessee or the guarantor's solvency by review of their financial statements; and comparison of the estimated disposal value of the leased assets against the market price of similar assets. For finance lease receivables with collective assessment provision, we tested the mathematical accuracy of the calculation. We also assessed the appropriateness of impairment models by reference to the market practices and tested the accuracy and completeness of source data by tracing to the accounting records on a sample basis. In addition, we assessed the reasonableness of key inputs and assumptions applied, including historical loss experience and loss emergence period. For equipment held for operating lease business, we assessed management's identification of impairment indicators. We validated the utilisation of equipment and assessed whether market price of equipment declines. For fair value less costs of disposal method, we compared the carrying amounts of equipment with the publicly available pricing data of the industry less the estimated costs of disposal. For value in use calculations, we tested the mathematical accuracy. We compared the rental used in forecasts of future cash flows against the rental set out in the lease contracts, and assessed the discount rates by considering the weighted average cost of capital of the Group. Based on the procedures performed, we considered the methods and key assumptions adopted in the impairment assessment were supported by the evidence we gathered.

Key Audit Matter	How our audit addressed the Key Audit Matter
Disclosure of estimated impact upon initial application of IFRS 9	
Refer to Note 2.1.1.2 to the consolidated financial statements. International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") requires disclosure in the financial statements of the reasonably estimable information relevant to assessing the possible impact of new standards issued but not yet effective. International Financial Reporting Standard 9: Financial Instruments ("IFRS 9" or "the standard") will take effect on 1 January 2018 and its adoption is expected to reduce the equity attributable to owners of the Company as at 1 January 2018, mainly due to the application of the expected credit losses measurement models ("ECL models") in determining the allowance for impairment losses on its finance lease receivables. The implementation of IFRS 9 requires the Group to make considerable judgement and interpretation of the standard, which in particular are key in the development of new models to estimate the allowance for impairment losses on its finance lease receivables using the expected credit losses concept. New data inputs from systems not previously applied in calculating allowance for impairment losses under International Accounting Standard 39: Financial Instruments – Recognition and Measurement will be used in these new models. Where data is unavailable, judgements in developing assumptions and seeking reasonable alternatives to the unavailable data are required. The Group has developed new governance and controls to ensure the proper disclosure of the estimated impact of the implementation of IFRS 9. The Group's estimation of the impact on equity attributable to owners of the Company upon initial application of IFRS 9 is a highly complex process and involves significant management judgement and interpretation, and accordingly, we include this as a key audit matter.	We performed the following procedures to assess the reasonableness of the Group's disclosed possible impact of the initial adoption of IFRS 9: (1) Tested the relevant controls over the selection and approval of the accounting policies and modelling methodologies; (2) Obtained an understanding of ECL model methodologies and development processes through review of documentation and discussion with management. With the support of our credit loss and modelling specialists, we assessed the reasonableness of the major data inputs; and judgements, interpretations and assumptions made by management; (3) Examined the major data inputs to the ECL models on a sample basis to assess their accuracy and completeness; and (4) Understood the Group's key processes over the preparation and inspected the approval documentation of information disclosure made in accordance with IAS 8. Based on the procedures performed, we considered the estimated impact upon initial application of IFRS 9 disclosed by the Group is acceptable.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2018

Consolidated Statement of Profit or Loss

	Note	Year ended 31 December **2017** ***RMB'000***	2016 *RMB'000*
Revenue			
Finance lease income	4	**5,784,289**	5,363,827
Operating lease income	4	**6,016,001**	5,453,157
Total revenue		**11,800,290**	10,816,984
Net investment gains/(losses)	5	**176,160**	(52,359)
Other income, gains or losses	6	**338,272**	676,180
Total revenue and other income		**12,314,722**	11,440,805
Depreciation and amortisation	7	**(2,701,887)**	(2,476,525)
Staff costs	8	**(351,644)**	(229,034)
Fee and commission expenses	9	**(61,986)**	(55,900)
Interest expense	10	**(4,984,470)**	(4,400,071)
Other operating expenses	11	**(493,965)**	(385,771)
Impairment losses	12	**(912,918)**	(1,825,773)
Total expenses		**(9,506,870)**	(9,373,074)
Profit before income tax		**2,807,852**	2,067,731
Income tax expense	13	**(676,889)**	(506,392)
Profit for the year attributable to owners of the Company		**2,130,963**	1,561,339
Earnings per share attributable to owners of the Company (expressed in RMB Yuan per share) – Basic and diluted	14	**0.17**	0.14

The notes on pages 136 to 236 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Profit for the year		**2,130,963**	1,561,339
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets			
– Change in value of available-for-sale financial assets, net of tax		**(35,723)**	(3,126)
The portion of effective cash flow hedging and net investment hedging gains and losses			
– Net fair value changes during the year, net of tax		**94,374**	291,674
Currency translation differences		**(279,792)**	172,588
Total other comprehensive income for the year, net of tax		**(221,141)**	461,136
Total comprehensive income for the year attributable to owners of the Company		**1,909,822**	2,022,475

The notes on pages 136 to 236 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
ASSETS			
Cash and bank balances	15	**16,207,073**	9,336,415
Placement to banks and other financial institutions		**–**	1,100,000
Financial assets at fair value through profit or loss	16	**1,857,927**	2,133,717
Derivative financial assets	17	**27,728**	9,697
Accounts receivable	18	**6,610,039**	6,841,777
Finance lease receivables	19	**98,880,563**	88,464,050
Prepayments	20	**7,530,238**	7,911,502
Available-for-sale financial assets	21	**279,573**	274,588
Assets held-for-sale	25	**2,697,457**	993,968
Investment properties	23	**984,709**	356,588
Property and equipment	24	**49,532,281**	47,344,054
Deferred tax assets	26	**642,535**	591,046
Other assets	27	**1,849,149**	1,154,747
Total assets		**187,099,272**	166,512,149
Liabilities			
Borrowings	28	**116,245,105**	106,198,168
Due to banks and other financial institutions		**–**	4,000,000
Financial assets sold under repurchase agreements	39	**2,030,000**	3,136,000
Derivative financial liabilities	17	**69,125**	199,310
Accrued staff costs	29	**160,506**	94,188
Tax payable		**433,529**	132,278
Notes payable	30	**32,326,713**	17,793,886
Deferred tax liabilities	26	**540,123**	441,656
Other liabilities	31	**11,785,202**	12,214,989
Total liabilities		**163,590,303**	144,210,475

Consolidated Statement of Financial Position (Continued)

	Note	**As at 31 December 2017** *RMB'000*	As at 31 December 2016 *RMB'000*
Equity			
Share capital	32	**12,642,380**	12,642,380
Capital reserve	33	**2,418,689**	2,418,689
Hedging and available-for-sale revaluation reserve	34	**(9,305)**	(67,956)
Translation reserve		**(116,124)**	163,668
General reserves	35	**3,188,170**	2,665,268
Retained profits	36	**5,385,159**	4,479,625
Total equity		**23,508,969**	22,301,674
Total liabilities and equity		**187,099,272**	166,512,149

The notes on pages 136 to 236 form an integral part of these consolidated financial statements.

The financial statements on pages 129 to 236 were approved by the Board of Directors on 26 March 2018 and were signed on its behalf.

WANG Xuedong **PENG Zhong**

Consolidated Statement of Changes in Equity

		Equity attributable to owners of the Company						
	Note	Share capital RMB'000	Capital reserve RMB'000	Hedging and available-for-sale revaluation reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2016		9,500,000	274,786	(356,504)	(8,920)	2,158,646	3,424,908	14,992,916
Profit for the year		–	–	–	–	–	1,561,339	1,561,339
Other comprehensive income for the year	34	–	–	288,548	172,588	–	–	461,136
Total comprehensive income for the year		–	–	288,548	172,588	–	1,561,339	2,022,475
Issued ordinary shares	32, 33	3,142,380	2,143,903	–	–	–	–	5,286,283
Appropriation to general reserves	35	–	–	–	–	506,622	(506,622)	–
At 31 December 2016		12,642,380	2,418,689	(67,956)	163,668	2,665,268	4,479,625	22,301,674
At 1 January 2017		**12,642,380**	**2,418,689**	**(67,956)**	**163,668**	**2,665,268**	**4,479,625**	**22,301,674**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**2,130,963**	**2,130,963**
Other comprehensive income for the year	34	**-**	**-**	**58,651**	**(279,792)**	**-**	**-**	**(221,141)**
Total comprehensive income for the year		**-**	**-**	**58,651**	**(279,792)**	**-**	**2,130,963**	**1,909,822**
Dividends paid	37	**-**	**-**	**-**	**-**	**-**	**(702,527)**	**(702,527)**
Appropriation to general reserves	35	**-**	**-**	**-**	**-**	**522,902**	**(522,902)**	**-**
At 31 December 2017		**12,642,380**	**2,418,689**	**(9,305)**	**(116,124)**	**3,188,170**	**5,385,159**	**23,508,969**

The notes on pages 136 to 236 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES			
Profit before income tax		**2,807,852**	2,067,731
Adjustments for:			
Notes payable interest expenses	10	**815,948**	502,424
Depreciation and amortisation	7	**2,701,887**	2,476,525
Impairment losses	12	**912,918**	1,825,773
Gains on disposal of equipment held for operating lease businesses	6	**(41,098)**	(116,099)
Net realised losses from derivatives	5	**(6,296)**	–
Unrealised fair value changes from derivatives	5	**(12,943)**	15,708
Unrealised fair value changes in financial assets at fair value through profit or loss	5	**(63,651)**	(45,078)
Operating cash flows before movements in working capital		**7,114,617**	6,726,984
Decrease/(increase) in mandatory reserve deposits with central banks		**28,043**	(381,675)
Decrease in accounts receivable		**202,449**	6,668,572
Increase in finance lease receivables		**(10,795,847)**	(8,644,315)
(Increase)/decrease in other assets		**(694,450)**	377,774
Increase in borrowings		**10,046,937**	3,703,699
Decrease in due to banks and other financial institutions		**(4,000,000)**	(900,000)
Decrease in financial assets sold under repurchase agreements		**(1,106,000)**	(2,786,300)
Increase in accrued staff costs		**66,318**	60,681
Decrease in other liabilities		**(429,787)**	(357,258)
Cash from operations		**432,280**	4,468,162
Income taxes paid		**(328,660)**	(382,829)
NET CASH FROM OPERATING ACTIVITIES		**103,620**	4,085,333
INVESTING ACTIVITIES			
Disposal of financial assets at fair value through profit or loss		**809,440**	–
Disposal of available-for-sale financial assets		**167,152**	–
Disposal of property and equipment		**4,201,975**	2,199,575
Change in pledged and restricted bank deposits		**(585,007)**	332,580
Purchase of financial assets at fair value through profit or loss		**(470,000)**	(530,000)
Purchase of available-for-sale financial assets		**(293,724)**	(150,000)
Purchase of property and equipment		**(12,562,498)**	(10,760,695)

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
NET CASH USED IN INVESTING ACTIVITIES		**(8,732,662)**	(8,908,540)
FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		**–**	5,286,283
Proceeds from issue of notes payable		**18,959,181**	3,000,000
Repayment of notes payable		**(3,301,700)**	–
Notes issuance cost		**(49,929)**	(9,410)
Notes interest paid		**(815,948)**	(480,196)
Dividends paid	37	**(702,527)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**14,089,077**	7,796,677
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,460,035**	2,973,470
Effects of exchange rate changes on cash and cash equivalents		**(246,342)**	–
Cash and cash equivalents at the beginning of the year		**9,789,098**	6,815,628
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	40	**15,002,791**	9,789,098
NET CASH FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**5,886,082**	5,455,565
Interest paid, exclusive notes payable interest expenses		**(3,901,512)**	(4,247,697)
Net interest received		**1,984,570**	1,207,868

The notes on pages 136 to 236 form an integral part of these consolidated

1 GENERAL INFORMATION

The Company was established as Shenzhen Leasing Co., Ltd. (深圳租賃有限公司) on 25 December 1984, with the approval of the former Shenzhen Special Economic Zone Branch of People's Bank of China ("PBOC"), and subsequently renamed as Shenzhen Finance Leasing Co., Ltd. (深圳金融租賃有限公司) after reorganisation in December 1999. In 2008, China Development Bank Corporation ("China Development Bank") became the controlling shareholder of the Company, and the Company's total paid-in capital was increased to RMB8,000,000,000 and subsequently, the Company changed its name to CDB Leasing Co., Ltd. (國銀金融租賃有限公司). On 8 September 2015, pursuant to the resolution of shareholders' meeting, the Company's total paid-in capital was increased to RMB9,500,000,000. Pursuant to the approval of China Banking Regulatory Commission (the "CBRC"), the Company became a joint stock company by issuing a total of 9,500,000,000 shares to existing shareholders at par value of RMB1 each, representing 100% of share capital of the Company on 28 September 2015 (the "Financial Restructuring"). On the same date, the Company also changed its name to China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司). The registered address of the Company's office was moved to CDB Financial Center, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the People's Republic of China ("PRC"), in 2017.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures

2.1.1.1 New and amended standards adopted by the Group

There are no new standards or amendments to standards that are effective for the first time for the year beginning on 1 January 2017 that have a material impact on the Group.

2.1.1.2 New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

2.1.1.2.1 IFRS 9 Financial instruments

Nature of change

IFRS 9 – Financial instruments was issued in July 2014, which introduces the classification and measurements, impairment and hedge accounting to replace the guidance in IAS 39 – Financial Instruments: Recognition and Measurement.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI in which case the accumulated fair value changes in OCI will not be recycled to the profit or loss in the future.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit losses ("ECL") model, as opposed to an incurred credit loss model under IAS 39. The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables, certain loan commitments and financial guarantee contracts. At initial recognition, impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months ("12-month ECL"). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ("lifetime ECL"). Financial assets where 12-month ECL is recognised are considered to be "stage 1"; financial assets which are considered to have experienced a significant increase in credit risk are in "stage 2"; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired are in "stage 3".

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

2.1.1.2 New standards and interpretations not yet adopted (Continued)

2.1.1.2.1 IFRS 9 Financial instruments (Continued)

Nature of change (Continued)

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

Impact

In order to assess the potential impact on the Group's financial statements resulting from the adoption of IFRS 9, the Group developed the ECL model and analysed changes to the credit risk of financial assets. The Group has also performed analysis of business models and cash flow characteristics in the contract terms of its investments and other financial instruments, and completed the classification of its existing financial assets under IFRS 9. The adoption of IFRS 9 by the Group is expected to reduce the equity attributable to owners of the Company as at 1 January 2018 by approximately RMB0.96 billion, mainly due to the application of the ECL model in determining the allowance for impairment losses on its financial lease receivables. The estimated impact is based on interpretation of accounting policies, assumptions, judgements and modeling techniques that remain subject to further enhancement and calibrations in 2018.

For the hedge accounting, the Group has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

Date of adoption by the Group

The requirements of IFRS 9 will be adopted from 1 January 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Group does not intend to restate comparatives.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

2.1.1.2 New standards and interpretations not yet adopted (Continued)

2.1.1.2.2 IFRS 15 Revenue from contracts with customers

Nature of change

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The Group has assessed the effects of applying the new standard on the Group's financial statements and does not expect the adoption of IFRS 15 would have significant impact on the consolidated financial statements of the Group.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

2.1.1.2 New standards and interpretations not yet adopted (Continued)

2.1.1.2.3 IFRS 16 Lease

Nature of change

IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed for the accounting of lessee. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised on the lessees' balance sheet. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The Group does not expect the adoption of IFRS 16 would have significant impact on its consolidated financial statements because the Group is the lessor in its leasing business and the operating lease commitment of the Group is not material.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or losses from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

2.2.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income taxes" and IAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest is disposed of.

2.4 Investments in subsidiaries

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Revenue recognition

Revenue, is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for goods or services provided in the normal course of business. Revenue is shown net of value-added tax. Revenue is recognised when it is probable that the economic benefits will flow into the Group and when it can be measured reliably, based on the following specific revenue recognition criteria:

(i) Operating lease income is recognised on a straight-line basis over the term of the relevant lease;

(ii) Finance lease income is recognised as revenue in each period according to the effective interest rate method during the lease term;

(iii) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;

(iv) Other income mainly includes consultancy fee income, leasing project management fee income and gains on disposal of leasing assets. Consultancy fee income is recognised in accordance with the terms of the contract when the relevant services have been rendered. Leasing project management fee income is recognised in accordance with the management service contracts and by reference to the agreed rate of management fee on a daily basis. Operating lease asset sales income is recognised as income when all the following conditions are satisfied: 1) the Group has transferred to the buyer the significant risks and rewards of ownership of the assets; 2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the assets sold; 3) the amount of revenue can be measured reliably; 4) it is probable that the economic benefits associated with the transaction will flow to the Group; and 5) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.6 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.6.1 The Group as lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred are charged to profit or loss for the period. Contingent rentals under operating lease are recognised as expenses in the periods in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Leasing (Continued)

2.6.2 The Group as lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

2.6.3 The Group as lessor under finance leases

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income.

Unearned finance income is recognised as finance income using the effective interest method over the lease term. Contingent rentals under finance lease are recognised as revenue in the periods in which they are incurred.

2.7 Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.8 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Foreign currencies (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.10 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

2.11.1 Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

2.11.2 Annuity scheme – defined contribution plan

The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss.

2.12 Taxation

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

2.12.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before income tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years/periods and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Taxation (Continued)

2.12.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.12.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Property and equipment

Property and equipment include buildings, computer and electronic equipment, motor vehicles, office equipment, leasehold improvements held by the Group for administrative purpose (other than properties under construction as described below), and aircraft, vessels, special equipment, and electronic equipment held for operating lease businesses. Property and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment held by the Group for administrative purpose are as follows:

Classes	Estimated residual value rates	Useful lives
Buildings	5%	20 years
Computers and electronic equipment	5%	3 – 5 years
Motor vehicles	5%	5 years
Office equipment	5%	3 – 5 years
Leasehold improvements	0%	2 – 10 years

The estimated residual value rates and useful lives of each class of equipment held for operating lease businesses of the Group are as follows:

Classes	Estimated residual value rates	Useful lives
Aircraft	15%	11 – 20 years
Vessels	10%	20 years
Special equipment	5%	10 years
Electronic equipment	5%	3 years

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Investment properties

Investment properties are properties held to earn rentals.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

The estimated residual value rate and useful life of investment properties are 5% and 20–34 years respectively.

2.15 Intangible assets

2.15.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

The intangible asset is computer software with the estimated useful life of 5 years.

2.15.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, which measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Impairment on tangible and intangible assets other than goodwill and financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.17 Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

2.19 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognized in the statements of financial position. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the statements of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

2.20 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.20.1 Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "available-for-sale" (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Financial instruments (Continued)

2.20.1 Financial assets (Continued)

2.20.1.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.20.1.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the net investment gains/losses line item.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Financial instruments (Continued)

2.20.1 Financial assets (Continued)

2.20.1.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and bank balances, placement to banks and other financial institutions, accounts receivable, finance lease receivables, interest receivable and other receivables) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

2.20.1.4 AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investments revaluation reserves reclassified to profit or loss (see the accounting policy on impairment on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Financial instruments (Continued)

2.20.1 Financial assets (Continued)

2.20.1.5 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it is probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as finance lease receivables, accounts receivable, interest receivable and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the agreed payment term, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Collective impairment allowances cover credit losses inherent in portfolios of loans receivable and other accounts with similar economic and credit risk characteristics where objective evidence for individual impaired items cannot be identified. In assessing the collective impairment, management makes assumptions both to define the way the Group assesses inherent losses and to determine the required input parameters, based on historical loss experience and current economic conditions. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Financial instruments (Continued)

2.20.1 Financial assets (Continued)

2.20.1.5 Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease receivables, accounts receivable, interest receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. When a finance lease receivable, an account receivable, interest receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of the investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Financial instruments (Continued)

2.20.1 Financial assets (Continued)

2.20.1.6 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

2.20.2 Financial liabilities and equity instruments

2.20.2.1 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Financial instruments (Continued)

2.20.2 Financial liabilities and equity instruments (Continued)

2.20.2.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.20.2.3 Financial liabilities

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

2.20.2.4 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

2.20.2.5 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

2.20.2.6 Other financial liabilities

Other financial liabilities including borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements, notes payable, dividends payable, interest payable, long-term accounts payable and other payables are subsequently measured at amortised cost using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Financial instruments (Continued)

2.20.2 Financial liabilities and equity instruments (Continued)

2.20.2.7 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.20.2.8 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including currency forward and interest rate swap.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

2.20.2.9 Hedge accounting

The Group designates certain derivatives as hedging instruments, for cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Financial instruments (Continued)

2.20.2 Financial liabilities and equity instruments (Continued)

2.20.2.10 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "net investment gains (losses)" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

2.20.2.11 Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "net investment gains (losses)" line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the hedging reserve are reclassified to profit or loss on the disposal of the foreign operation.

3 CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of accounting policies as set out in Note 2, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, estimate and key assumptions that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognised in the consolidated financial statements:

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

The Group reviews finance lease receivables, accounts receivable and other receivables portfolio on a regular basis, evaluates any indicators of impairment, and assesses impairment loss in the case of impairment under specific circumstances.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Objective evidence may include observable data indicating that there is an adverse change in the payments status of borrowers in a group (e.g. payment delinquency or default in interest or principal payments), or national or local economic conditions that correlate with defaults on assets in the portfolio.

The impairment loss amount of an individual finance lease receivable, an account receivable and other receivable is measured as the difference between the financial asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. When assessing the impairment loss of finance lease receivables, accounts receivable and other receivables portfolio under the collective evaluation method, management uses estimates based on historical loss experience, which subjects to adjustments according to observable data to reflect the current economic conditions, for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As described in Note 2.1.1.2 to the consolidated financial statements, IFRS 9 will take effect on 1 January 2018 and IFRS 9 requires an expected credit losses model, as opposed to an incurred credit loss model under IAS 39. The adoption of IFRS 9 is expected to increase accumulated allowance for impairment losses for finance lease receivables, accounts receivable and other receivables.

3 CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3.2 Impairment loss for operating lease assets

The majority of the Group's operating lease assets are aircraft. According to the accounting policy stated in Note 2, management makes judgement regarding whether there is any indicator of assets impairment at the financial reporting date, and measures the recoverable amount of any assets with impairment indicators. The recoverable amount is the higher of the net amount of assets' fair value minus the cost of disposal, and the estimated value in use. These measurements involve estimation.

3.3 Depreciation of operating lease assets

The Group calculates depreciation expense of operating lease assets based on management's assumption on their useful life and residual value. The useful lives and the residual value of operating lease assets reflect the future economic benefit obtained from the use of the operating lease assets and the benefit from disposal estimated by the Group's management. The estimation may differ due to actual physical wear and tear of the assets, changes of the technology innovation and market competition.

3.4 Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

3.5 Fair value of financial instruments

The Group has adopted valuation models to calculate the fair value for the financial instruments without active market price. Such valuation models include discounted cash flow model and other valuation models. In practice, the discounted cash flow model only use the observable data whenever possible, however, the management still needs to make assumption regarding the factors, such as counterparty's credit risk, market volatility and correlations. The estimated fair value of the financial instruments will be affected for any changes of the above factors.

3 CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3.6 Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as the present values of the minimum lease payments of the lease amount to at least substantially all of the fair value of the assets held for lease businesses at the inception of the leases. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statements of financial position and has instead, recognised finance lease receivables (Note 19). On the other hand, the Group includes the assets held for lease businesses under operating lease in property and equipment, and investment property. The determination of whether the Group has transferred substantially all the risks and rewards incident to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgements by management.

4 TOTAL REVENUE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Finance lease income[(1)]	**5,784,289**	5,363,827
Operating lease income	**6,016,001**	5,453,157
	11,800,290	10,816,984

(1) The Group recognised the finance lease income of approximately RMB39,315,000 and RMB29,264,000 from non-performing finance lease receivables in the years of 2017 and 2016, respectively.

5 NET INVESTMENT GAINS/(LOSSES)

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Realised gains/(losses) from derivatives	**6,296**	(87,219)
Realised gains from available-for-sale financial assets	**93,270**	5,490
Unrealised fair value change of derivatives	**12,943**	(15,708)
Unrealised fair value change of financial assets at fair value through profit or loss	**63,651**	45,078
	176,160	(52,359)

6 OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Government grants and incentives[1]	**310,433**	198,347
Gains on disposal of equipment held for operating lease businesses, net	**41,098**	116,099
Interest income from deposits with financial institutions	**104,383**	91,738
Management and commission fee income	**76,279**	73,799
Compensation from an aircraft supplier	**31,436**	–
Consulting fee income	**4,204**	13,256
Foreign exchange (losses)/gains, net	**(234,271)**	167,666
Others	**4,710**	15,275
	338,272	676,180

(1) Pursuant to the relevant taxation policies of the Ministry of Finance and the State Administration of Taxation, as well as the fiscal and tax preferential policies of the Shanghai Free Trade Zone, the Dongjiang Free Trade Port Zone of Tianjin, and the Xiangyu Free Trade Zone of Xiamen, the Group received grant of approximately RMB302,548,000 and RMB191,817,000 in total in the years of 2017 and 2016, respectively. Such grants have been recognised as income when received.

Pursuant to "Detailed Rules for the Implementation of Suggestions on the Development of the Financial Industry in Shenzhen" (Shen Fu [2009] No. 6), the Group received the grant of approximately RMB800,000 and RMB3,493,000, from Shenzhen Government in the years of 2017 and 2016, respectively. Such grants have been recognised as income when received.

Pursuant to "Detailed Rules for the Implementation of Suggestions on the Development of the Financial Industry in Shenzhen", financial institutions are eligible for government grants for newly purchased or constructed headquarters office space for its own use (including the related business premises) if they are headquartered in Shenzhen. Subsidies equal to 30% of land price (including surcharge fees) will be granted by the municipal government. The Company received such grant of approximately RMB144,300,000 from Shenzhen Government in 2011. Such grant has been amortised and recognised as income using the straight-line method over the estimated useful lives of land use rights.

7 DEPRECIATION AND AMORTISATION

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Depreciation of property and equipment	**2,663,058**	2,418,484
Depreciation of investment properties	**19,618**	19,618
Amortisation of land use rights	**10,008**	10,008
Amortisation of other intangible assets	**5,288**	5,583
Amortisation of prepaid expenses	**3,915**	22,832
	2,701,887	2,476,525

8 STAFF COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Salaries, bonus and allowances	**286,718**	163,202
Social welfare	**43,689**	22,489
Defined contribution plans – annuity schemes	**11,380**	4,490
Others	**9,857**	38,853
	351,644	229,034

The domestic employees of the Group in the PRC participate in a state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred.

9 FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Business collaboration fee for leasing projects	**31,901**	29,836
Bank charges	**30,085**	26,064
	61,986	55,900

10 INTEREST EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest on liabilities that are wholly repayable within five years:		
Borrowings	**3,891,484**	3,334,664
Due to banks and other financial institutions	**74,665**	93,366
Financial assets sold under repurchase agreements	**354,183**	198,795
Notes payable	**523,514**	152,374
Deposits from lessees	**678**	274
Interest on liabilities that are not wholly repayable within five years:		
Borrowings	**25,240**	347,440
Notes payable	**292,434**	350,050
Deposits from lessees	**1,974**	4,626
Less: Interest capitalised on qualifying assets [(a)]	**(179,702)**	(81,518)
	4,984,470	4,400,071

(a) Interest capitalised on qualifying assets in 2017, including RMB42,011,000(2016:nil) on construction in progress and RMB137,691,000(2016: RMB81,518,000) on prepayment.

11 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Taxes and surcharges	**140,642**	98,786
Operating lease rentals in respect of rented aircraft	**78,628**	77,317
Operating lease rentals in respect of rented premises	**50,552**	40,099
Business travel and transportation expenses	**34,741**	19,407
Expenses and losses associated with repossession and maintenance of aircraft	**43,493**	–
Auditor's remuneration	**6,875**	7,171
Sundry expenses	**139,034**	142,991
	493,965	385,771

12 IMPAIRMENT LOSSES

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Finance lease receivables	**769,262**	1,125,380
Accounts receivable	**82,261**	316,786
Aircraft held for operating lease businesses	**61,346**	319,466
Other assets	**49**	64,141
	912,918	1,825,773

13 INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current income tax		
– PRC Enterprise Income Tax	**610,244**	245,467
– Income tax in other countries	**10,119**	13,348
Deferred income tax	**36,905**	232,343
Under provision in prior period	**19,621**	15,234
	676,889	506,392

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

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit before income tax	**2,807,852**	2,067,731
Tax at the statutory tax rate of 25%	**701,963**	516,933
Effect of different tax rates of group entities operating in jurisdictions other than PRC	**(44,889)**	(69,134)
Tax effect of expenses not deductible for tax purpose(1)	**194**	11,595
Reversal of deferred tax assets in prior year	**–**	2,845
Unrecognized deferred tax from current loss	**–**	28,919
Under provision in prior year	**19,621**	15,234
Income tax expense for the period	**676,889**	506,392

(1) The expenses that are not tax deductible mainly represent a portion of expenditure, such as entertainment expense and welfare fees etc., which exceed the tax deduction limits in accordance with PRC tax regulations.

14 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to owners of the Company *(RMB'000)*	**2,130,963**	1,561,339
Number of shares:		
Weighted average number of shares in issue *(RMB'000)*	**12,642,380**	10,986,499
Basic earnings per share *(RMB Yuan)*	**0.17**	0.14

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2017 and 2016, respectively.

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary share in the year of 2017 and 2016, respectively.

15 CASH AND BANK BALANCES

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Pledged and restricted bank deposits[(1)]	**850,650**	265,642
Mandatory reserve deposits with central bank[(2)]	**353,632**	381,675
Surplus reserve deposits with central bank[(3)]	**54,300**	19,779
Cash and bank balances	**14,948,491**	8,669,319
	16,207,073	9,336,415

(1) The bank deposits amounting to approximately RMB519,121,000 and RMB160,642,000 were pledged as collateral for the Group's bank borrowings (Note 28) as at 31 December 2017 and 2016, respectively.

The bank deposits amounting to approximately RMB331,529,000 and RMB105,000,000 were restricted for use, which represented the guaranteed deposit held by the Group in relation to the financial lease receivables being transferred at 31 December 2017 and 2016, respectively.

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

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

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Measured at fair value:		
Asset management schemes, unlisted	**1,857,927**	2,133,717

As at 31 December 2017 and 2016, the asset management schemes were issued and managed by non-bank financial institutions, which mainly invested on debt securities listed on exchanges and Interbank Bond Market in the PRC. The asset management schemes were designated at fair value through profit or loss as they were managed and their performance were evaluated on a fair value basis, in accordance with the investment strategy, and information about the schemes were provided internally on that basis to the Group's key management personnel.

17 DERIVATIVE FINANCIAL INSTRUMENTS

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

	31 December 2017		
	Contractual/ Nominal amount	**Fair value**	
		Assets	**Liabilities**
	RMB'000	***RMB'000***	***RMB'000***
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	**8,260,682**	**27,728**	**(65,188)**
Others:			
Interest rate swaps	**227,247**	**–**	**(3,937)**
	8,487,929	**27,728**	**(69,125)**

17 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

For derivatives under hedge accounting, the details and terms are set out in note 50.

18 ACCOUNTS RECEIVABLE

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Operating lease receivables[1]	**451,042**	142,699
Advances for finance lease projects[2]	**6,384,326**	6,714,876
Other accounts receivable[3]	**19,887**	200,129
	6,855,255	7,057,704
Less: Allowances for impairment losses		
– Allowances for advances for finance lease projects	**(245,216)**	(215,878)
– Allowances for other accounts receivable	**–**	(49)
	6,610,039	6,841,777

Movements of allowances for impairment losses on accounts receivable during the year of 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
At the beginning of the year	**215,927**	323,686
Provision during the year	**82,261**	316,786
Transfer out during the year	**–**	(15,732)
Write-offs	**(52,972)**	(408,813)
At the end of the year	**245,216**	215,927

18 ACCOUNTS RECEIVABLE (Continued)

Aging analysis of accounts receivable is as below:

(1) The operating lease receivables of the Group were accrued on a straight-line basis over the term of the relevant leases and settled periodically based on the payment terms agreed in the lease contracts. There were no material overdue operating lease receivables as at 31 December 2017 and 2016.

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

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

19 FINANCE LEASE RECEIVABLES

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Minimum finance lease receivables		
Not later than one year	**24,055,231**	21,306,534
Later than one year and not later than five years	**65,313,630**	58,610,867
Later than five years	**36,391,404**	34,618,723
Gross amount of finance lease receivables	**125,760,265**	114,536,124
Less: Unearned finance income	**(24,075,619)**	(23,676,007)
Net amount of finance lease receivables	**101,684,646**	90,860,117
Less: Allowances for impairment losses	**(2,804,083)**	(2,396,067)
Carrying amount of finance lease receivables	**98,880,563**	88,464,050
Present value of minimum finance lease receivables		
Not later than one year	**18,790,393**	16,137,256
Later than one year and not later than five years	**52,180,292**	45,236,438
Later than five years	**30,713,961**	29,486,423
Total	**101,684,646**	90,860,117

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

19 FINANCE LEASE RECEIVABLES (Continued)

The finance leases receivable with carrying amount of approximately RMB2,603,287,000 and RMB3,741,990,000 were pledged as collateral for the Group's bank borrowings (Note 28) as at 31 December 2017 and 2016, respectively.

The Group entered into repurchase agreements (Note 39) with certain counterparties to sell the Group's finance lease receivables with carrying amounts of approximately RMB3,881,706,000 and RMB5,870,738,000 as at 31 December 2017 and 2016, respectively.

The finance lease receivables were mainly with floating interest rates reference to the benchmark interest rate of PBOC ("PBOC Rate") or London Inter-bank Offered Rates ("LIBOR"). The interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rates.

Movements of allowances for impairment losses on finance lease receivables during the year ended 31 December 2017 and 2016 are as follows:

	Individual assessment	
	For the year ended 31 December 2017 **RMB'000**	For the year ended 31 December 2016 *RMB'000*
At the beginning of the year	**1,014,962**	1,335,971
Provision during the year	**363,220**	1,412,816
Transfer out during the year	**–**	–
Write-offs	**(329,509)**	(1,733,825)
At the end of the year	**1,048,673**	1,014,962

	Collective assessment	
	For the year ended 31 December 2017 **RMB'000**	For the year ended 31 December 2016 *RMB'000*
At the beginning of the year	**1,381,105**	1,627,529
Provision during the year	**406,042**	(287,436)
Transfer in during the year	**–**	15,732
Write-offs	**(8,423)**	–
Foreign currency translation	**(23,314)**	25,280
At the end of the year	**1,755,410**	1,381,105

19 FINANCE LEASE RECEIVABLES (Continued)

	Total assessment	
	For the year ended 31 December 2017	For the year ended 31 December 2016
	RMB'000	*RMB'000*
At the beginning of the year	**2,396,067**	2,963,500
Provision during the year	**769,262**	1,125,380
Transfer in during the year	**–**	15,732
Write-offs	**(337,932)**	(1,733,825)
Foreign currency translation	**(23,314)**	25,280
At the end of the year	**2,804,083**	2,396,067

20 PREPAYMENTS

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Prepayments for operating lease asset purchases	**7,530,238**	7,911,502

The prepayments for operating lease assets with carrying amounts of approximately RMB425,997,000 were pledged as collateral for the Group's bank borrowings (Note 28) as at 31 December 2017 (31 December 2016: RMB471,716,000).

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Measured at cost:		
Equity investment[(1)]	**13,000**	122,440
Measured at fair value:		
Bonds investments – unlisted	**266,573**	152,148
	279,573	274,588

(1) As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity securities are measured at cost less impairment at the end of each reporting period.

22 INVESTMENTS IN SUBSIDIARIES

The following is a list of the subsidiaries, which are all limited liability companies, at 31 December 2017:

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
SFL-1 Limited	Cayman Islands 26 September 2006	100	100	USD1,000	Aircraft leasing
SFL-2 Limited	Cayman Islands 12 January 2007	100	100	USD1,000	Aircraft leasing
SFL-3 Limited	Cayman Islands 29 May 2007	100	100	USD1,000	Aircraft leasing
SFL-4 Limited	Cayman Islands 5 June 2007	100	100	USD1,000	Aircraft leasing
SFL-5 Limited	Cayman Islands 11 July 2007	100	100	USD1,000	Aircraft leasing
SFL-6 Limited	Cayman Islands 3 August 2007	100	100	USD1,000	Aircraft leasing
SFL-7 Limited	Cayman Islands 13 March 2008	100	100	USD1,000	Aircraft leasing
Aviation Capital Limited	Cayman Islands 8 September 2008	100	100	USD1,000	Aircraft leasing
CLC-1 Limited	Cayman Islands 20 May 2008	100	100	USD1,000	Aircraft leasing
CLC-2 Limited	Cayman Islands 26 May 2008	100	100	USD1,000	Aircraft leasing
AMBER Circle Funding Limited	Cayman Islands 22 June 2012	100	100	USD250	Aircraft leasing
CDBL FUNDING 1	Cayman Islands 23 October 2014	–	100	USD250	Funding
CDBL FUNDING 2	Hong Kong 23 May 2017	–	100	HKD1	Funding
Top Voyage Enterprise Limited	Hong Kong 25 June 2009	–	100	HKD1	Vessel leasing
Well Far Limited	Hong Kong 3 September 2009	–	100	HKD1	Vessel leasing
CLC Ship Chartering-I Co., Ltd.	Hong Kong 24 November 2009	–	100	HKD1	Vessel leasing
CLC Ship Chartering-II Co., Ltd.	Hong Kong 13 May 2010	–	100	HKD1	Vessel leasing
CLC Ship Chartering-III Co., Ltd.	Hong Kong 13 May 2010	–	100	HKD1	Vessel leasing
CLC Ship Chartering-IV Co., Ltd.	Hong Kong 13 May 2010	–	100	HKD1	Vessel leasing
CLC Ship Chartering-V Co., Ltd.	Hong Kong 17 May 2010	–	100	HKD1	Vessel leasing
CLC Ship Chartering-VI Co., Ltd.	Hong Kong 13 May 2010	–	100	HKD1	Vessel leasing
CLC Ship Chartering-VII Co., Ltd.	Hong Kong 31 March 2011	–	100	HKD1	Vessel leasing

22 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
CLC Ship Chartering-VIII Co., Ltd.	Hong Kong 31 March 2011	–	100	HKD1	Vessel leasing
CLC Ship Chartering-IX Co., Ltd.	Hong Kong 31 March 2011	–	100	HKD1	Vessel leasing
CLC Ship Chartering-X Co., Ltd.	Hong Kong 31 March 2011	–	100	HKD1	Vessel leasing
CLC Maritime Container Leasing Co., Limited	Hong Kong 29 October 2012	–	100	HKD1	Vessel leasing
Kinghood Vessel Leasing Co., Ltd.	Hong Kong 1 April 2010	–	100	HKD1	Vessel leasing
Metro Excel Limited	Hong Kong 3 September 2009	100	100	HKD1	Vessel leasing
香港金力科技有限公司 Hong Kong Jinli Technology Co., Ltd*	Hong Kong 4 December 1984	100	100	RMB350,000	Trading agent
Top Sailing Enterprise Limited	Hong Kong 18 April 2013	–	100	HKD1	Vessel leasing
Nine West Marine LTD.	Hong Kong 22 August 2013	–	100	HKD1	Vessel leasing
Ample Pointer Limited	Hong Kong 16 August 2013	–	100	HKD1	Vessel leasing
Bexton Limited	Hong Kong 26 July 2013	–	100	HKD1	Vessel leasing
Cyber Wave Limited	Hong Kong 11 October 2013	–	100	HKD1	Vessel leasing
Hu jin Lpg Carrier Ltd.	Hong Kong 20 February 2014	–	100	HKD1	Vessel leasing
Guang Jiu Lpg Carrier Ltd.	Hong Kong 27 August 2014	–	100	HKD1	Vessel leasing
CLC Glowing Ltd.	Hong Kong 29 July 2014	–	100	HKD1	Vessel leasing
Ease Best Ltd.	Hong Kong 18 July 2014	–	100	HKD1	Vessel leasing
Bendery Maritime Limited	Hong Kong 24 October 2014	–	100	HKD1	Vessel leasing
Bermuda Maritime Limited	Hong Kong 24 October 2014	–	100	HKD1	Vessel leasing
Bear Maritime Limited	Hong Kong 24 October 2014	–	100	HKD1	Vessel leasing
Sherlock Maritime Limited	Hong Kong 24 October 2014	–	100	HKD1	Vessel leasing
Franklin Maritime Limited	Hong Kong 24 October 2014	–	100	HKD1	Vessel leasing
Rome Shipping Limited	Hong Kong 5 November 2014	–	100	HKD1	Vessel leasing
Bell Maritime Limited	Hong Kong 21 September 2015	–	100	HKD1	Vessel leasing
Gold Maritime Limited	Hong Kong 21 September 2015	–	100	HKD1	Vessel leasing
Silver Maritime limited	Hong Kong 21 September 2015	–	100	HKD1	Vessel leasing
Venus Maritime Limited	Hong Kong 21 September 2015	–	100	HKD1	Vessel leasing
CDB Aviation Hong Kong Limited (previously known as SinoAero Leasing (Hong Kong) Co., Limited)	Hong Kong 28 January 2016	–	100	HKD1,000	Aircraft leasing
CLC VLOC – 1 LIMITED	Hong Kong 12 October 2016	–	100	HKD1	Vessel leasing
CLC VLOC – 2 LIMITED	Hong Kong 29 July 2015	–	100	HKD1	Vessel leasing
CLC VLOC – 3 LIMITED	Hong Kong 29 July 2015	–	100	HKD1	Vessel leasing
CLC VLOC – 4 LIMITED	Hong Kong 29 July 2015	–	100	HKD1	Vessel leasing
CLC VLOC – 5 LIMITED	Hong Kong 12 October 2016	–	100	HKD1	Vessel leasing
CLC VLOC – 6 LIMITED	Hong Kong 12 October 2016	–	100	HKD1	Vessel leasing
CLC VLOC – 7 LIMITED	Hong Kong 12 October 2016	–	100	HKD1	Vessel leasing
CLC VLOC – 8 LIMITED	Hong Kong 12 October 2016	–	100	HKD1	Vessel leasing
CDBL Ambition Limited	Hong Kong 25 November 2016	–	100	HKD1	Vessel leasing
CDBL Global Limited	Hong Kong 25 November 2016	–	100	HKD1	Vessel leasing
CDBL Profession Limited	Hong Kong 25 November 2016	–	100	HKD1	Vessel leasing
CDBL Diversification Limited	Hong Kong 25 November 2016	–	100	HKD1	Vessel leasing
CDBL Ocean Limited	Hong Kong 21 September 2017	–	100	HKD1	Vessel leasing
CDBL Planet Limited	Hong Kong 21 September 2017	–	100	HKD1	Vessel leasing
CDBL Newcastlemax I Limited	Hong Kong 21 September 2017	–	100	HKD1	Vessel leasing

22 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
CDBL Newcastlemax II Limited	Hong Kong 21 September 2017	–	100	HKD1	Vessel leasing
CDBL Newcastlemax III Limited	Hong Kong 21 September 2017	–	100	HKD1	Vessel leasing
CDBL Newcastlemax IV Limited	Hong Kong 21 September 2017	–	100	HKD1	Vessel leasing
CDBL Newcastlemax V Limited	Hong Kong 21 September 2017	–	100	HKD1	Vessel leasing
CDBL Newcastlemax VI Limited	Hong Kong 22 December 2017	–	100	HKD1	Vessel leasing
CDBL Newcastlemax VII Limited	Hong Kong 22 December 2017	–	100	HKD1	Vessel leasing
CDBL Newcastlemax VIII Limited	Hong Kong 22 December 2017	–	100	HKD1	Vessel leasing
CDBL Newcastlemax IX Limited	Hong Kong 22 December 2017	–	100	HKD1	Vessel leasing
CDBL Newcastlemax X Limited	Hong Kong 22 December 2017	–	100	HKD1	Vessel leasing
CDB Aviation Lease Finance Designated Activity Company	Ireland 2 July 2009	100	100	USD50,000,000	Aircraft leasing
GY Aviation Lease 101 Co., Ltd.	Ireland 7 December 2010	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 102 Co., Ltd.	Ireland 27 April 2011	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 103 Co., Ltd.	Ireland 8 September 2011	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 104 Co., Ltd.	Ireland 20 September 2011	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 105 Co., Ltd.	Ireland 1 November 2011	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 0901 Co., Ltd.	Ireland 2 July 2009	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 0902 Co., Ltd.	Ireland 4 August 2009	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 0903 Co., Ltd.	Ireland 16 September 2009	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 0904 Co., Ltd.	Ireland 1 December 2009	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 0905 Co., Ltd.	Ireland 1 December 2009	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 0906 Co., Ltd.	Ireland 30 November 2009	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 1201 Co., Limited	Ireland 20 March 2012	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 1202 Co., Limited	Ireland 23 April 2012	–	100	EUR 2	Aircraft leasing
GY Aviation Lease 1203 Co., Limited	Ireland 30 April 2012	–	100	EUR 2	Aircraft leasing
GY Aviation Lease (France) SARL	France 6 June 2012	–	100	EUR 50,000	Aircraft leasing
GY Aviation Lease (Norway) Co., AS	Norway 9 June 2012	–	100	NOK150,000	Aircraft leasing
AeroPower Leasing Co., Ltd.	Ireland 12 August 2011	–	100	USD1	Aircraft leasing
Compass aviation Leasing Co., Ltd.	Ireland 25 August 2011	–	100	USD2	Aircraft leasing
APONE Aviation Leasing Co., Limited	Ireland 12 August 2011	–	100	USD1	Aircraft leasing
APTREE Aviation Trading 1 Co., Limited	Ireland 2 September 2011	–	100	USD1	Aircraft leasing
APTREE Aviation Trading 2 Co., Limited	Ireland 19 September 2011	–	100	USD1	Aircraft leasing
APTREE Aviation Trading 3 Co., Limited	Ireland 19 September 2011	–	100	USD1	Aircraft leasing
APTREE Aviation Trading 4 Co., Limited	Ireland 19 September 2011	–	100	USD1	Aircraft leasing
APTREE Aviation Trading 5 Co., Limited	Ireland 12 October 2011	–	100	USD1	Aircraft leasing
GY Aviation Lease 1204 Co., Limited	Ireland 18 July 2012	–	100	USD1	Aircraft leasing
GY Aviation Lease 1205 Co., Limited	Ireland 18 July 2012	–	100	USD1	Aircraft leasing
GY Aviation Lease 1207 Co., Limited	Ireland 18 July 2012	–	100	USD1	Aircraft leasing
GY Aviation Lease 106 Co., Limited	Ireland 15 November 2011	–	100	USD1	Aircraft leasing
GY Aviation lease 1301 Co., Ltd.	Ireland 20 August 2013	–	100	USD1	Aircraft leasing
GY Aviation lease 1302 Co., Ltd.	Ireland 30 October 2013	–	100	USD1	Aircraft leasing
GY Aviation lease 1303 Co., Ltd.	Ireland 12 December 2013	–	100	USD1	Aircraft leasing
GY Aviation lease 1304 Co., Ltd.	Ireland 12 December 2013	–	100	USD1	Aircraft leasing
GY Aviation lease 1305 Co., Ltd.	Ireland 12 December 2013	–	100	USD1	Aircraft leasing

22 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
GY Aviation lease 1306 Co., Ltd.	Ireland 12 December 2013	–	100	USD1	Aircraft leasing
GY Aviation lease 1501 Co., Ltd.	Ireland 8 April 2015	–	100	USD1	Aircraft leasing
GY Aviation lease 1502 Co., Ltd.	Ireland 25 May 2015	–	100	USD1	Aircraft leasing
GY Aviation lease 1503 Co., Ltd.	Ireland 16 July 2015	–	100	USD1	Aircraft leasing
GY Aviation lease 1504 Co., Ltd.	Ireland 24 July 2015	–	100	USD1	Aircraft leasing
GY Aviation lease 1505 Co., Ltd.	Ireland 24 July 2015	–	100	USD1	Aircraft leasing
GY Aviation Lease 1601 Co.,Ltd	Ireland 27 June 2016	–	100	USD1	Aircraft leasing
GY Aviation Lease 1602 Co.,Ltd	Ireland 26 September 2016	–	100	USD1	Aircraft leasing
GY Aviation Lease 1603 Co.,Ltd	Ireland 26 September 2016	–	100	USD1	Aircraft leasing
GY Aviation Lease (Malta) Limited	Malta 14 January 2013	–	100	EUR1,200	Aircraft leasing
GY Aviation Lease 1701,Co., Limited	Ireland 30 January 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1702,Co., Limited	Ireland 30 January 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1703 Co., Limited	Ireland 27 April 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1704 Co., Limited	Ireland 27 April 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1705 Co., Limited	Ireland 15 June 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1706 Co., Limited	Ireland 18 July 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1707 Co., Limited	Ireland 18 July 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1708 Co., Limited	Ireland 18 July 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1709 Co., Limited	Ireland 18 July 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1710 Co., Limited	Ireland 28 August 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1711 Co., Limited	Ireland 13 September 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1712 Co., Limited	Ireland 13 September 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1713 Co., Limited	Ireland 13 September 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1714 Co., Limited	Ireland 13 September 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1715 Co., Limited	Ireland 13 September 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1716 Co., Limited	Ireland 13 September 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1717 Co., Limited	Ireland 13 September 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1718 Co., Limited	Ireland 13 September 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1719 Co., Limited	Ireland 13 September 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1720 Co., Limited	Ireland 13 September 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1721 Co., Limited	Ireland 13 September 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1722 Co., Limited	Ireland 13 September 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1723 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1724 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1725 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1726 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1727 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1728 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1729 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1730 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1731 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1732 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1733 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1734 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing

22 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
GY Aviation Lease 1735 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1736 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1737 Co., Limited	Ireland 7 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1738 Co., Limited	Ireland 20 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1739 Co., Limited	Ireland 20 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1740 Co., Limited	Ireland 20 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1741 Co., Limited	Ireland 20 November 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease 1742 Co., Limited	Ireland 20 November 2017	–	100	USD1	Aircraft leasing
CDB Aviation Americas LLC	USA 3 February 2017	–	100	USD5,000	Aircraft leasing
CDB Aviation Funding 2017 Limited	Ireland 8 September 2017	–	100	USD1	Aircraft leasing
GY Aviation Lease Labuan 1 Limited	Malaysia 28 November 2017	–	100	USD1,000	Aircraft leasing
GY Aviation Lease Labuan 2 Limited	Malaysia 28 November 2017	–	100	USD1,000	Aircraft leasing
GY Aviation Lease Labuan 3 Limited	Malaysia 28 November 2017	–	100	USD1,000	Aircraft leasing
GY Aviation Lease Labuan 4 Limited	Malaysia 18 December 2017	–	100	USD1,000	Aircraft leasing
GY Aviation Lease France 2	France 25 April 2017	–	100	EUR1,000	Aircraft leasing
GY Aviation Lease France 3	France 2 May 2017	–	100	EUR1,000	Aircraft leasing
國銀飛機租賃(上海)有限公司 CLC Aircraft Leasing (Shanghai) Co., Ltd*	PRC 24 November 2010	100	100	RMB5,000,000	Aircraft leasing
國銀新天飛機租賃(上海)有限公司 CLC Xintian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 16 December 2011	100	100	RMB5,000,000	Aircraft leasing
國銀匯天飛機租賃(上海)有限公司 CLC Huitian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 16 December 2011	100	100	RMB5,000,000	Aircraft leasing
國銀浩天飛機租賃(上海)有限公司 CLC Haotian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 4 September 2012	100	100	RMB300,000	Aircraft leasing
國銀弘天飛機租賃(上海)有限公司 CLC Hongtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 4 September 2012	100	100	RMB300,000	Aircraft leasing
國銀旭天飛機租賃(上海)有限公司 CLC Xutian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 4 September 2012	100	100	RMB300,000	Aircraft leasing
國銀飛機租賃(天津)有限公司 CLC Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 June 2012	100	100	RMB500,000	Aircraft leasing
國銀騰飛飛機租賃(天津)有限公司 CLC Tengfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 June 2012	100	100	RMB500,000	Aircraft leasing
國銀翔天飛機租賃(天津)有限公司 CLC Xiangtian Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 5 September 2012	100	100	RMB500,000	Aircraft leasing
國銀晨飛飛機租賃(天津)有限公司 CLC Chenfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 5 September 2012	100	100	RMB500,000	Aircraft leasing
國銀鴻飛飛機租賃(天津)有限公司 CLC Hongfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 5 September 2012	100	100	RMB500,000	Aircraft leasing
國銀航飛飛機租賃(天津)有限公司 CLC Hangfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 5 September 2012	100	100	RMB500,000	Aircraft leasing
國銀霄飛飛機租賃(天津)有限公司 CLC Xiaofei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100	100	RMB500,000	Aircraft leasing
國銀博飛飛機租賃(天津)有限公司 CLC Bofei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100	100	RMB500,000	Aircraft leasing

22 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
國銀鵬飛飛機租賃(天津)有限公司 CLC Pengfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100	100	RMB500,000	Aircraft leasing
國銀逸飛飛機租賃(天津)有限公司 CLC Yifei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100	100	RMB500,000	Aircraft leasing
國銀卓飛飛機租賃(天津)有限公司 CLC Zhuofei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 19 October 2012	100	100	RMB500,000	Aircraft leasing
國銀冠飛飛機租賃(天津)有限公司 CLC Guanfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2012	100	100	RMB500,000	Aircraft leasing
國銀捷飛飛機租賃(天津)有限公司 CLC Jiefei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 7 November 2012	100	100	RMB500,000	Aircraft leasing
國銀鑫飛飛機租賃(天津)有限公司 CLC Xinfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2012	100	100	RMB500,000	Aircraft leasing
國銀盛飛飛機租賃(天津)有限公司 CLC Shengfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 7 November 2012	100	100	RMB500,000	Aircraft leasing
國銀振飛飛機租賃(天津)有限公司 CLC Zhenfei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 7 November 2012	100	100	RMB500,000	Aircraft leasing
國銀宇飛飛機租賃(天津)有限公司 CLC Yufei Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2012	100	100	RMB500,000	Aircraft leasing
國銀瑞天飛機租賃(上海)有限公司 CLC Ruitian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing
國銀益天飛機租賃(上海)有限公司 CLC Yitian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing
國銀澤天飛機租賃(上海)有限公司 CLC Zetian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing
國銀康天飛機租賃(上海)有限公司 CLC Kangtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing
國銀華天飛機租賃(上海)有限公司 CLC Huatian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing
國銀瀚天飛機租賃(上海)有限公司 CLC Hantian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 3 July 2013	100	100	RMB300,000	Aircraft leasing
國銀榮天飛機租賃(上海)有限公司 CLC Rongtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing
國銀國天飛機租賃(上海)有限公司 CLC Guotian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 5 July 2013	100	100	RMB300,000	Aircraft leasing
國銀鴻天飛機租賃(上海)有限公司 CLC Hongtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 3 July 2013	100	100	RMB300,000	Aircraft leasing
國銀陽天飛機租賃(上海)有限公司 CLC Yangtian Aircraft Leasing (Shanghai) Co., Ltd.*	PRC 3 July 2013	100	100	RMB300,000	Aircraft leasing
國銀航熙飛機租賃(天津)有限公司 CLC Hangxi Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 22 July 2013	100	100	RMB500,000	Aircraft leasing
國銀航軒飛機租賃(天津)有限公司 CLC Hangxuan Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航暉飛機租賃(天津)有限公司 CLC Hanghui Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 3 July 2013	100	100	RMB500,000	Aircraft leasing

22 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Paid-up issued/ registered capital	Principal activities
國銀航宇飛機租賃(天津)有限公司 CLC Hangyu Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航進飛機租賃(天津)有限公司 CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航凱飛機租賃(天津)有限公司 CLC Hangkai Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航辰飛機租賃(天津)有限公司 CLC Hangchen Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 3 July 2013	100	100	RMB500,000	Aircraft leasing
國銀航雲飛機租賃(天津)有限公司 CLC Hangyun Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航皓飛機租賃(天津)有限公司 CLC Hanghao Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航傑飛機租賃(天津)有限公司 CLC Hangjie Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 August 2013	100	100	RMB500,000	Aircraft leasing
國銀航博飛機租賃(天津)有限公司 CLC Hangbo Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航川飛機租賃(天津)有限公司 CLC Hangchuan Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航坤飛機租賃(天津)有限公司 CLC Hangkun Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航隆飛機租賃(天津)有限公司 CLC Hanglong Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航慶飛機租賃(天津)有限公司 CLC Hangqing Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航鋭飛機租賃(天津)有限公司 CLC Hangrui Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航碩飛機租賃(天津)有限公司 CLC Hangshuo Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航祥飛機租賃(天津)有限公司 CLC Hangxiang Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 12 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航旭飛機租賃(天津)有限公司 CLC Hangxu Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航遠飛機租賃(天津)有限公司 CLC Hangyuan Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 11 November 2014	100	100	RMB500,000	Aircraft leasing
國銀航智飛機租賃(天津)有限公司 CLC Hangzhi Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航昌飛機租賃(天津)有限公司 CLC Hangchang Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航際飛機租賃(天津)有限公司 CLC Hangji Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航錦飛機租賃(天津)有限公司 CLC Hangjin Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing
國銀航鵬飛機租賃(天津)有限公司 CLC Hangpeng Aircraft Leasing (Tianjin) Co., Ltd.*	PRC 13 July 2015	100	100	RMB500,000	Aircraft leasing

22 INVESTMENTS IN SUBSIDIARIES (Continued)

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

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

23 INVESTMENT PROPERTIES

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Cost		
At the beginning of the year	**413,014**	413,014
Additions	**647,739**	–
At the end of the year	**1,060,753**	413,014
Accumulated depreciation		
At the beginning of the year	**(56,426)**	(36,808)
Charge for the year	**(19,618)**	(19,618)
At the end of the year	**(76,044)**	(56,426)
Net carrying amount		
At the beginning of the year	**356,588**	376,206
At the end of the year	**984,709**	356,588

The Group recognised the operating lease income of approximately RMB14,987,000 and RMB12,681,000 from investment properties in the years of 2017 and 2016, respectively.

24 PROPERTY AND EQUIPMENT

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Equipment held for operating lease businesses	**48,691,900**	46,857,827
Property and equipment held for administrative purposes	**840,381**	486,227
Total	**49,532,281**	47,344,054

24 PROPERTY AND EQUIPMENT (Continued)

Equipment held for operating lease businesses

	Aircraft *RMB'000*	Vessels *RMB'000*	Special equipment *RMB'000*	Total *RMB'000*
Cost				
As at 1 January 2017	55,555,017	825,103	584,366	56,964,486
Additions	13,210,857	444,326	–	13,655,183
Disposals/written-off	(4,671,072)	–	(229,783)	(4,900,855)
Transferred to assets held-for sale	(2,966,200)	–	–	(2,966,200)
Foreign currency translation	(3,162,354)	–	–	(3,162,354)
Transferred to finance lease receivables	(411,565)	–	–	(411,565)
As at 31 December 2017	57,554,683	1,269,429	354,583	59,178,695
Accumulated depreciation				
As at 1 January 2017	(9,597,448)	(40,181)	(149,564)	(9,787,193)
Charge for the year	(2,551,264)	(56,081)	(48,432)	(2,655,777)
Eliminated on disposals/written-off	1,161,265	–	71,859	1,233,124
Transferred to assets held-for sale	224,736	–	–	224,736
Foreign currency translation	532,664	623	–	533,287
Transferred to finance lease receivables	206,051	–	–	206,051
As at 31 December 2017	(10,023,996)	(95,639)	(126,137)	(10,245,772)
Accumulated impairment				
As at 1 January 2017	(319,466)	–	–	(319,466)
Additions	(61,346)	–	–	(61,346)
Disposals	77,769	–	–	77,769
Transferred to assets held-for sale	44,007	–	–	44,007
Foreign currency translation	18,013	–	–	18,013
As at 31 December 2017	(241,023)	–	–	(241,023)
Net carrying amount				
As at 1 January 2017	45,638,103	784,922	434,802	46,857,827
As at 31 December 2017	47,289,664	1,173,790	228,446	48,691,900

24 PROPERTY AND EQUIPMENT (Continued)

Equipment held for operating lease businesses (Continued)

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

The aircraft and vessels with net book value of approximately RMB25,080,572,000 and RMB32,045,323,000 of the Group were pledged as collateral for the Group's bank borrowings (Note 28) as at 31 December 2017 and 2016, respectively.

24 PROPERTY AND EQUIPMENT (Continued)

Property and equipment held for administrative purposes

	Buildings *RMB'000*	Computer and electronic equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost							
As at 1 January 2017	40,295	17,233	6,808	16,612	17,726	437,934	536,608
Additions	-	137	1,141	4,421	43	358,457	364,199
Disposals/written-off	-	(31)	(553)	(2,538)	-	-	(3,122)
Foreign currency translation	-	(8)	-	(446)	-	-	(454)
As at 31 December 2017	40,295	17,331	7,396	18,049	17,769	796,391	897,231
Accumulated depreciation							
As at 1 January 2017	(12,972)	(11,981)	(6,467)	(7,034)	(11,927)	-	(50,381)
Charge for the year	(1,778)	(2,249)	(163)	(1,323)	(1,768)	-	(7,281)
Eliminated on disposals/written-off	-	29	525	224	-	-	778
Foreign currency translation	-	7	-	27	-	-	34
As at 31 December 2017	(14,750)	(14,194)	(6,105)	(8,106)	(13,695)	-	(56,850)
Net carrying amount							
As at 1 January 2017	27,323	5,252	341	9,578	5,799	437,934	486,227
As at 31 December 2017	25,545	3,137	1,291	9,943	4,074	796,391	840,381

24 PROPERTY AND EQUIPMENT (Continued)

Property and equipment held for administrative purposes (Continued)

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

As at 31 December 2017, carrying values of property and equipment of the Group for which registration was not completed amounted to approximately RMB10,157,000(31 December 2016: RMB10,700,000). However, this registration process does not affect the rights of the Group to these assets.

Provision for impairment loss on the Group's plant and equipment of RMB241,023,000 as at 31 December 2017 (31 December 2016: RMB319,466,000), was included in accumulated impairment.

The impairment loss represents the write-down of the aircraft book value to recoverable amount. The recoverable amount was determined based on the management's best estimate of aircraft values from appraisers' valuation or value in use or estimated selling prices based on signed letter of intent to sell the aircraft. The estimated future cash flows of the aircraft were discounted to their present value using pre-tax discount rate to calculate the value in use. For the calculation of value in use, the weighted average discount rates is 5.1% for 2017 (2016:6.0%).

25 ASSETS HELD-FOR-SALE

In December 2017, the directors of the Group decided to sell ten aircraft which were originally acquired for operating lease business. There are several interested parties and the sales are expected to be completed in 2018.

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Aircraft	**2,697,457**	993,968

26 DEFERRED TAXATION

For presentation purpose, certain deferred tax assets and deferred tax liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Deferred tax assets		
– Deferred tax asset to be recovered after more than 12 months	**635,225**	542,293
– Deferred tax asset to be recovered within 12 months	**7,310**	48,753
	642,535	591,046
Deferred tax liabilities		
– Deferred tax liability to be recovered after more than 12 months	**(540,123)**	(428,408)
– Deferred tax liability to be recovered within 12 months	**–**	(13,248)
	(540,123)	(441,656)
	102,412	149,390

Deferred income tax liabilities of RMB78.32 million (2016: RMB78.19 million) have not been recognised for the taxable temporary differences arising from undistributed profit of foreign subsidiaries given that the timing of the reversal of the temporary difference is controlled by the Group and the directors of the Group are of the view that it is probable that the temporary differences will not be reversed in the foreseeable future.

26 DEFERRED TAXATION (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon in the years ended 31 December 2017 and 2016:

	Allowances for impairment losses	**Changes in fair value of derivatives**	**Changes in fair value of financial assets at fair value through profit and loss**	**Changes in fair value of available-for-sale financial assets**	**Deductible tax losses**	**Accelerated depreciation of operating lease assets**	**Deferred income**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
As at 1 January 2017	**450,818**	**41,514**	**(25,929)**	**(8,318)**	**6,229**	**(401,154)**	**85,277**	**953**	**149,390**
(Charge)/credit to profit or loss	**97,139**	**(954)**	**(15,913)**	**-**	**12,777**	**(83,642)**	**(45,177)**	**(1,135)**	**(36,905)**
(Charge)/credit to other comprehensive income	**-**	**(21,980)**	**-**	**11,907**	**-**	**-**	**-**	**-**	**(10,073)**
As at 31 December 2017	**547,957**	**18,580**	**(41,842)**	**3,589**	**19,006**	**(484,796)**	**40,100**	**(182)**	**102,412**

	Allowances for impairment losses	Changes in fair value of derivatives	Changes in fair value of financial assets at fair value through profit and loss	Changes in fair value of available-for-sale financial assets	Deductible tax losses	Accelerated depreciation of operating lease assets	Deferred income	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2016	574,315	82,042	(5,300)	(9,360)	1,788	(273,263)	75,286	(9,316)	436,192
(Charge)/credit to profit or loss	(123,497)	14,973	(20,629)	–	4,441	(127,891)	9,991	10,269	(232,343)
(Charge)/credit to other comprehensive income	–	(55,501)	–	1,042	–	–	–	–	(54,459)
As at 31 December 2016	450,818	41,514	(25,929)	(8,318)	6,229	(401,154)	85,277	953	149,390

27 OTHER ASSETS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Other receivables	**746,928**	312,260
Deductible value-added tax	**639,926**	322,597
Land use rights	**420,354**	430,362
Prepaid expenses	**76,864**	7,730
Deposits for lease of business place	**12,060**	10,105
Interest receivable	**9,427**	6,837
Other intangible assets	**6,204**	11,448
Notes receivable	**4,378**	–
Prepaid corporate income tax	**–**	120,351
	1,916,141	1,221,690
Less: Allowances for impairment losses – other receivables	**(66,992)**	(66,943)
	1,849,149	1,154,747

Movements of allowances for impairment losses on other receivables during the year ended 31 December 2017 and 2016 are as follows:

	For the year ended 31 December	
	2017 RMB'000	2016 RMB'000
At the beginning of the year	**66,943**	2,802
Provision during the year	**49**	64,141
At the end of the year	**66,992**	66,943

27 OTHER ASSETS (Continued)

Other intangible assets:

	At 31 December 2017 ***RMB'000***	At 31 December 2016 *RMB'000*
Cost		
At the beginning of the year	**31,803**	26,673
Additions	**70**	5,130
Effect of foreign currency exchange differences	**(28)**	–
At the end of the year	**31,845**	31,803
Accumulated amortisation		
At the beginning of the year	**(20,355)**	(14,772)
Charge for the year	**(5,288)**	(5,583)
Effect of foreign currency exchange differences	**2**	–
At the end of the year	**(25,641)**	(20,355)
Carrying amount		
At the beginning of the year	**11,448**	11,901
At the end of the year	**6,204**	11,448

Land use rights:

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

28 BORROWINGS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Secured bank borrowings[1]	**16,050,090**	21,770,499
Unsecured bank borrowings	**100,195,015**	84,427,669
	116,245,105	106,198,168

	31 December 2017 RMB'000	31 December 2016 RMB'000
Carrying amount repayable:		
Within one year	**97,496,301**	79,422,013
More than one year, but not exceeding two years	**3,634,895**	7,830,785
More than two years, but not exceeding five years	**9,679,316**	8,097,282
More than five years	**5,434,593**	10,848,088
	116,245,105	106,198,168

(1) Secured bank borrowings

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Property and equipment	**25,080,572**	32,045,323
Prepayments	**425,997**	471,716
Finance lease receivables	**2,603,287**	3,741,990
Bank deposits	**519,121**	160,642
	28,628,977	36,419,671

28 BORROWINGS (Continued)

(1) Secured bank borrowings (Continued)

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Fixed-rate borrowings:		
Within one year	**78,974,840**	71,496,465
More than one year, but not exceeding five years	**2,694,504**	4,752,436
More than five years	**5,209,022**	2,811,426
	86,878,366	79,060,327

In addition, the Group has variable-rate borrowings which carry interest based on PBOC Rates, LIBOR or Shanghai Inter-bank Offered Rates ("SHIBOR").

The ranges of effective interest rates (which approximate to contractual interest rates) on the Group's borrowings are as follows:

	31 December 2017	31 December 2016
Effective interest rate:		
Fixed-rate borrowing	**1.32%–6.00%**	1.27%–5.45%
Floating-rate borrowing	**"LIBOR+0.15% to LIBOR+3.30% SHIBOR+0.79% PBOC Rate*90.00%"**	"LIBOR+0.15% to LIBOR+3.40% SHIBOR+0.45% to SHIBOR+0.50% PBOC Rate*90.00%"

29 ACCRUED STAFF COST

	31 December 2017 RMB'000	31 December 2016 RMB'000
Salaries, bonus and allowances	**141,776**	82,051
Social welfare and others	**18,730**	12,137
	160,506	94,188

30 NOTES PAYABLE

	31 December 2017 RMB'000	31 December 2016 RMB'000
Guaranteed unsecured notes	**22,344,343**	14,802,728
Unguaranteed unsecured notes	**9,982,370**	2,991,158
	32,326,713	17,793,886

Guaranteed unsecured notes:

Name	Principal amount USD'000	Issue price	Value date	Maturity date	Coupon rate
Guaranteed unsecured notes issued-due 2022(1)	1,000,000	99.22%	2012-12-4	2022-12-4	3.25%
Guaranteed unsecured notes issued-due 2019(2)	250,000	99.47%	2014-12-2	2019-12-2	3.25%
Guaranteed unsecured notes issued-due 2024(2)	400,000	99.09%	2014-12-2	2024-12-2	4.25%
Guaranteed unsecured notes issued-due 2020(7)	400,000	99.68%	2017-8-1	2020-8-1	2.63%
Guaranteed unsecured notes issued-due 2022(7)	600,000	99.51%	2017-8-1	2022-8-1	3.00%
Guaranteed unsecured notes issued-due 2023(8)	400,000	99.28%	2017-10-24	2023-4-24	3.00%
Guaranteed unsecured notes issued-due 2027(8)	400,000	99.27%	2017-10-24	2027-10-24	3.50%

30 NOTES PAYABLE (Continued)

Unguaranteed unsecured notes:

Name	Principal amount *RMB'000*	Issue price	Value date	Maturity date	Coupon rate
Unguaranteed unsecured notes issued-due 2019[3]	3,000,000	100.00%	2016-10-27	2019-10-27	3.00%
Unguaranteed unsecured notes issued-due 2018[4]	2,000,000	100.00%	2017-5-5	2018-5-5	4.25%
Unguaranteed unsecured notes issued-due 2020[5]	2,000,000	100.00%	2017-8-24	2020-8-24	4.55%
Unguaranteed unsecured notes issued-due 2018[6]	1,500,000	100.00%	2017-10-24	2018-10-24	4.50%
Unguaranteed unsecured notes issued-due 2020[6]	1,500,000	100.00%	2017-10-24	2020-10-24	4.65%

(1) As at 4 December 2012, an overseas subsidiary of the Group issued notes with principal amount of USD1,000,000,000 in Hong Kong. The notes were guaranteed by the Group's related party, the Hong Kong branch of China Development Bank, and the maturity dates for the note is 4 December 2022.

(2) As at 2 December 2014, an overseas subsidiary of the Group issued notes with principal amount of USD250,000,000 and USD400,000,000 in Hong Kong. The notes were provided redemption safeguard via keepwell and asset purchase deed by the Company and were guaranteed by another overseas subsidiary of the Group, CDB Aviation Lease Finance Designated Activity Company, and the maturity dates for the notes are 2 December 2019 and 2 December 2024 respectively.

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

(4) As at 5 May 2017, the Group issued notes with principal amount of RMB2,000,000,000 in PRC. The maturity date for the notes is 5 May 2018.

(5) As at 24 August 2017, the Group issued notes with principal amount of RMB2,000,000,000 in PRC. The maturity date for the notes is 24 August 2020.

(6) As at 24 October 2017, the Group issued two different notes with principal amount of RMB1,500,000,000 for each in PRC. The maturity date for these two notes are 24 October 2018 and 24 October 2020, separately.

(7) As at 1 August 2017, CDBL Funding 2, a Hong Kong subsidiary of the Group issued notes with principal amount of USD400,000,000 and USD600,000,000 in Hong Kong. The notes were provided redemption safeguard via keepwell and asset purchase deed by the Company and were guaranteed by another overseas subsidiary of the Group, CDB Aviation Lease Finance Designated Activity Company, and the maturity dates for the notes are 1 August 2020 and 1 August 2022, respectively.

(8) As at 24 October 2017, CDBL Funding 1, an Ireland subsidiary of the Group issued notes with principal amount of USD400,000,000 and USD400,000,000 in Hong Kong. The notes were provided redemption safeguard via keepwell and asset purchase deed by the Company and were guaranteed by another overseas subsidiary of the Group, CDB Aviation Lease Finance Designated Activity Company, and the maturity dates for the notes are 24 April 2023 and 24 October 2027, respectively.

31 OTHER LIABILITIES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Guaranteed deposits from lessees	**6,594,483**	6,759,285
Maintenance deposits from lessees	**2,115,297**	2,011,477
Account payables	**931,336**	1,064,712
Interest payable	**867,792**	600,782
Other payables	**683,320**	492,467
Payables of agency collection for sale of vessels	**203,179**	–
Deferred income	**123,896**	126,846
Receipt in advance for selling of aircraft	**112,564**	1,010,360
Other taxes payable	**65,547**	62,802
Management consulting fees payable	**58,970**	12,354
Project arrangement fee in advance	**23,486**	68,572
Accrued liabilities	**5,332**	5,332
	11,785,202	12,214,989

32 SHARE CAPITAL

	Share capital	
	2017 RMB'000	2016 RMB'000
At the beginning of the year	**12,642,380**	9,500,000
Addition	**–**	3,142,380
At the end of the year	**12,642,380**	12,642,380

On 11 July 2016, the Company issued 3,100,000,000 new ordinary shares at the issue price of HK$2 each by way of initial public offering. The gross proceeds amounted to HK$6.2 billion. On 29 July 2016, the Company announced that the Over-allotment Option was partially exercised in respect of an aggregate of 42,380,000 new ordinary shares with an additional proceeds of HK$84.76 million. After deducting the issuance cost, RMB3,142,380,000 and RMB2,143,903,000 were credited to share capital and capital reserve (Note 33), respectively.

33 CAPITAL RESERVE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
At the beginning of the year	**2,418,689**	274,786
Issue new ordinary shares	**–**	2,143,903
At the end of the year	**2,418,689**	2,418,689

34 HEDGING AND AVAILABLE-FOR-SALE REVALUATION RESERVE

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

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
At the beginning of the year	**(67,956)**	(356,504)
Fair value changes on derivatives	**116,354**	347,175
Fair value changes on available-for-sales financial assets	**(47,630)**	(4,168)
Income tax effects	**(10,073)**	(54,459)
At the end of the year	**(9,305)**	(67,956)

35 GENERAL RESERVES

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

Year ended 31 December 2017

	Opening	**Additions**	**Closing**
	RMB'000	***RMB'000***	***RMB'000***
Statutory reserve(1)	**173,608**	**214,192**	**387,800**
Reserve for general risk(2)	**2,491,660**	**308,710**	**2,800,370**
	2,665,268	**522,902**	**3,188,170**

Year ended 31 December 2016

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

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

(2) Prior to 1 July 2012, pursuant to the Financial Rules for Financial Enterprises-Implementation Guide (Caijin [2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company and the subsidiaries in the PRC are required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from 1 July 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No.20) issued by the MOF, the Company and the subsidiaries in the PRC are required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period.

36 RETAINED PROFITS

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
At the beginning of the year	**4,479,625**	3,424,908
Profit for the year	**2,130,963**	1,561,339
Appropriation to general reserves	**(522,902)**	(506,622)
Cash dividends	**(702,527)**	–
At the end of the year	**5,385,159**	4,479,625

37 DIVIDENDS

The dividends paid in 2017 is RMB702,527,000 (RMB0.556 per 10 ordinary shares, 2016:nil). A dividend in respect of the year ended 31 December 2017 of RMB0.7585 per 10 ordinary shares, amounting to a total dividend of RMB958,925,000, is to be proposed at the annual general meeting. These financial statements do not reflect this dividend payable.

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Interim dividend paid of RMB nil (2016: RMB nil) per 10 ordinary shares	**–**	–
Proposed final dividend of RMB0.7585 (2016: RMB0.556) per 10 ordinary shares	**958,925**	702,916
	958,925	702,916

38 CASH FLOW INFORMATION

Net debt reconciliation

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cash and cash equivalents	**15,002,792**	9,789,098
Liquid investments(i)	**1,857,927**	2,133,717
Notes payable – repayable within one year	**(4,557,493)**	(4,027,806)
Notes payable – repayable after one year	**(33,251,097)**	(16,692,019)
Net debt	**(20,947,871)**	(8,797,010)
Cash and liquid investments	**16,860,719**	11,922,815
Notes payable – guaranteed unsecured notes	**(11,023,468)**	(3,270,000)
Notes payable – unguaranteed unsecured notes	**(26,785,122)**	(17,449,825)
Net debt	**(20,947,871)**	(8,797,010)

	Other assets		Liabilities from financing activities		
	Cash/bank overdraft	**Liquid investments(i)**	**Notes payable due within 1 year**	**Notes payable due after 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at 1 January 2016	6,815,628	2,133,717	(389,742)	(16,418,087)	(7,858,484)
Cash flows	2,973,470	–	–	(3,000,000)	(26,530)
Foreign exchange adjustments	–	–	–	(641,996)	(641,996)
Interest expenses	–	–	(90,000)	(180,000)	(270,000)
Other non-cash movements	–	–	(3,548,064)	3,548,064	–
Net debt as at 31 December 2016	9,789,098	2,133,717	(4,027,806)	(16,692,019)	(8,797,010)
Cash flows	5,460,035	(339,440)	(198,300)	(15,261,560)	(10,339,265)
Foreign exchange adjustments	(246,342)	–	726,100	671,325	1,151,084
Interest expenses	–	–	(750,225)	(2,276,105)	(3,026,330)
Other non-cash movements	–	63,650	(307,262)	307,262	63,650
Net debt as at 31 December 2017	15,002,791	1,857,927	(4,557,493)	(33,251,097)	(20,947,871)

(i) Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

39 TRANSFERS OF FINANCIAL ASSETS

Repurchase agreements

As at 31 December 2017, the Group entered into repurchase agreements with certain counterparties to sell the Group's finance lease receivables with carrying amounts of approximately RMB3.88 billion (31 December 2016: RMB5.87 billion).

Sales and repurchase agreements are transactions in which the Group sells a finance lease receivables and simultaneously agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group are still exposed to substantially all the credit risks, market risks and rewards of these receivables sold. These receivables are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retain substantially all the risks and rewards of these receivables.

The proceeds from selling such receivables are presented as financial assets sold under repurchase agreements.

For all these arrangements, the counterparties have recourse to the transferred financial assets.

The following tables provide a summary of carrying amounts related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

	31 December 2017 **RMB'000**	31 December 2016 RMB'000
Carrying amount of transferred assets	**3,881,706**	5,870,738
Carrying amount of associated liabilities	**(2,030,000)**	(3,136,000)
Net position	**1,851,706**	2,734,738

40 CASH AND CASH EQUIVALENTS

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

	31 December 2017 **RMB'000**	31 December 2016 RMB'000
Cash on hand	**34**	56
Cash in central banks	**54,300**	19,779
Cash in banks	**14,948,457**	8,669,263
Placement to banks and other financial institutions	**–**	1,100,000
	15,002,791	9,789,098

41 CONTINGENT LIABILITIES

As at 31 December 2017 and 2016, 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.

42 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:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Acquisition of equipment held for operating lease businesses	**71,436,057**	38,552,402
Acquisition of property and equipment held for administrative purposes	**149**	534,287
Total	**71,436,206**	39,086,689

43 FINANCE LEASE COMMITMENTS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Finance lease commitments	**7,790,322**	1,600,000

Finance lease commitments are in relation to finance leases contracts signed by the Group as lessor are not yet effective as at 31 December 2017 and 2016.

44 OPERATING LEASE COMMITMENTS

44.1 The Group as lessee

Operating lease payments represent rentals payable by the Group for certain of its office properties and aircraft. Operating leases relate to leases of land with lease terms of between 1 and 5 years. The Group does not have an option to purchase the leased land at the expiry of the lease periods.

44.1.1 Non-cancellable operating leases commitment

At 31 December 2017 and 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Within one year	**83,997**	122,537
In the second to fifth years inclusive	**253,963**	359,872
Over five years	**–**	22,018
Total	**337,960**	504,427

44.2 The Group as lessor

44.2.1 Leasing arrangements

Operating leases relate to the investment properties owned by the Group with lease terms of between 1 to 10 years, and the aircraft, special equipment and electronic equipment owned by the Group with lease terms of between 1 to 12 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the leased asset at the expiry of the lease period.

44.2.2 Non-cancellable operating leases receivable

At 31 December 2017 and 2016, the Group is entitled to receive the minimum cash lease rentals under non-cancellable operating lease which fall due as follows:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Within one year	**6,517,045**	6,085,641
In the second to fifth years inclusive	**18,199,004**	18,108,437
Over five years	**11,196,403**	8,978,612
Total	**35,912,452**	33,172,690

45 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

45.1 Directors' and chief executive's emoluments

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

For the year ended 31 December 2017

Name	Director fee *RMB'000*	Salary and allowances *RMB'000*	Employer's contribution to pension schemes *RMB'000*	Bonuses *RMB'000*	Total(viii) *RMB'000*
Executive Directors:					
Wang Xuedong(i)	–	1,105	56	894	2,055
Fan Xun(ii)	–	875	42	689	1,606
Huang Min(ii)	–	960	49	709	1,718
Non-executive Directors:					
Liu Hui(iii)	–	–	–	–	–
Li Yingbao(iii)	–	–	–	–	–
Geng Tiejun(vii)	–	–	–	–	–
Independent non-executive Directors:					
Zheng Xueding(iv)	330	–	–	–	330
Xu Jin(iv)	330	–	–	–	330
Zhang Xianchu(iv)	330	–	–	–	330
Supervisors:					
Zhuang Ganlang	–	656	43	213	912
Huang Xuemei(v)	–	834	52	711	1,597
Jiang Daozhen(v)	–	1,064	51	858	1,973
Sun Zhikun(vi)	–	–	–	–	–
Lei Yanzheng	–	–	–	–	–
	990	5,494	293	4,074	10,851

45 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

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

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

For the year ended 31 December 2016

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

45 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

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

(i) Wang Xuedong was appointed as executive director and CEO in October 2014 and approved by Shenzhen Office of CBRC in January 2015.

(ii) Fan Xun, the former CEO of the Company, and Huang Min were appointed as executive directors in September 2015. Fan Xun resigned in October 2017.

(iii) Liu Hui and Li Yingbao were appointed as non-executive directors in September 2015.

(iv) Zheng Xueding, Xu Jin and Zhang Xianchu were appointed as independent non-executive directors in June 2016.

(v) Huang Xuemei and Jiang Daozhen were appointed as supervisors in May 2015.

(vi) Sun Zhikun was appointed as supervisor in June 2015.

(vii) Geng Tiejun was appointed as non-executive director in April 2008.

(viii) The Company did not operate any share option scheme during the years of 2017 and 2016.

The bonuses are discretionary and determined with reference to the Group's and the individuals' performance.

During the years of 2017 and 2016, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

46 HIGHEST PAID INDIVIDUALS

None of the five individuals with the highest emoluments is the director of the Group for the year ended 31 December 2017(one for the year end 31 December 2016). Details of the emoluments of the five highest paid employees during the years of 2017 and 2016 are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Basic salaries and allowances	**22,343**	3,998
Bonuses	**2,601**	3,644
Employer's contribution to pension schemes	**767**	255
	25,711	7,897

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year of 2017 and 2016.

The emoluments of the five highest paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2017	2016
	No. of employees	*No. of employees*
Emolument bands		
– HKD1,500,001 to HKD2,000,000	**–**	4
– HKD2,000,001 to HKD2,500,000	**–**	1
– HKD4,000,001 to HKD4,500,000	**1**	–
– HKD4,500,001 to HKD5,000,000	**1**	–
– HKD5,000,001 to HKD5,500,000	**1**	–
– HKD6,000,001 to HKD6,500,000	**1**	–
– HKD10,000,001 to HKD10,500,000	**1**	–

47 RELATED PARTY TRANSACTION

47.1 Parent Company

As at 31 December 2017, China Development Bank directly owned 64.4% of the share capital of the Company.

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled by the PRC government.

The Group have the following balances and entered into the following transactions with China Development Bank in its ordinary course of business:

The Group had the following balances with China Development Bank:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Bank balances	**414,484**	135,375
Operating leases receivable	**748**	748
Available-for-sale financial assets	**266,573**	152,148
Interest receivable	**9,427**	4
Bank borrowings	**16,123,342**	20,903,535
Interest payable	**56,766**	63,647
Derivative financial liabilities	**46,913**	165,044

47 RELATED PARTY TRANSACTION (Continued)

47.1 Parent Company (Continued)

The Group entered into the following transactions with China Development Bank:

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest income	**687**	476
Interest expense	**564,395**	430,210
Guarantee fee expenses	**11,026**	15,608
Operating lease income	**3,266**	1,251
Lease expenses – fee and commission expenses	**29,826**	40,690
Net investment gains	**9,916**	123,850
Underwriting fees	**4,125**	2,600

The Hong Kong branch of the China Development Bank provided guarantee to the Group for notes described in Note 30.

47.2 Other related parties

47.2.1 China Development Bank Securities Co., Limited

The Group and China Development Bank Securities Co., Limited are both ultimately controlled by the China Development Bank.

The Group entered into the following transactions with China Development Bank Securities Co., Limited:

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Underwriting fees	**4,170**	2,200
Consulting fees	**–**	200
Service fees	**1,100**	–
	5,270	2,400

47 RELATED PARTY TRANSACTION (Continued)

47.2 Other related parties (Continued)

47.2.2 China Development Bank Capital Co., Limited

The Group and China Development Bank Capital Co., Limited are both ultimately controlled by the China Development Bank.

The Group had the following balances with China Development Bank Capital Co., Limited:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Accounts receivables	**7,298**	182,459

47.3 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers.

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Basic salaries and allowances	**9,681**	8,536
Bonuses	**6,876**	4,585
Employer's contribution to pension schemes	**484**	628
	17,041	13,749

47.4 Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: purchase, sale and leases of property and other assets; bank deposits and borrowings; purchase of bonds issued by other state-owned entities; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

48 SEGMENT REPORTING

Information reported to the chief operating decision maker (hereinafter refer to as the "CODM"), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of services provided by the Group, which is also consistent with the Group's basis of organisation, whereby the businesses are organised and managed separately as individual strategic business unit that serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors of the Company, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group's operating segments are as follows:

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

(b) Infrastructure leasing: mainly engaged in the leasing of transportation, urban and energy infrastructure;

(c) Vessel, commercial vehicle and construction machinery leasing: mainly engaged in the leasing of vessels, commercial vehicles and construction machinery; and

(d) Other leasing business: mainly engaged in the leasing of commercial property and manufacturing equipment in various sectors such as chemicals, papermaking, textile, coal and steel, strategic emerging industries, environmental protection industry, manufacturing sectors supported by national policies, wind power, nuclear power, photovoltaic and other industries etc..

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

Expenses and assets of the headquarters are allocated according to the proportion of each segment's net revenue (segment's revenue deducting depreciation expenses of equipment held for operating lease businesses). Liabilities of the headquarters are allocated according to the proportion of each segment's assets.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the years ended 31 December 2017 and 2016.

48 SEGMENT REPORTING (Continued)

The operating and reportable segment information provided to the CODM during the years ended 31 December 2017 and 2016 is as follows:

	Aircraft leasing *RMB'000*	Infrastructure leasing *RMB'000*	Vessel, commercial vehicle and construction machinery leasing *RMB'000*	Other leasing business *RMB'000*	Consolidated total *RMB'000*
For the year ended 31 December 2017					
Segment revenue and results					
Finance lease income	224,326	3,848,650	1,023,921	687,392	5,784,289
Operating lease income	5,756,496	104,183	138,863	16,459	6,016,001
Segment revenue	5,980,822	3,952,833	1,162,784	703,851	11,800,290
Segment other income, gains and losses	392,284	210,916	(110,113)	21,345	514,432
Segment revenue and other income	6,373,106	4,163,749	1,052,671	725,196	12,314,722
Segment expenses	(4,771,028)	(3,192,781)	(719,303)	(823,758)	(9,506,870)
Profit before impairment losses and income tax	1,723,439	1,598,671	153,828	244,832	3,720,770
Profit before income tax	1,602,078	970,968	333,368	(98,562)	2,807,852
As at 31 December 2017					
Segment assets and liabilities					
Segment assets	71,110,637	77,423,020	26,588,340	11,334,740	186,456,737
Deferred tax assets					642,535
Group's total assets					187,099,272
Segment liabilities	62,982,768	67,167,605	23,066,461	9,833,346	163,050,180
Deferred tax liabilities					540,123
Group's total liabilities					163,590,303
For the year ended 31 December 2017					
Other segment information					
Depreciation of investment properties	-	-	-	(19,618)	(19,618)
Depreciation of properties and equipment	(2,551,481)	(53,255)	(57,483)	(839)	(2,663,058)
Amortisation	(3,956)	(10,416)	(3,028)	(1,811)	(19,211)
Impairment losses	(121,361)	(627,703)	179,540	(343,394)	(912,918)

48 SEGMENT REPORTING (Continued)

	Aircraft leasing *RMB'000*	Infrastructure leasing *RMB'000*	Vessel, commercial vehicle and construction machinery leasing *RMB'000*	Other leasing business *RMB'000*	Consolidated total *RMB'000*
For the year ended 31 December 2016					
Segment revenue and results					
Finance lease income	227,127	3,314,994	1,004,276	817,430	5,363,827
Operating lease income	5,226,973	123,039	86,662	16,483	5,453,157
Segment revenue	5,454,100	3,438,033	1,090,938	833,913	10,816,984
Segment other income, gains and losses	442,398	97,152	25,338	58,933	623,821
Segment revenue and other income	5,896,498	3,535,185	1,116,276	892,846	11,440,805
Segment expenses	(4,537,418)	(2,031,296)	(1,323,824)	(1,480,536)	(9,373,074)
Profit before impairment losses and income tax	1,666,730	1,495,044	366,998	364,732	3,893,504
Profit before income tax	1,359,080	1,503,889	(207,548)	(587,690)	2,067,731
As at 31 December 2016					
Segment assets and liabilities					
Segment assets	62,606,259	68,676,635	20,246,133	14,392,076	165,921,103
Deferred tax assets					591,046
Group's total assets					166,512,149
Segment liabilities	54,247,638	59,507,552	17,543,053	12,470,576	143,768,819
Deferred tax liabilities					441,656
Group's total liabilities					144,210,475
For the year ended 31 December 2016					
Other segment information					
Depreciation of investment properties	–	–	–	(19,618)	(19,618)
Depreciation of properties and equipment	(2,280,326)	(96,246)	(40,181)	(1,731)	(2,418,484)
Amortisation	(19,384)	(12,275)	(3,805)	(2,959)	(38,423)
Impairment losses	(307,650)	8,845	(574,546)	(952,422)	(1,825,773)

48 SEGMENT REPORTING (Continued)

The customer, Airline Company A contributes 9.93% and 10.20% of the Group's revenue for the year ended 31 December 2017 and 2016, respectively.

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue are substantially derived from its operation in PRC.

49 FINANCIAL INSTRUMENTS

Categories of financial instruments

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Financial assets		
Cash and bank balances	**16,207,073**	9,336,415
Placement to banks and other financial institutions	**–**	1,100,000
Accounts receivable	**6,610,039**	6,841,777
Finance lease receivables	**98,880,563**	88,464,050
Other financial assets	**705,801**	262,259
Financial assets at fair value through profit and loss	**1,857,927**	2,133,717
Derivative financial assets	**27,728**	9,697
Available-for-sale financial assets	**279,573**	274,588
	124,568,704	108,422,503

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Financial liabilities		
Borrowings	**116,245,105**	106,198,168
Due to banks and other financial institutions	**–**	4,000,000
Financial assets sold under repurchase agreement	**2,030,000**	3,136,000
Notes payable	**32,326,713**	17,793,886
Other financial liabilities	**11,572,273**	11,990,561
Derivative financial liabilities	**69,125**	199,310
	162,243,216	143,317,925

50 FINANCIAL RISK MANAGEMENT

50.1 Overview of financial risk management

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and monitors the risks continuously. The major financial risks of the Group are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk. The Group's objective is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The major derivative financial instruments adopted by the Group are interest rate swaps and currency forwards. The objective for interest rate swap is to hedge against the cash flow volatility risk caused by interest rate fluctuations of borrowings; the objective for currency forwards contract is to hedge against the foreign exchange rate volatility risk caused by foreign currency risk exposure.

The board of directors of the Company established the Group's risk management strategy. The senior management established related risk management policies and procedures, for credit risk, foreign exchange risk, interest rate risk, liquidity risk, and the use of derivative and non-derivative financial instruments, according to the risk management strategy approved by the board.

50.2 Credit risk

Credit risk for the Group represents the risk that the counterparty fails to meet its contractual obligations at the due date. Credit risk is considered as one of the most significant risk to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from leasing business.

The Group establishes industry risk management framework and measurements which the Group will perform research by industry, implement credit evaluation, estimate the value on lease assets, monitor lessee business status and evaluate the impact from change in technology to lease assets, to strengthen the credit risk control and management.

50 FINANCIAL RISK MANAGEMENT (Continued)

50.2 Credit risk (Continued)

50.2.1 Credit risk measurement

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with which the Group has credit transactions. In addition, the Group monitors and controls the leases receivable regularly to mitigate the risk of significant exposures from non-performing assets.

Other financial assets of the Group include cash and bank balances, placement to banks and other financial institutions, derivative financial instruments, accounts receivable and other financial assets. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

50.2.3 Risk management and mitigation policies

The Group manages its credit risk through regular analysis of customer repayment abilities and other mitigation measures as below:

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most typical of these is the taking of collateral, margin deposits and guarantees by third parties. The Group provides guidelines on acceptable types of collateral, which mainly includes:

- Civil aircraft and engines
- Vessels
- Machinery and equipment
- Highway toll rights
- Land use rights
- Properties

50 FINANCIAL RISK MANAGEMENT (Continued)

50.2 Credit risk (Continued)

50.2.2 Risk management and mitigation policies (Continued)

Rental fees received in advance

Except for guaranteed deposits and maintenance deposits provided by lessees, the Group requires lessees to pay rental in advance for most of the aircraft leases.

50.2.3 Impairment and provisioning policies

The Group reviews the impairment assessment on a regular basis based on the principles set out in Note 3.1 "impairment loss for finance lease receivables, accounts receivable and other receivables."

Maximum exposure to credit risk before collateral held and other credit enhancement

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Financial assets		
Cash and bank balances	**16,207,039**	9,336,359
Placement to banks and other financial institutions	**–**	1,100,000
Financial assets at fair value through profit and loss	**1,857,927**	2,133,717
Derivative financial assets	**27,728**	9,697
Accounts receivable	**6,610,039**	6,841,777
Finance lease receivables	**98,880,563**	88,464,050
Available-for-sale financial assets	**266,573**	152,148
Other financial assets	**705,801**	262,259
	124,555,670	108,300,007

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2017 and 2016, respectively, without taking account of any collateral held or other credit enhancements attached.

50 FINANCIAL RISK MANAGEMENT (Continued)

50.2 Credit risk (Continued)

50.2.4 Finance lease receivables

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Neither overdue nor impaired	**100,267,375**	88,184,869
Overdue but not impaired(1)	**–**	1,085,305
Impaired(2)	**1,417,271**	1,589,943
	101,684,646	90,860,117
Less: Allowances for impairment losses.	**(2,804,083)**	(2,396,067)
	98,880,563	88,464,050

(1) Overdue but not impaired finance lease receivables

Overdue but not impaired finance lease receivables mainly includes receivables for the leases of transportation equipment, machineries, and construction machinery. Generally speaking, finance lease receivables which is overdue up to and including 90 days is not treated as impaired unless other observable evidence exists.

An analysis of overdue but not impaired finance lease receivables by overdue period is set out below:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Overdue within 30 days	**–**	781,053
Overdue 30 to 60 days	**–**	89,150
Overdue 60 to 90 days	**–**	213,441
Overdue above 90 days	**–**	1,661
Total	**–**	1,085,305

(2) Impaired finance lease receivables

The impaired finance lease receivables mainly includes receivables for the lease of transportation equipment, property, machineries and medical equipment. The Group performed individual assessments on those impaired lease receivables as at 31 December 2017 and 2016.

50 FINANCIAL RISK MANAGEMENT (Continued)

50.2 Credit risk (Continued)

50.2.5 Concentration risk of credit exposure

An analysis of finance lease receivables by industry is set out below:

	31 December 2017		31 December 2016	
	Amount		Amount	
	RMB'000	***100%***	*RMB'000*	*100%*
Aircraft leasing	**2,543,914**	**3%**	3,824,060	4%
Infrastructure leasing	**61,926,557**	**61%**	56,835,099	63%
Vessel, commercial vehicle and construction machinery leasing	**23,430,386**	**23%**	18,269,551	20%
Other leasing business	**13,783,789**	**13%**	11,931,407	13%
	101,684,646	**100%**	90,860,117	100%

50.2.6 Accounts receivable and other receivables

As at 31 December 2017 and 2016, the Group's accounts receivable and other receivables mainly consist of a large number of operating lease customers, other financial institutions and state-owned enterprises which spread across diverse industries and geographical areas, ongoing credit evaluation is performed on the financial condition of these receivables and allowance for impairment losses is provided when appropriate.

50.2.7 Bank balances and placement to banks and other financial institutions

The credit risk on bank balances and placement to banks and other financial institutions are limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

50.2.8 Financial assets at fair value through profit and loss

The credit risk on financial assets at fair value through profit and loss is limited because the assets management schemes mainly invest in debt securities with high credit ratings and listed in exchanges or Interbank Bond Market in the PRC.

The assets management schemes held by the Group were issued by the well-known assets management companies in the PRC. The corresponding asset managers have set up credit risk assessment system, including monitoring the credit ranking of the targets to manage the overall credit risk of the issuers. The assets managers also diversified their investment for the purpose of risk diversification, thereby the assets schemes held by the company did not expose to significant credit risk.

50 FINANCIAL RISK MANAGEMENT (Continued)

50.3 Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse movements in market prices (including interest rates and exchange rates).

50.3.1 Market risks measurement techniques

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would mature in a certain period or need to be repriced, and then using the exposure information to perform sensitivity analysis under changing market interest rate and exchange rate.

50.3.2 Currency risk

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

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. Most aircraft held under finance and operating leases that the Group has purchased are denominated in US dollars; and the corresponding finance lease receivables and operating leases receivable are denominated in US dollars; and the main sources of fund are from bank borrowings and bond issuance denominated in US dollar. Other than aircraft and vessel leasing, the Group's remaining leasing businesses are mostly denominated in RMB, which does not expose to significant currency risk. The exchange rate risk exposure primarily arises from the profits of some of the Group's overseas SPCs, which are denominated in foreign currencies.

In 2016, the Group designated certain currency forward contracts as a hedge of its net investment in oversea subsidiaries, which have USD as their functional currency. The Group's policy has been reviewed and, due to the increased volatility in USD, it was decided to hedge up to currency risk exposure that affect profit and loss. The Group utilises a rollover hedging strategy, using contracts with terms of up to 12 months. Upon the maturity of a forward contract, the Group may enter into a new contract designated as a separate hedging relationship.

50 FINANCIAL RISK MANAGEMENT (Continued)

50.3 Market risk (Continued)

50.3.2 Currency risk (Continued)

The following table details the forward foreign currency contracts outstanding at the end of the reporting period:

	Average exchange rate		Contractual amount	
Outstanding contracts	**2017**	2016	**2017**	2016
			RMB'000	*RMB'000*
Net Investment hedge				
Sell USD				
3 to 12 months	**6.7562**	6.6348	**–**	276,566

	Nominal value		Fair value assets (liabilities)	
Outstanding contracts	**2017**	2016	**2017**	2016
	USD'000	*USD'000*	***RMB'000***	*RMB'000*
Net Investment hedge				
Sell USD				
3 to 12 months	**–**	41,000	**–**	(16,424)

50 FINANCIAL RISK MANAGEMENT (Continued)

50.3 Market risk (Continued)

50.3.2 Currency risk (Continued)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is RMB:

	USD *RMB'000*	EUR *RMB'000*	Others *RMB'000*	Total *RMB'000*
31 December 2016				
Cash and bank balances	3,249,360	27,245	38,910	3,315,515
Finance lease receivables	381,398	–	–	381,398
Other financial assets	–	–	27	27
Total financial assets	3,630,758	27,245	38,937	3,696,940
Bank borrowings	27,017,580	–	–	27,017,580
Derivative financial liabilities	294,776	–	–	294,776
Other financial liabilities	58,261	–	–	58,261
Total financial liabilities	27,370,617	–	–	27,370,617
Net exposure	(23,739,859)	27,245	38,937	(23,673,677)

	USD ***RMB'000***	**EUR** ***RMB'000***	**Others** ***RMB'000***	**Total** ***RMB'000***
31 December 2017				
Cash and bank balances	**6,658,989**	**29,093**	**24,886**	**6,712,968**
Finance lease receivables	**243,243**	**–**	**–**	**243,243**
Other financial assets	**291,672**	**–**	**15,530**	**307,202**
Total financial assets	**7,193,904**	**29,093**	**40,416**	**7,263,413**
Bank borrowings	**14,246,463**	**–**	**–**	**14,246,463**
Derivative financial liabilities	**2,915**	**–**	**–**	**2,915**
Other financial liabilities	**248,129**	**–**	**263**	**248,392**
Total financial liabilities	**14,497,507**	**–**	**263**	**14,497,770**
Net exposure	**(7,303,603)**	**29,093**	**40,153**	**(7,234,357)**

50 FINANCIAL RISK MANAGEMENT (Continued)

50.3 Market risk (Continued)

50.3.2 Currency risk (Continued)

The following tables detail a breakdown of foreign currency financial assets and liabilities held by companies whose functional currency is US dollar:

	RMB *RMB'000*	EUR *RMB'000*	Others *RMB'000*	Total *RMB'000*
31 December 2016				
Cash and bank balances	132,882	2,736	109	135,727
Other financial assets	53	–	–	53
Total financial assets	132,935	2,736	109	135,780
Other financial liabilities	146,820	–	–	146,820
Total financial liabilities	146,820	–	–	146,820
Net exposure	(13,885)	2,736	109	(11,040)

	RMB ***RMB'000***	**EUR** ***RMB'000***	**Others** ***RMB'000***	**Total** ***RMB'000***
31 December 2017				
Cash and bank balances	663,971	7,086	1,959	673,016
Other financial assets	63,054	–	–	63,054
Total financial assets	727,025	7,086	1,959	736,070
Other financial liabilities	293,369	–	–	293,369
Total financial liabilities	293,369	–	–	293,369
Net exposure	433,656	7,086	1,959	442,701

50 FINANCIAL RISK MANAGEMENT (Continued)

50.3 Market risk (Continued)

50.3.2 Currency risk (Continued)

The following table indicates the potential effect on profit before tax and equity of a 5% appreciation or depreciation of all other currencies' spot and forward exchange rates against RMB, respectively.

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Profit before tax:		
5% appreciation	**279,777**	152,871
5% depreciation	**(279,777)**	(152,871)
Equity:		
5% appreciation	**399,889**	296,006
5% depreciation	**(399,889)**	(296,006)

50.3.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risks.

Interest margins may increase as a result of fluctuation in market interest rates, but may reduce or create losses in the event that unexpected movements arise. Therefore, the Group primarily manages the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities.

Most of our operating lease business receive fixed rate rents, while the bonds carry interest at fixed rates and the bank borrowings carry interest at floating rates. The Group hedges the cash flow volatility risk as the result of the interest rate fluctuation through the interest rate swap contracts, as cash flow hedges strategy. The Group switches the floating rate into fixed rate through interest rate swap contract to effectively match the future fixed rental income, and fix the interest spread.

The interest rate swaps settle at maturity. The floating rate on the interest rate swaps is London Inter Bank Offered Rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

50 FINANCIAL RISK MANAGEMENT (Continued)

50.3 Market risk (Continued)

50.3.3 Interest rate risk (Continued)

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts which are designated as cash flow hedges instruments outstanding as at 31 December, 2017 and 2016.

	Nominal principal value		Fair value assets/(liabilities)	
Outstanding receive floating pay fixed contracts	31 December		31 December	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash Flow Hedges:				
Later than one year and not later than two years	**1,188,062**	1,581,861	**(26,377)**	(29,883)
Later than two years and not later than five years	**4,332,773**	5,404,599	**20,282**	(100,651)
Later than five years	**2,171,383**	4,357,073	**(14,834)**	(42,655)
	7,692,218	11,343,533	**(20,929)**	(173,189)

50 FINANCIAL RISK MANAGEMENT (Continued)

50.3 Market risk (Continued)

50.3.3 Interest rate risk (Continued)

As at 31 December 2017 and 2016, the Group's assets and liabilities at carrying amounts, categorised by remaining maturity based on the earlier of contractual repricing or remaining maturity dates are as follows:

	Within 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Non-interest bearing *RMB'000*	Total *RMB'000*
31 December 2016						
Cash and bank balances	9,208,724	–	22,635	105,000	56	9,336,415
Placement to banks and other financial institutions	1,100,000	–	–	–	–	1,100,000
Financial assets at fair value through profit and loss	–	–	–	–	2,133,717	2,133,717
Derivative financial assets	–	–	–	–	9,697	9,697
Accounts receivable	6,498,998	–	–	–	342,779	6,841,777
Finance lease receivables	23,851,391	61,968,519	643,451	2,000,689	–	88,464,050
Available-for-sale financial assets	–	–	–	152,148	122,440	274,588
Other financial assets	–	–	–	–	262,259	262,259
Total financial assets	40,659,113	61,968,519	666,086	2,257,837	2,870,948	108,422,503
Bank borrowings	75,613,019	28,373,923	1,542,591	668,635	–	106,198,168
Due to banks and other financial institutions	4,000,000	–	–	–	–	4,000,000
Financial assets sold under repurchase agreement	–	626,000	2,510,000	–	–	3,136,000
Derivative financial liabilities	–	–	–	–	199,310	199,310
Notes payable	–	3,461,857	5,730,382	8,601,647	–	17,793,886
Other financial liabilities	22,120	61,343	352,323	769,738	10,785,037	11,990,561
Total financial liabilities	79,635,139	32,523,123	10,135,296	10,040,020	10,984,347	143,317,925
Interest rate gap	(38,976,026)	29,445,396	(9,469,210)	(7,782,183)	(8,113,399)	(34,895,422)

50 FINANCIAL RISK MANAGEMENT (Continued)

50.3 Market risk (Continued)

50.3.3 Interest rate risk (Continued)

	Within 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
31 December 2017						
Cash and bank balances	14,927,374	-	1,174,665	105,000	34	16,207,073
Financial assets at fair value through profit and loss	-	-	-	-	1,857,927	1,857,927
Derivative financial assets	-	-	-	-	27,728	27,728
Accounts receivable	6,139,110	-	-	-	470,929	6,610,039
Finance lease receivables	35,988,466	59,148,804	11,572	3,731,721	-	98,880,563
Available-for-sale financial assets	-	-	-	266,573	13,000	279,573
Other financial assets	-	4,378	-	-	701,423	705,801
Total financial assets	57,054,950	59,153,182	1,186,237	4,103,294	3,071,041	124,568,704
Bank borrowings	72,716,136	40,330,180	443,803	2,754,986	-	116,245,105
Financial assets sold under repurchase agreement	670,000	-	1,360,000	-	-	2,030,000
Derivative financial liabilities	-	-	-	-	69,125	69,125
Notes payable	-	3,498,095	21,077,697	7,750,921	-	32,326,713
Other financial liabilities	20,727	59,252	340,383	635,049	10,516,862	11,572,273
Total financial liabilities	73,406,863	43,887,527	23,221,883	11,140,956	10,585,987	162,243,216
Interest rate gap	(16,351,913)	15,265,655	(22,035,646)	(7,037,662)	(7,514,946)	(37,674,512)

50 FINANCIAL RISK MANAGEMENT (Continued)

50.3 Market risk (Continued)

50.3.3 Interest rate risk (Continued)

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's profit before tax and equity, based on the Group's positions of interest-generating assets, interest-bearing liabilities and interest rate swap contracts at the end of 31 December, 2017 and 2016.

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Profit before tax:		
+ 100 basis points	**(85,867)**	(230,620)
– 100 basis points	**85,867**	230,620
Equity:		
+ 100 basis points	**(64,775)**	(55,044)
– 100 basis points	**64,775**	55,044

50.4 Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management target is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the financial demand of leasing business investment.

The major payment demand of the Group is the repayments of matured bank borrowings and withdraw request from lessees under finance leases.

50.4.1 Liquidity risk management policy

The Group implement the following procedures to manage the liquidity:

(a) proactive management of the maturity profile of our assets and liabilities and maintaining appropriate liquidity provision for mitigating the liquidity risk; and

(b) obtaining diversified funding via multiple channels, thereby preserving sufficient funds to purchase assets and repay debt.

50 FINANCIAL RISK MANAGEMENT (Continued)

50.4 Liquidity risk (Continued)

50.4.2 Cash flow for non-derivative financial assets and liabilities

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities by remaining contractual maturities as at of 31 December, 2017 and 2016. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

	Indefinite/ Overdue/ On demand *RMB'000*	Within 1 month *RMB'000*	1 to 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
31 December 2016							
Cash and bank balances	8,342,780	900,989	–	–	22,715	105,368	9,371,852
Placement to banks and other financial institutions	–	1,100,495	–	–	–	–	1,100,495
Financial assets at fair value through profit and loss	2,133,717	–	–	–	–	–	2,133,717
Accounts receivable	12,132	–	410,688	795,123	4,875,842	2,874,820	8,968,605
Finance lease receivables	1,106,828	727,055	4,306,851	15,165,800	58,610,867	34,618,723	114,536,124
Available-for-sale financial assets	122,440	–	–	6,081	30,405	173,984	332,910
Other financial assets	–	6,839	–	23,375	232,045	–	262,259
Non-derivative financial assets total	11,717,897	2,735,378	4,717,539	15,990,379	63,771,874	37,772,895	136,705,962
Bank borrowings	–	8,514,013	33,606,646	38,506,355	18,653,201	12,585,673	111,865,888
Due to banks and other financial institutions	–	–	4,035,507	–	–	–	4,035,507
Financial assets sold under repurchase agreement	–	–	–	679,256	2,807,078	–	3,486,334
Notes payable	–	–	–	4,027,805	6,400,657	10,291,363	20,719,825
Other financial liabilities	600,782	9,393	1,531,981	1,143,217	3,004,461	6,336,475	12,626,309
Non-derivative financial liabilities total	600,782	8,523,406	39,174,134	44,356,633	30,865,397	29,213,511	152,733,863
Net position	11,117,115	(5,788,028)	(34,456,595)	(28,366,254)	32,906,477	8,559,384	(16,027,901)

50 FINANCIAL RISK MANAGEMENT (Continued)

50.4 Liquidity risk (Continued)

50.4.2 Cash flow for non-derivative financial assets and liabilities (Continued)

	Indefinite/ Overdue/ On demand *RMB'000*	Within 1 month *RMB'000*	1 to 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
31 December 2017							
Cash and bank balances	14,984,347	2,100,941	-	-	1,186,999	107,756	18,380,043
Placement to banks and other financial institutions	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss	1,857,927	-	-	-	-	-	1,857,927
Accounts receivable	12,132	-	603,846	465,648	5,105,873	2,121,920	8,309,419
Finance lease receivables	1,005,269	665,589	4,878,213	17,499,527	65,294,835	36,416,832	125,760,265
Available-for-sale financial assets	13,000	636	-	10,388	55,120	294,350	373,494
Other financial assets	-	-	-	25,864	746,928	-	772,792
Non-derivative financial assets total	17,872,675	2,767,166	5,482,059	18,001,427	72,389,755	38,940,858	155,453,940
Bank borrowings	656,337	19,541,289	30,116,385	50,237,880	15,944,251	6,419,954	122,916,096
Due to banks and other financial institutions	-	-	-	-	-	-	-
Financial assets sold under repurchase agreement	-	-	692,348	43,605	1,461,626	-	2,197,579
Notes payable	208,278	135,585	53,097	4,160,534	24,690,181	8,560,915	37,808,590
Other financial liabilities	3,178	8,734	26,956	2,484,521	2,437,234	6,235,099	11,195,722
Non-derivative financial liabilities total	867,793	19,685,608	30,888,786	56,926,540	44,533,292	21,215,968	174,117,987
Net position	17,004,882	(16,918,442)	(25,406,727)	(38,925,113)	27,856,463	17,724,890	(18,664,047)

50.4.3 Cash flow analysis for derivative financial instruments

The following table illustrates the details of the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves as at 31 December, 2017 and 2016 for exchange rate as well.

50 FINANCIAL RISK MANAGEMENT (Continued)

50.4 Liquidity risk (Continued)

50.4.3 Cash flow analysis for derivative financial instruments (Continued)

50.4.3.1 Derivative settled on a gross basis

	Within 1 months RMB'000	1 to 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2016						
Currency forwards						
Total inflows	–	–	276,566	–	–	276,566
Total outflows	–	–	(284,417)	–	–	(284,417)
Total	–	–	(7,851)	–	–	(7,851)

There were no any settlement for derivative financial instruments occurred in 2017.

50.4.3.2 Derivative settled on a net basis

	Within 1 months RMB'000	1 to 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2016						
Interest rate swap						
Derivative financial assets	–	23,050	618,734	205,427	132,905	980,116
Derivative financial liabilities	(2,316)	(40,530)	(687,825)	(267,103)	(124,054)	(1,121,828)
Total	(2,316)	(17,480)	(69,091)	(61,676)	8,851	(141,712)

	Within 1 months *RMB'000*	**1 to 3 months *RMB'000***	**3 months to 1 year *RMB'000***	**1 to 5 years *RMB'000***	**Over 5 years *RMB'000***	**Total *RMB'000***
31 December 2017						
Interest rate swap						
Derivative financial assets	**5,122**	**39,106**	**381,991**	**160,754**	**49,102**	**636,075**
Derivative financial liabilities	**(9,184)**	**(50,525)**	**(377,914)**	**(164,470)**	**(47,036)**	**(649,129)**
Total	**(4,062)**	**(11,419)**	**4,077**	**(3,716)**	**2,066**	**(13,054)**

51 CAPITAL MANAGEMENT

The Group's objectives of managing its capital, which adopts a broader concept than the equity as presented on the consolidated statements of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operates;
- to safeguard the Group's ability to continue as a going concern so as to provide returns for shareholders; and
- to maintain a strong capital base to support its business development.

Capital adequacy and the utilisation of regulatory capital are closely monitored by the management in accordance with the guidelines developed by the Basel Commission and relevant regulations promulgated by the CBRC. The Group files the required information to CBRC quarterly. As at 31 December 2017, the capital adequacy ratio is 14.10% (31 December 2016: 14.03%).

52 FAIR VALUE OF THE FINANCIAL INSTRUMENTS

52.1 Determination of fair value and valuation techniques

Some of the Group's financial assets and liabilities are measured at fair value or with fair value disclosed for financial reporting purposes. The board of directors of the Company has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial instruments with quoted prices for identical instruments is determined by the open market quotations. And those instruments are classified as level 1 which include available-for-sale financial assets – Bonds investment in active markets and as level 2, which include notes payable, financial assets at fair value through profit and loss, foreign currency forward contracts and interest rate swaps.

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

The valuation techniques used by the Group include the discounted cash flow model for cash and bank balances, borrowings, placement to banks and other financial institutions, accounts receivable, finance lease receivables, financial assets sold under repurchase agreement and certain derivatives (i.e. interest rate swap, forward contract etc.). The main parameters used in discounted cash flow model include recent transaction prices, relevant interest yield curves, foreign exchange rates, prepayment rates and counterparty credit spreads.

If those parameters used in valuation techniques for financial instruments held by the Group, which are substantially observable and obtainable from active open market, the instruments are classified as level 2.

For certain financial instruments including finance lease receivables, accounts receivable and borrowings, the fair value of which are determined based on discounted cash flow model by using the unobservable discount rates that reflect the credit spreads, those instruments are classified as level 3.

52 FAIR VALUE OF THE FINANCIAL INSTRUMENTS (Continued)

52.2 Financial instruments that are not measured at fair value

The table below summaries the carrying amounts and expected fair values with obvious variances of those financial instruments not presented at their fair values:

	Carrying amount		Fair value	
	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*	**As at 31 December 2017** *RMB'000*	As at 31 December 2016 *RMB'000*
Notes payable	**32,326,713**	17,793,886	**32,406,501**	17,806,832

Fair value hierarchy of note payable is Level 2 and its fair value is determined by the open market quotations.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statements of financial position approximate their fair values because these financial assets and liabilities are matured within one year or at floating interest rates.

52.3 Financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value as at 31 December, 2017 and 2016. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

52 FAIR VALUE OF THE FINANCIAL INSTRUMENTS (Continued)

52.3 Financial instruments that are measured at fair value on a recurring basis (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial assets/ financial liabilities	Fair value as at				Fair value hierarchy	Valuation technique(s) and key input(s)
		As at 31 December 2017 ***RMB'000***		As at 31 December 2016 *RMB'000*		
1) Available-for-sale financial assets – Bonds investment *(note 21)*	**Assets-**	**266,573**	Assets–	152,148	Level 1	Open market quotations
2) Financial assets at fair value through profit and loss *(note 16)*	**Assets-**	**1,857,927**	Assets–	2,133,717	Level 2	Based on the net asset values of the asset management schemes, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.
3) Foreign currency forward contracts *(note 17)*	**Assets-** **Liabilities-**	**-** **-**	Assets– Liabilities–	– (16,424)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contractual forward rates, discounted at a rate that reflects the credit risk of various counterparties.
4) Interest rate swaps *(note 17)*	**Assets-** **Liabilities-**	**27,728** **69,125**	Assets– Liabilities–	9,697 (182,886)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contractual interest rates, discounted at a rate that reflects the credit risk of various counterparties.

53 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
ASSETS		
Cash and bank balances	**9,046,718**	4,732,325
Placement to banks and other financial institutions	**–**	1,100,000
Financial assets at fair value through profit or loss	**1,857,927**	2,133,717
Accounts receivable	**6,161,223**	6,699,136
Finance lease receivables	**87,472,217**	78,508,810
Prepayments	**6,402,057**	6,080,385
Available-for-sale financial assets	**279,573**	274,588
Amounts due from subsidiaries	**17,391,858**	15,149,058
Investments in subsidiaries	**374,924**	48,227
Investment properties	**984,709**	356,588
Property and equipment	**1,058,463**	910,837
Deferred tax assets	**471,636**	396,087
Other assets	**3,775,559**	1,283,453
Total assets	**135,276,864**	117,673,211
Liabilities		
Borrowings	**94,948,494**	80,502,781
Due to banks and other financial institutions	**–**	4,000,000
Financial assets sold under repurchase agreements	**2,030,000**	3,136,000
Derivative financial liabilities	**2,915**	10,359
Accrued staff costs	**74,653**	72,747
Tax payable	**301,839**	–
Notes payable	**9,982,371**	2,991,159
Other payables	**7,948,900**	8,382,764
Total liabilities	**115,289,172**	99,095,810
Equity		
Share capital	**12,642,380**	12,642,380
Capital reserve	**2,418,689**	2,418,689
Hedging and available-for-sale revaluation reserve	**(11,916)**	17,185
General reserves	**3,149,450**	2,626,548
Retained profits	**1,789,089**	872,599
Total equity	**19,987,692**	18,577,401
Total liabilities and equity	**135,276,864**	117,673,211

The balance sheet of the Company was approved by the Board of Directors on 26 March, 2018 and was signed on its behalf:

WANG Xuedong PENG Zhong

53 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

	Capital reserve	Hedging and available-for-sale revaluation reserve	General reserve	Retained profit	Total Reserve
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	274,786	14,236	2,123,761	26,650	2,439,433
Profit for the year	–	–	–	1,348,736	1,348,736
Other comprehensive income for the year	–	2,949	–	–	2,949
Issued ordinary shares	2,143,903	–	–	–	2,143,903
Appropriation to general reserves	–	–	502,787	(502,787)	–
At 31 December 2016	2,418,689	17,185	2,626,548	872,599	5,935,021
At 1 January 2017	**2,418,689**	**17,185**	**2,626,548**	**872,599**	**5,935,021**
Profit for the year	**–**	**–**	**–**	**2,141,919**	**2,141,919**
Other comprehensive income for the year	**–**	**(29,101)**	**–**	**–**	**(29,101)**
Dividends paid	**–**	**–**	**–**	**(702,527)**	**(702,527)**
Appropriation to general reserves	**–**	**–**	**522,902**	**(522,902)**	**–**
At 31 December 2017	**2,418,689**	**(11,916)**	**3,149,450**	**1,789,089**	**7,345,312**

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國銀金融租賃股份有限公司
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